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The Daily Financial Servi

TOP THIFT FIRMS
— TABLES START ON P. 24

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VOL. CLII NO. 219 Friday, November 6, 198 152nd Year

Today

THRIFTS & MORTGAGES

Three East Coast thrifts, having established a beachhead in California, are eagerly awaiting a further shakeout in the financial services industry in that state. Each of the three is profiled. 6

Buyers have been scarce for thrift stocks since the market crash. 8

Industry turmoil over the past year has significantly reduced the growth in the number of active thrift holding companies, an *American Banker* survey finds. 9

Neworld Bank for Savings is restructuring its 23 branches into six regions, or "community banks." 12

INSIDE

Congressman Doug Barnard Jr. plans to introduce legislation calling for the creation of a federal agency to write real estate appraisal standards for commercial banks, thrifts, credit unions, and federal mortgage agencies. 2

James Tozer Jr., one of Marine Midland Bank's top five executives, will resign next month. 2

Bank of New York Co. told federal regulators that it wants to keep its effort to acquire Irving Bank Corp. "on a high plane" but will consider mounting a proxy fight to replace Irving's directors if they continue treating its $1.4 billion offer as hostile. 2

A proposed federal agency that would oversee a secondary market in farm real estate loans cleared an important hurdle as the Senate Agriculture Committee unanimously reported out a Farm Credit System rescue package. 2

Insurance companies have become ready sources of funds for private companies looking for fixed-rate loans. 3

Union National Corp. of Pittsburgh and Pennbancorp of Titusville, Pa., signed a definitive agreement to merge in what officials are calling a merger of equals. 36

COMMENT

Bankers frequently overlook the use of factoring as a financial tool in their quest to structure increasingly complex lending arrangements, writes Francis X. Basile. 4

KEEPING CURRENT

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Quote

In London, Paris, Tokyo, and Peoria, everything is down and on hold, and the capital formation machine is frozen. Why would you buy a new issue when you could get GE off 30%?

John G. Cornwell, senior analyst at Blunt Ellis & Loewi Inc., on the scarcity of buyers for thrift stocks. [Page 8]

Unquote

Some Rural Banks Burned by Bond Trading

Bad Gambles on Interest Rates Cited in 4 Failures and Several 'Near Misses'

By ANDREA BENNETT
Midwest Bureau

CHICAGO — When regulators closed a small rural bank in Wilmont, Minn., earlier this year, it was not just another agricultural bank failure.

The First National Bank of Wilmont's downfall came not from problem loans, but speculative bond trading. The $12.9 million-asset bank's capital was wiped out after the interest-rate spike in April battered the bond market.

And regulators say what happened to the Minnesota bank is not an isolated incident.

Some rural bankers, looking for ways to boost earnings and pressured by aggressive brokers, have turned from conservative investment strategies to gambling on interest rates. The result in some cases has been disaster.

Since May, the failure of four rural banks in Kansas and Minnesota has been attributed to speculative bond trading. Regulators in Iowa and Kansas say they have also had several "near misses" because of heavy securities losses.

Other failures could follow. "It wouldn't surprise me," said Michael Hatch, Minnesota commerce commissioner.

Rural banks are not the only ones to get burned by the tumble in bond prices. The $27.5 billion-asset First Bank System Inc. of Minneapolis recently announced that rising interest rates had led to an unrealized loss of $640 million on its $8 billion bond portfolio at Sept. 30.

But rural banks are especially attracted to the securities market because the long downward slide in earnings through most of the decade has made them scramble to get profit margins up again. Some banks found they could make more in the booming bond market than from agricultural loans.

First Bank System's Bond Troubles
Page 14

Bad: Page 30 ➞

A VIEW FROM OUTSIDE

MARTIN MAYER

Hostile Takeovers

I COULD BE WRONG — yes, truly, it has happened — but I've always felt that hostile takeovers in the banking business occur only when the regulators want them to occur.

If T. Boone Pickens wants to buy a pharmaceutical company to assure himself a supply of aspirin, he can have his lawyers do a little mumbo-jumbo with Hart-Scott-Rodino and the Williams Act, and go out and buy stock until the party of the second part cries uncle.

The scary look of the people who will jump on his bandwagon may even make it easier for him to convince reluctant targets that their best course is to roll over and enjoy it. And if it turns out he's made a mistake and picks up a company that ought to have been left lying there, he loses money and begins looking around for ways to cut his losses. *Tant pis,* as they say in France: that's capitalism.

But if Mr. Pickens wishes to buy a bank, he has to make a sale to bureaucrats. Worse, he must convince them that he is a good guy, and that this is a good deal not only for him and the proprietors of the acquired bank, but also for the bank's customers and for the Community in which this bank must Reinvest.

If need be, a regulator wishing to bar an acquisition still has the splendid excuse of the "potential competition" doctrine, which holds that a bank barred from acquisition can enter a market by starting a branch or subsidiary de novo, and thus that any acquisition could over time reduce service to the public. Moreover, the

View: Page 18 ➞

Regulator Clears Insurance Powers For Citibank Unit

By JED HOROWITZ

NEW YORK — The New York State Banking Board unanimously approved Citibank (New York State) NA's application to create a capital markets insurance corporation called CapMac Holdings Inc.

As previously reported, the unit will focus initially on selling guarantees to issuers of commercial paper and other corporate debt.

But insuring corporate securities is only a first step for CapMac, according to banking and insurance sources. Citicorp reportedly is seeking regulatory approval for CapMac to purchase a New York property and casualty company indirectly owned by H.F. Ahmanson & Co.

Citibank: Page 38 ➞

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LENDER'S CORNER

Bankers Continue to Overlook Factoring as a Financing Tool

By FRANCIS X. BASILE

WHEN ASKED to speak or write about factoring, industry executives frequently seem to seek a defensive position from which to begin. This reaction stems from what I perceive to be a general misunderstanding of our industry, the services we provide, and the client base we serve.

Unfortunately, this lack of understanding comes not only from the businesses unaccustomed to factoring, but also from the banking world at large. Bankers frequently overlook factors in their quest to structure increasingly complex lending arrangements, forgetting that factoring has often been the catalyst in making such potential transactions work.

Nevertheless, interest in factoring by the banking industry has a long, although sometimes tumultuous, history.

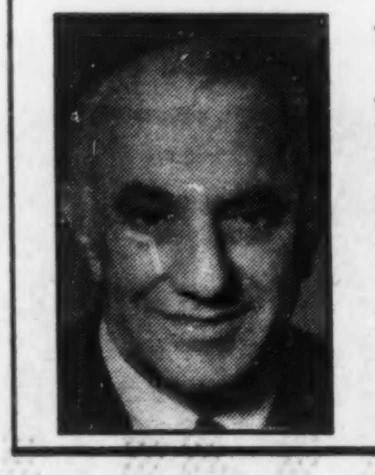
Banks first recognized the value of factors in the early 1900s, occasionally serving as referral sources to companies desiring the service. But a major milestone was reached in 1937 when the Bank of America began a factoring division followed two years later by what was then a small southern bank, Trust Company of Georgia.

In 1946, The First National Bank of Boston began its factoring unit, which along with Trust Company, continues to exert strong influence today.

The mid-1960s brought banking and factoring even closer. Over a period of six years, 16 major banks bought 18 independent factoring companies. One acquisition was the purchase by Manufacturers Hanover of Iselin Jefferson Financial Co., with which I was associated.

It is my general impression that bank officers thought they could build market share through rate cutting, aggressive credit policies, "professional" management, and cross-industry expansion.

For the most part, the banks did not achieve the desired effect.Rate cutting merely lowered margins, and some of the highly aggressive credit policies instituted to build market share resulted in writeoffs that caused some banks to rethink their position.



> **F**actors have an unparalleled ability to help a business grow to its potential — as well as provide assistance to troubled accounts — because of industry specialization and the discipline inherent in formula lending..
>
> — Francis X. Basile

By the 1980s several major banks left factoring, their former units consolidating with others. In 1981 there were 35 major factors. Today there are 23, of which 75% are owned by banks.

The large have become larger. The top five factoring organizations controlled more than 50% of the industry volume in 1986.

More important than the history is the state of factoring today and how factoring and banking industries can work together to develop, expand, and strengthen mutual interests.

To begin, perhaps a clarification of factoring might be in order. Factoring is really two separate businesses in one, breeding a major misconception. First and foremost, factoring remains a service industry providing an important link between our contract partner, or the client, and his customer.

It is from the customer that orders are placed with the client and credit evaluated and approved by the factor. Then the product is shipped by the client to the customer.

Accounts receivable bookkeeping, collection, and cash application rest with the factor. Of course, the services rendered, including the credit guarantee concept, are the cornerstone of the relationship, with the factor removing the potential of bad debts.

As data processing capabilities have increased, a myriad of management reports are generated out of the system for the client's use, allowing complete understanding of the receivables status at any time — but without the expense of in-house staff.

For these services the factor charges a commission. If lending is not involved, the commission becomes the only fee the client pays.

While contracts vary by industry, customer distribution, and the amount of paper handling involved, a typical charge for a client generating annual sales of $5 million runs about 1%, or $50,000 a year.

The second aspect of factoring is lending. In its most common form, the factor advances funds to its client against the receivables it has purchased, providing instant working capital and cash flow. This allows the client to control borrowing on an "as needed" basis.

As our clients' businesses have become more complex, so have our lending accommodations. In addition to advances against accounts receivable, factors provide clients with a complete menu of financial accommodations.

We provide advances for seasonal inventory buildups, letters of credit for importers, term financing for machinery or real estate expansion, and funding of foreign exchange purchases and export factoring.

In addition, factoring has become an important tool in leveraged buyouts, at times individually and at other times in participation with other forms of lending. It has provided funds, industry expertise, and the management tools to make transactions that could not have been structured otherwise.

The interest rates charged by reputable "old line" factors are competitive with other conventional lenders.

Today, even Wall Street uses factoring on occasion — or at least techniques that look suspiciously like it.

In 1985, Coca-Cola Co. and Salomon Brothers Inc. sold the receivables of Columbia Pictures to free $630 million tied to syndication sales. Coca-Cola was able to bypass traditional borrowing routes, save an estimated $5 million, and eliminate the expense of collections.

Recently, *The Wall Street Journal* reported a new twist to the practice of factoring. Mattel Inc., Michelin Tire Corp., and Union Carbide Corp. sold receivables to a third party that used them to back a securities offering. Union Carbide alone estimated after-tax savings of $1.25 million per year over other types of available financing.

This may not be the normal concept of factoring, but it is, surprisingly, quite similar. Some of you have probably been involved in factoring for years without knowing it. The popular credit card programs sponsored by the banking industry are factoring, although at the consumer level and at rates considerably above those of the traditional factoring community.

This brings up the future of factoring and the industry's ability to provide new or different services to an expanding client base. History and tradition have wedded factoring to the textile industry. But consolidations and change in domestic textiles indicate future growth is limited.

The expansion of factoring in recent years has been in the so-called retail area. This encompasses distribution from companies to the retailer or mass merchandiser, rather than the traditional manufacturer-to-manufacturer distribution from which factoring evolved.

Factoring apparel was a natural outgrowth of the domestic textile industry. Factoring has also received wide acceptance in home furnishings, footwear, furniture, and carpets and to a lesser extent in sporting goods, hardware, and frozen foods.

The rapidly expanding service economy in this country could be the next growth area for factoring. European counterparts have found ways to tailor their product to the needs of service businesses and have built substantial portfolios with good profit margins.

While we continue to look for additional areas of growth, it appears that substantial expansion can be achieved in our traditional areas. A study done a few years ago showed factoring had a penetration rate of less than 20% in the industries we supposedly "own."

Many of the industries recently penetrated by factors were first entered with the help of the banking community, which recognized a need for our expertise and introduced us as part of the transaction.

We continue to look for the opportunity to participate with banks in either structuring a transaction from the beginning or coming into an existing relationship to make the lender more comfortable and often more secure.

Factors have an unparalleled ability to help a business grow to its potential — as well as provide assistance to troubled accounts — because of industry specialization and the discipline inherent in formula lending.

Working with the banking community, we can provide excellent service and flexible financing programs from the simplest startup operation to the most complex leveraged buyout. This can result in relationships from which all can gain; the factor, the bank, and, most importantly, our clients. ■

Mr. Basile is president and chief executive officer of the CIT Group/Factoring, which is a subsidiary of Manufacturers Hanover Corp. He also is vice president of the National Commercial Finance Association.

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LETTERS TO THE EDITOR

FDIC Official Clarifies Small-Bank-Aid Policy

To the Editor:

Bob Sablatura's Oct. 7 report from Houston ["Investors Fault FDIC for Hindering Takeovers of Small Banks," p. 22] may have left the *American Banker* readers with the impression that the Federal Deposit Insurance Corp. employs a double standard under which only large banks are helped by our open-bank-assistance program. We would like to correct that misimpression.

All open-bank-assistance requests are subject to the approval qualifications set forth in section 13(c) of the Federal Deposit Insurance Act. Of the seven assistance agreements consummated this year, only two have involved banking systems larger than $100 million in assets — the $1.2 billion Syracuse Savings Bank and the 11 institutions of the $1.3 billion Banc-Texas Group Inc. The five remaining agreements involved banks ranging in size from $10.3 million to $28.3 million.

We also would like to correct the assertion that a bank that has been unsuccessful in obtaining assistance in acquiring a troubled bank is barred from bidding on that same bank if it eventually fails. The banker to whom this comment was attributed is misinformed. It is not and never has been the FDIC's policy to bar banks which have submitted assistance requests from bidding if they are otherwise qualified.

In many instances, banks that have requested FDIC assistance to acquire a failing bank are not considered either financially or managerially qualified to bid. Perhaps this fact has led some banks to believe they were not allowed to bid because they had requested assistance.

Alan J. Whitney
Director, Corporate Communications
Federal Deposit Insurance Corp.

Thrift Formation Rate Slows in '87

By L. MICHAEL CACACE

NEW YORK

THE TURMOIL in the thrift industry over the past year has reduced significantly the growth in the number of active thrift holding companies, an *American Banker* survey finds. Growth this year is a quarter of the growth rate for 1986 and one-eighth of the growth rate over the past five years.

The significant slowdown in the growth of thrift holding companies this year was attributable to the sizable number of unhealthy thrifts in the Oil and Farm belts — especially in Texas — and the resultant insolvency of the Federal Savings and Loan Insurance Corp. As a result of these factors, a large number of Texas thrift holding companies ceased operations, and diversified nonthrift companies were discouraged from entering the thrift industry.

Thrift Holding Company Tables
Page 24

These are some of the findings of the *American Banker's* annual survey of thrift holding companies. This study lists all 303 active holding companies geographically, and it ranks the top 50 thrift holding companies by their total assets on Dec. 31, 1986.

The number of active thrift holding companies rose from 293 on Dec. 31, 1986, to 303 as of October 1987. On an annual basis, the growth rate is only 4.1%. In 1986, thrift holding companies' growth was 15.4%, and over the five-year period of 1981-86, the number of thrift holding companies grew at an annual rate of 32.4% per year.

The survey finds that from September 1986 to October 1987, 23 new thrift holding companies were formed. Of the 23, one was Texas-based. Over the same period, 16 holding companies ceased operations. Of the 16, nine were located in Texas.

Of the 23 thrift holding companies formed since September 1986, only two are classified as diversified companies. A diversified thrift holding company is a company whose thrift-related activities constitute less than 50% of the company's consolidated net worth. As of October 1987, 36 of the 303 thrift holding companies, or 11.8%, were diversified companies. As of September 1986 — the date of the previous survey — diversified companies accounted for 12.1% of the holding company total.

Although holding company growth was dampened by market factors this year, analysts are bullish on the formation of new thrift holding companies in the near future. Analysts believe that the Federal Reserve Board will permit bank holding companies to acquire healthy FSLIC-insured thrifts. Currently, bank holding companies can only acquire FDIC-insured thrifts and ailing FSLIC-insured thrifts.

In addition, a sizable number of capital-rich stock thrifts in New England are in the process of forming holding companies to enable them to buy back some of their own stock. In addition, it will enable them to acquire another thrift, retain its name, and maintain customer identification with the acquired institution. ■

If she were your mother, would you suggest a high-risk investment for her savings?

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Big E Plots Growth In California Soil

➵ **Continued from Page 6**

tors to approve Empire's ambitious plans. These could be constrained under the higher capital standards being required of thrifts.

"If we're limited to growth within the regulatory requirements, we would not be able to double or triple our size within the next three or four years," concedes Mr. Carr.

Regulators also can help in other ways, he said.

"We would be hopeful that, if they make an attempt to dispose of some of the more troubled institutions [in California], that we be favorably looked at as a potential acquirer," he said.

Empire entered the state in 1984, when it purchased Woodland Hills-based Pacific Thrift and Loan Co. for $19.3 million in cash. Last year, with assistance from the Federal Savings and Loan Insurance Corp., it acquired San Francisco-based Atlas Savings and Loan Association and Windsor-based Golden Pacific Savings and Loan Association.

All three were merged to form Empire of America-California Federal Savings Bank. This thrift is now concentrating on strengthening its presence in Southern California, where 15 of its 19 offices are located.

Nevertheless, Mr. Carr said: "We will continue to look for opportunities in the San Francisco Bay area and along the coast down to San Diego."

Empire is using price as a means of obtaining market share. For example, its Visa card carries an interest rate of 13.75%. For a time, Empire's six-month and one-year certificates of deposit offered a 50-basis-point premium over rates offered by others. Pricing varies from market to market, Mr. Carr said.

Product diversification also is used to increase business and boost profitabili-

Big E: Page 10 ➵

Top 50 Thrift Holding Companies

Listed in Order of Their Total Assets on December 31, 1986

Compiled by American Banker Copyright 1987

Rank 12/86	Holding Company and its Type (a) Savings Institution Subsidiary (b)	Total Holding Company Assets 12/31/86	Total Holding Company Assets 12/31/85	Rank 12/85	Gain in Rank	Thrift Deposits Controlled 12/31/86	Thrift Deposits Controlled 12/31/85	1986 Net Income Parent Company	1986 Net Income Subsidiary	Savings Institutions Controlled
1	**Citicorp, New York (N)** Citicorp Savings of Illinois, FS&LA, Chicago	196,124,000,000	173,597,000,000	1		9,017,513,000	8,433,000,000	1,058,000,000	129,954,000	4
2	**Sears Roebuck & Co., Chicago (D)** Sears Savings Bank, Glendale, Calif.	65,995,000,000	66,416,900,000	2		5,054,268,000	4,944,112,000	1,351,000,000	7,056,781	1
3	**Ford Motor Co., Dearborn, Mich. (D)** First Nationwide Bank, FSB, San Francisco	37,933,000,000	31,603,600,000	3		11,114,355,000	8,797,922,000	3,285,000,000	104,183,000	1
4	**Financial Corp. of America, Los Angeles (N)** American Savings & Loan Assn., Stockton	33,952,994,000	27,374,935,000	4		16,929,388,000	17,405,425,000	95,369,000	N.A.	1
5	**Great Western Financial Corp., Beverly Hills (N)** Great Western Bank, FSB, Beverly Hills	27,630,183,000	25,471,349,000	6	+1	18,912,692,000	17,593,910,000	300,786,000	300,243,000	1
6	**H.F. Ahmanson & Co., Los Angeles (N)** Home Savings of America, FA, Los Angeles	27,592,294,000	27,228,612,000	5		21,774,759,000	19,422,004,000	303,604,000	323,369,000	1
7	**CalFed, Inc., Los Angeles (N)** California Fed. Savings & Loan Assn., Los Angeles	21,552,900,000	19,004,600,000	7		15,486,500,000	13,135,000,000	164,400,000	146,100,000	2
8	**GlenFed, Inc., Glendale, Calif.(N)** Glendale Federal Savings & Loan Assn.	18,045,936,000	16,387,444,000	8		463,082,000	11,660,817,000	109,669,000	109,669,000	1
9	**First Fidelity Bancorporation, Newark, N.J.(N)** Morris Savings Bank, Morristown	15,170,304,000	....	...		910,001,000	....	119,543,000	4,812,000	1
10	**Hartford National Corp., Conn. (N)** Provident Institution for Savings, Boston	13,879,294,000	....	...		1,079,937,000	....	114,000,000	N.A.	1
11	**Household International, Inc., Prospect Heights, Ill. (N)** Household Bank FSB, Newport Beach, Calif.	13,206,600,000	11,928,500,000	10		1,568,200,000	1,376,000,000	208,600,000	(11,900,000)	1
12	**Golden West Financial Corp., Oakland, Calif. (N)** World Savings & Loan Assn., FS&LA, Oakland	12,435,350,000	12,129,556,000	9		7,698,523,000	7,598,792,000	183,808,000	183,010,000	1
13	**Gibraltar Financial Corp., Beverly Hills (N)** Gibraltar Savings, Beverly Hills	12,248,615,000	9,862,209,000	11		6,001,205,000	6,400,521,000	56,347,000	57,962,000	2
14	**CityFed Financial Corp., Palm Beach, Fla.(N)** City Federal Savings Bank, Bedminster, N.J.	10,728,053,000	8,234,216,000	13		6,843,992,000	6,280,536,000	37,524,000	37,524,000	1
15	**Imperial Corp. of America, San Diego, Calif. (N)** Imperial Savings Assn., San Diego	9,597,240,000	8,046,970,000	14		6,063,147,000	6,075,229,000	50,340,000	49,422,000	2
16	**Franklin Savings Corp., Ottawa, Kansas (N,c)** Franklin Savings Assn., Ottawa	9,370,602,000	....	...		2,172,283,000	....	51,328,000	71,154,000	1
17	**American Financial Corp., Cincinnati (D)** Hunter Savings Assn., Cincinnati	8,050,000,000	7,100,000,000	15		932,500,000	707,000,000	178,650,000	14,703,000	1
18	**United Financial Group, Inc., Houston‡ (N,d)** United Savings Assn., Houston	6,464,869,000	4,989,028,000	16		3,101,427,000	2,826,636,000	(39,680,000)	(38,257,000)	1
19	**Commercial Federal Corp., Omaha, Neb. (N)** Commercial Federal Savings & Loan Assn. Omaha	5,764,350,000	2,874,891,000	28	+9	3,113,493,000	1,542,177,000	19,690,000	19,690,000	1
20	**Homestead Financial Corp., Burlingame, Calif. (N)** Homestead Savings, FS&LA, San Francisco	5,492,380,000	4,692,446,000	17		2,538,168,000	2,348,822,000	40,354,000	39,276,000	1
21	**American Capital Corp., Miami‡ (N,e)** TransOhio Savings Bank, Cleveland	5,099,789,000	3,289,461,000	23	+2	3,390,684,000	2,520,068,000	8,683,000	23,238,000	1
22	**People's Bank, Bridgeport, Conn. (N)** Guardian Federal Savings & Loan Assn., Bridgeport	4,986,307,000	4,231,883,000	19		4,397,410,000	3,846,908,000	45,668,000	(15,297,000)	1
23	**American Continental Corp., Phoenix, Ariz. (N)** Lincoln Savings & Loan Assn., Los Angeles	4,575,171,000	4,114,907,000	20		2,821,375,000	2,406,958,000	30,833,000	N.A.	1
24	**Financial Corp. of Santa Barbara, Calif. (N)** Santa Barbara Savings & Loan Assn.	4,557,952,000	3,133,211,000	25	+1	2,005,337,000	2,058,690,000	19,088,000	N.A.	1
25	**Gulf & Western, Inc., New York (D,f)** Associates Federal S&L Assn., San Ramon, Calif.	4,243,400,000	4,524,400,000	18		17,418,000	19,566,000	267,400,000	N.A.	1
26	**Pacific First Financial Corp., Tacoma, Wash. (N)** Pacific First Federal Savings Bank, Tacoma	4,097,364,000	3,359,893,000	22		2,096,648,000	1,886,036,000	23,469,000	23,384,000	1
27	**Old Stone Corp., Providence, R.I. (N)** Old Stone Bank FSB, Providence	3,876,453,000	3,704,633,000	21		2,690,056,000	2,611,215,000	29,051,000	29,088,000	2
28	**Western Capital Investment Corp., Denver (N)** Bank Western Federal Savings Bank, Denver	3,563,611,000	3,029,419,000	26		2,354,489,000	2,338,458,000	(7,169,000)	N.A.	1
29	**Seamen's Corp., New York (N)** Seamen's Bank for Savings, FSB, New York	3,315,777,000	....	...		2,418,300,000	....	26,757,000	26,954,000	1
30	**Puget Sound Bancorp, Tacoma, Wash. (N)** Savings Bank of Puget Sound FSB, Seattle	3,285,580,000	1,714,334,000	41	+11	615,883,000	....	37,153,000	14,813,000	1
31	**Citadel Holding Corp., Glendale, Calif. (N)** Fidelity Federal Savings & Loan Assn., Glendale	3,273,976,000	3,139,993,000	24		2,400,294,000	2,186,902,000	2,154,000	31,184,000	1
32	**Southmark Corp., Dallas (N)** San Jacinto Savings Assn., Houston	3,200,000,000	2,894,751,000	27		2,200,000,000	1,839,564,000	94,300,000	59,400,000	1
33	**Far West Financial Corp., Newport Beach, Calif. (N)** Far West Savings & Loan Assn., Newport Beach	3,030,281,000	2,425,985,000	31		2,119,008,000	1,731,537,000	23,158,000	N.A.	1
34	**Guarantee Financial Corp. of California, Fresno (N)** Guarantee Savings, FS&LA, Fresno	2,874,138,000	2,860,229,000	29		2,167,143,000	1,960,434,000	6,718,000	8,099,000	1
35	**First Columbia Financial Corp., Englewood, Colo. (N)** Columbia Savings, FS&LA, Englewood	2,696,460,000	2,444,381,000	30		1,650,905,000	1,795,826,000	(14,254,000)	(28,535,000)	1
36	**Citizens Savings Financial Corp., Miami (N)** Citizens Federal Savings & Loan Assn., Miami	2,577,078,529	2,009,407,727	36		1,903,637,622	1,363,983,406	11,331,802	N.A.	1
37	**Citizens Financial Group, Inc., Providence, R.I. (N)** Citizens Savings Bank FSB, Providence	2,539,499,000	1,865,165,000	38	+1	1,101,453,000	1,001,378,000	30,471,000	28,290,000	1
38	**Fortune Financial Group, Inc., Clearwater, Fla. (N)** Fortune Savings Bank, Clearwater	2,415,876,000	2,038,535,000	35		1,518,033,000	1,314,956,000	18,187,000	18,230,000	1
39	**St. Paul Bancorp, Inc., Chicago (N)** St. Paul Federal Bank for Savings, Chicago	2,395,382,000	....	...		2,077,714,000	....	20,060,000	20,060,000	1
40	**AmeriWest Financial Corp., Albuquerque, N.M. (N)** Albuquerque Federal Savings & Loan Assn.	2,279,914,000	1,933,438,000	37		1,312,500,000	1,253,717,000	3,468,000	3,296,000	1
41	**Diamond Financial Holdings Inc., Toledo, Ohio‡ (D,e)** Diamond Savings & Loan Co., Findlay	2,206,574,000	1,852,000,000	40		946,773,000	969,000,000	(3,504,000)	2,969,000	1
42	**Metropolitan Financial Corp., Fargo, N.D. (N)** Metropolitan Federal Bank FSB, Fargo	2,026,672,000	1,669,571,000	42		1,082,752,000	1,116,509,000	22,606,000	22,784,000	2
43	**Broadview Financial Corp., Cleveland (N)** Broadview Savings & Loan Co., Cleveland	1,895,621,000	2,101,388,000	34		1,238,848,000	1,673,798,000	(37,027,000)	(17,964,000)	1
44	**Silverado Financial Corp., Denver (N)** Silverado Banking, Savings & Loan Assn., Denver	1,837,332,000	....	...		1,350,217,000	....	15,408,000	15,567,000	1
45	**Peoples Federal Bancshares, Inc., Salina, Kan. (N)** Peoples Heritage Federal S&L Assn., Salina	1,828,886,000	1,543,082,000	44		999,624,000	926,525,000	N.A.	11,076,000	1
46	**First Financial Corp., Stevens Point, Wis. (N)** First Financial Savings Assn., Stevens Point	1,818,279,000	1,853,710,000	39		1,542,822,000	1,620,535,000	7,029,000	7,077,000	1
47	**Landmark Land Co., Inc., Carmel, Calif.‡ (N,f)** Dixie Savings & Loan Assn., New Orleans, La.	1,674,554,000	1,653,272,000	43		1,221,857,000	926,525,000	10,407,000	10,200,000	2
48	**Loyola Capital Corp., Baltimore (N)** Loyola Federal Savings & Loan Assn., Baltimore	1,592,508,000	....	...		1,305,436,000	....	N.A.	7,305,000	1
49	**Amoskeag Bank Shares, Inc., Manchester, N.H. (N)** Amoskeag Bank, Manchester	1,516,217,308	1,237,255,000	48		950,918,628	619,136,975	19,847,427	16,453,087	1
50	**Nafco Financial Group, Inc., Naples, Fla. (N)** Naples Federal Savings & Loan Assn.	1,410,890,000	1,242,933,000	47		1,140,566,000	969,186,000	2,942,000	N.A.	1

A Listing of Thrift Holding Companies in Operation on Dec. 31. 1986. **Thrift Holding Company** is a company controlling an insured savings and loan or savings bank. Control is defined as owning, controlling, holding with power to vote, or having control of proxies representing more than 25% of the voting shares of an insured insitution. Direct control means that there is only one holding company in the organizational structure of the company. Indirect control means that the holding company at the apex of the organization controls the thrift institution through one or more other holding companies. **Total Assets** are consolidated assets for the parent company and all its subsidiaries, whenever possible. However, some companies at the apex of an indirect holding company system do not report consolidated assets including their thrift subsidiaries. In these cases, the assets of a member of the indirect holding company system are used. **Thrift Deposits Controlled** are the total deposits of holding company's thrift subsidiary. For multiple thrift holding companies, coimbined total deposits for all of these subsidiaries are used, whenever possible. **Net Income:** income after taxes and loan loss provisions, but before extraordinary items is used. If a company has more than one thrift subsidiary, the combined net income for all of these institutions is used, whenever possible. **(a)— Types: D**—Diversified, **N**—Non-Diversified. **(b)**— If a holding company owns more than one savings institution, as indicated in the last column, the name of the largest institution is reported below the name of the company. **(‡)**— A middle-tier holding company in an indirect holding company system. **(c)**— Holding company data are for fiscal year ended June 30, 1987. **(d)**— MCO Holdings Federated Development Co., Houston, is at the apex of the holding company system. **(e)**— FGI Voting Trust, Miami, is at the apex of the holding company system. **(f)**— Holding company data for 1986 are for fiscal year ended Oct. 31, and for 1985 the data are for fiscal year ended July 31. Assets are for the company and its significant majority-owned affiliates other than its finance subsidiary. Associates First Capital Corp., the finance subsidiary and immediate parent of the thrift, had $9.27 billion in assets on 10/31/86 and net income of $176.6 million for the year ended 10/31/86. **(g)**— Dana Corp., Toledo, is at the apex of the holding company system. **(h)** — Landmark Subco, Inc., Wilmington, Del, is at the apex of the holding company system. **( )** — Indicates a net loss. **(N.A.)** — Not available.

Active Thrift Holding Companies

Listed Geographically by State, and Within State Alphabetically (Dollar Amounts in Thousands)

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Name of Holding Company	Type	Name of Subsidiaries	Charter Approved	Subsidiary Assets 12/31/86	Subsidiary Deposits 12/31/86	Subsidiary Net Worth 12/31/86
ALABAMA						
Collateral Investment Co., Birmingham	N	New South Federal Savings Bank, Irondale	2/12/86	187,714	158,908	15,641
ARIZONA						
AZP Group, Inc., Phoenix★	D	Merabank, FSB, Phoenix	12/8/86	6,275,474	3,905,887	497,147
American Continental Corp., Phoenix (*)	N	Lincoln S&LA, Los Angeles, Calif.	2/22/84	3,605,991	2,823,134	220,489
ARKANSAS						
Independence Corp., Batesville	N	Independence FS&LA, Batesville	7/13/83	346,193	327,446	7,436
Savers Inc., Little Rock	N	Savers FS&LA, Little Rock	8/21/86	936,286	827,845	(118,373)
CALIFORNIA						
American Pacesetter, Newport Beach	D	San Clemente S&LA	6/4/84	200,214	180,433	8,755
CalFed Inc., Los Angeles	N	California FS&LA, Los Angeles	12/16/83	20,510,245	15,474,693	1,067,784
California Housing Securities, Inc., San Jose	N	Saratoga S&LA, San Jose	9/5/84	157,834	140,317	11,670
Citadel Holding Corp., Glendale	N	Fidelety FS&LA, Glendale	12/13/83	3,294,905	2,406,569	161,711
Equitec Financial Group, Inc., Oakland	D	Equitec Savings Bank, Oakland	12/20/84	105,457	85,818	11,602
Far West Financial Corp., Newport Beach	N	Far West S&LA, Newport Beach	2/1/68	3,052,526	2,091,727	170,333
Financial Corp. of America, Los Angeles	N	American S&LA, Stockton	2/1/68	33,921,995	16,977,839	552,124
Financial Corp. of Santa Barbara	N	Santa Barbara S&LA	2/1/68	3,656,555	2,005,337	109,132
First Anaheim Corp.	N	United California Savings Bank, Anaheim	10/15/80	436,140	345,781	36,582
First Business Holdings, Los Angeles	N	Perpetual Savings Bank, Los Angeles	12/1/83	62,927	59,674	(1,245)
Gibraltar Financial Corp. of Calif., Beverly Hills (*)	N	(1) Gibraltar Savings, Beverly Hills (2) Gibraltar Savings of Washington, FA, Bellevue	2/1/68	11,340,955 878,930	5,727,043 274,162	558,826 54,145
GlenFed, Inc. Glendale	N	Glendale FS&LA	12/31/85	17,451,589	12,700,344	856,972
Golden West Financial Corp., Oakland	N	World S&LA, FS&LA, Oakland	10/15/75	12,515,718	7,698,530	748,565
Great Western Financial Corp., Beverly Hills	N	Great Western Bank, FSB, Beverly Hills	2/1/68	24,236,502	18,180,229	1,348,887
Guarantee Financial Corp. of Calif., Fresno	N	Guarantee Savings FS&LA, Fresno	1/1/73	2,895,979	2,171,427	137,117
H.F. Ahmanson & Co., Los Angeles (*)	N	Home Savings of America FA, Los Angeles	2/1/68	27,789,661	21,774,759	1,574,565
HF Holdings, Inc., Beverly Hills	N	(1) Honolulu FS&LA, Hawaii (2) Westcoast S&LA, Pacific Palisades	7/14/86	1,686,104 36,274	1,244,235 28,963	58,774 2,701
Hawthorne Financial Corp.	N	Hawthorne S&LA	2/1/68	745,696	681,048	46,614
Homestead Financial Corp., Burlingame	N	Homestead Savings FS&LA, San Francisco	2/1/68	5,402,082	2,538,838	204,848
Imperial Corp. of America, San Diego	N	(1) Imperial SA, San Diego (2) American Savings FS&LA, Wichita, Kan.	8/1/68	8,877,448 718,989	5,490,341 532,234	281,115 16,061
Irvine City Financial, Irvine	N	Irvine City S&LA	1/19/84	61,506	48,443	4,232
Meyer Financial Corp., La Habra	N	Cal America S&LA, Walnut Creek	4/1/83	327,749	335,041	(47,005)
Mola Development Corp., Huntington Beach	N	Charter Savings Bank, Huntington Beach	8/15/84	157,444	130,113	8,310
San Mateo Financial Corp., Pacifica	N	Great Pacific S&LA, Pacifica	8/10/83	146,969	134,967	5,451
Sequoia Bancorp., San Francisco	N	Sequoia Savings Bank FSB, San Francisco	8/9/85	24,980	21,140	3,136
South Bay Holdings Inc., Torrance	N	Torrance S&LA	7/19/85	45,731	41,047	3,192
Sterling Homes Corp., Irvine	D	Sterling S&LA, Irvine	2/27/84	112,036	70,470	11,284
Tahoe Financial Co., Inc., South Lake Tahoe	N	Tahoe S&LA, South Lake Tahoe	1/1/72	84,974	89,321	(8,661)
Transamerica Corp., San Francisco (*)	D	Transamerica S&LA, San Luis Obispo	11/23/84	18,821	12,462	6,302
US Community Bancorp, Encinitas	N	US Community Savings Bank, Encinitas	12/28/84	41,294	34,468	2,632
Union Federal Financial Corp., Los Angeles† ★	N	Union Federal S&LA, Los Angeles	6/25/87	1,516,440	1,079,133	130,816
United Family Financial Corp., Los Angeles (*)	N	Family S&LA, Los Angeles	12/28/72	143,520	115,606	4,217
Vesteq Financial Services, Inc., San Mateo	N	Equitable S&LA, Stanton	4/22/85	59,120	83,703	(29,676)
Westco Capital Corp., Wilmington	N	Westco Savings Bank FSB, Wilmington	12/12/84	172,684	156,124	6,717
Westport Corp., Hanford	N	Westport Savings Bank, Hanford	2/3/84	126,947	118,243	6,678
Winn Enterprises, Fullerton (*)	D	Mountainwest S&L, Ogden, Utah	6/1/83	356,229	285,343	13,368
COLORADO						
Colorado Federal Bancshares, Sterling★	N	Colorado Federal Savings Bank, Sterling	2/21/86	11,527	10,274	1,031
Farmers Realty Co., Brush	N	Equitable S&LA, Sterling	6/30/68	137,215	124,790	5,329
First Colorado Financial Corp., Colorado Springs	N	First FS&LA, Colorado Springs	6/26/86	277,242	211,650	16,563
First Columbia Financial Corp., Englewood	N	Columbia Savings FS&LA, Englewood	4/5/82	2,718,020	1,652,389	84,581
National Savings Bancorp of Colorado, Longmont	N	First America Savings Bank FSB, Longmont	4/8/85	89,371	57,497	3,779
Silverado Financial Corp., Denver	N	Silverado Banking, S&LA, Denver	6/27/86	1,820,382	1,350,217	87,692
Sunwood Corp., Parker	N	Sun S&LA, Loveland	8/30/78	227,433	171,939	13,487
Uniwest Financial Corp., Denver (*)	N	United Savings Bank of Wyoming FSB, Cheyenne	6/8/83	275,025	280,436	(8,317)
Western Capital Investment Corp., Denver	N	Bank Western Federal Savings Bank, Denver	11/28/84	3,508,319	2,365,452	267,749
CONNECTICUT						
CFS Corp., Westport	N	Columbia Federal Savings Bank, Westport	9/30/81	152,774	116,919	(1,770)
Eagle Financial Corp., Torrington★	N	First FS&LA, Torrington	12/12/86	178,829	165,860	10,554
FFB Corp., New Haven	N	First Federal Bank of Connecticut FSB, New Haven	5/21/86	1,398,058	1,059,600	215,904
Hartford National Corp., Conn.† ★	N	Provident Institution for Savings, Boston	2/86	1,461,162	1,070,011	103,365
Peoples Bank, Bridgeport	N	Guardian FS&LA, Bridgeport	12/17/82	38,459	35,626	2,367
Webster Financial Corp., Waterbury★	N	First FS&LA, Waterbury	10/31/86	528,800	414,838	62,935
DELAWARE						
Beneficial Corp., Wilmington	N	Beneficial Savings Bank FSB, Orlando, Fla.	3/13/85	47,448	41,414	3,807
First Texas Financial Corp., Wilmington (*)	N	(1) Gibraltar SA, Houston (2) First Texas SA, Dallas	4/26/73	4,663,691 3,708,862	3,398,075 2,862,685	557,001 302,222
Landmark Subco, Inc., Wilmington (*)	N	Dixie S&LA, New Orleans, La.	4/18/84	1,557,105	1,193,245	110,550
Tara Jill Trupin 1986-8 Trust, Dover (*)	N	Constitution FS&LA, Monterey Park, Calif.	5/30/85	93,604	79,214	3,052
DISTRICT OF COLUMBIA						
Acadia Mutual Life Insurance Co., Washington	N	Acadia Federal Savings Bank, Annandale, Va.	9/5/84	34,104	30,588	3,310
MIW Voting Trust, Washington (*)	D	Ameribanc Savings Bank, Annandale, Va.	9/29/84	804,286	617,906	39,917
FLORIDA						
Ambassador Financial Group, Inc., Tamarac	N	Ambassador S&LA, Tamarac	8/15/84	147,721	131,412	9,346
Atico Financial Corp., Miami	N	Atico Savings Bank, Miami	12/31/85	504,331	350,216	22,158
Charter Co., Jacksonville (*)	N	First Charter Savings Bank, St. George, Utah	4/11/84	168,841	74,724	5,996
Citizens & Builders Southern, Inc., Pensacola	N	Citizens & Builders FSB, Pensacola	12/31/85	112,180	91,704	7,634
Citizens Savings Financial Corp., Miami	N	Citizens FS&LA, Miami	2/1/68	2,599,102	1,904,050	195,691
CityFed Financial Corp., Palm Beach	N	City Federal Savings Bank, Bedminster, N.J.	11/21/84	10,449,020	7,096,781	334,829
FGI Voting Trust, Miami (*)	N	TransOhio Savings Bank, Cleveland	7/23/84	5,162,535	3,391,291	306,010
Ferrera, Fuentes, Pacheco, Torres, & Velasco, Miami	N	Interamerican FS&LA, Miami	1/19/84	101,761	87,891	4,706
Fortune Financial Group, Inc., Clearwater	D	Fortune Savings Bank, Clearwater	12/31/85	2,396,121	1,562,477	100,098
Hamilton Holding Co., Miami (*)	D	Ensign Bank, FSB, New York	8/30/83	1,508,618	1,052,804	54,841
Interbanc Financial Group, Inc., Ft. Lauderdale	N	Interbanc S&LA, Ft. Lauderdale	12/31/85	30,227	23,599	2,509
International Savings Holding Corp., Miami	N	International S&LA, Miami	12/1/82	89,692	77,103	4,349
J.E. Houston Financial Group, Inc., Ft. Lauderdale	N	South Florida Savings Bank, Miami	12/30/83	174,955	175,726	(3,564)
Miami Savings Corp.	N	Miami Savings Bank	9/21/84	182,083	178,232	776
Nafco Financial Group, Naples	N	Naples FS&LA	3/21/83	1,388,845	1,140,187	54,016
Peoples Holding Co., Ft. Walton Beach	N	People's Federal Savings Bank, Ft. Walton Beach	11/18/85	19,636	16,228	3,079
Professional Bancorp, Coral Gables	N	(1) Security FS&LA, South Miami (2) Professional Savings Bank, Coral Cables	4/16/85	381,219 200,310	331,773 178,660	14,549 14,473
Regional Investment Fund, Ltd., Tallahassee (*)	D	Andrew Jackson State S&LA, Tallahassee	10/31/84	132,957	101,166	8,964
Republic Savings Financial Corp., Jupiter	N	Republic S&LA, Jupiter	5/7/84	71,515	65,731	4,888
Southern Financial Holding Corp., Stuart	N	Central S&LA, Stuart	4/2/85	30,119	28,819	336
GEORGIA						
Bankers First Corp., Augusta	N	Bankers First FS&LA, Augusta	4/12/84	708,809	558,750	36,568
Eagle Bancshares, Inc., Tucker★	N	Tucker Federal S&L Assn.	1/16/86	302,351	192,262	21,081
First Liberty Financial Corp., Tucker	N	Liberty Savings Bank FSB, Macon	3/10/86	731,616	611,039	67,190
Fuqua Industries Inc., Atlanta	D	Georgia Federal Bank FSB, Atlanta	4/2/86	3,208,844	2,328,991	234,975
Habersham Financial Corp., Atlanta	N	Habersham Federal Savings Bank, Cornelia	11/19/84	61,617	49,842	2,712
Southeast Financial Corp. Holding Co., Atlanta (*)★	N	Home Federal S&L Assn., Atlanta	12/24/86	230,833	160,706	18,962
GUAM						
Trust of Joseph & Angela Flores, Agana	N	Guam S&LA, Agana	N.A.	29,820	23,249	4,135

Data are from the Federal Home Loan Bank Board and American Banker. **Type: D—Diversified.** A diversified holding company is a unitary holding company whose subsidiary insured institution and related activities constitute less than 50% of its consolidated net worth. **Type: N—Nondiversified.** A nondiversified holding company can be a unitary or multiple holding company. The operations of a nondiversified holding company are focused within the thrift industry and related activities. **Charter Approval**—The date FHLBB approved holding company charter, or date acquired. **Net Worth**—Regulatory net worth. **()**—Indicates negative regulatory net worth. **N.A.**—Not available. **(*)**—The company is at the apex of an indirect holding company network. **(★)**—"New" holding company, not on last year's listing. **(a)**—In last year's listing, First FS&LA of America was listed as the holdung company for First S&LA of America and New People's S&LA, Honolulu. **(†)**—Not on FHLBB list of holding companies.

Active Thrift Holding Companies

Listed Geographically by State, and Within State Alphabetically (Dollar Amounts in Thousands)

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Name of Holding Company	Type	Name of Subsidiaries	Charter Approved	Subsidiary Assets 12/31/86	Subsidiary Deposits 12/31/86	Subsidiary Net Worth 12/31/86
HAWAII						
FirstFed America Inc., Honolulu (a)	N	(1) First S&LA of America, Tamuning, Guam (2) First FS&LA of America, Honolulu (3) New People's S&LA, Honolulu	12/86	56,651 697,722 23,560	34,778 548,424 8,632	11,012 76,880 14,674
International Holding Capital Corp., Honolulu	N	International S&LA Ltd., Honolulu	1/2/85	503,551	345,908	19,401
ILLINOIS						
George Washington S&L, a Voting Trust, Oaklawn	N	George Washington S&LA, Oak Lawn	2/1/68	74,664	62,005	3,154
Great Northern Savings Corp., Chicago	N	Great Northern Savings, Mundelein	7/23/84	135,085	121,857	4,977
Household International, Inc., Prospect Heights (*)	N	Household Bank FSB, Newport Beach, Calif.	1/1/81	2,129,398	1,570,141	141,512
Lemont Holding Company, Inc. Northbrook	N	Lemont SA	8/30/85	135,785	98,746	11,106
Peoples Savings Corp., Chicago★	N	Peoples Bank for Savings, Streator	12/24/86	23,103	20,231	(127)
SZRL Investments, Chicago	N	Firstate S&LA, Orlando, Fla.	6/15/84	161,817	138,299	10,345
St. Paul Bancorp, Inc., Chicago★	N	St. Paul Federal Bank for Savings, Chicago	5/14/87	2,413,518	2,080,055	105,838
Sears Roebuck & CO., Chicago (*)	D	Sears Savings Bank, Glendale, Calif.	2/1/68	6,576,523	5,054,268	251,794
University Financial Corp., Chicago	N	University S&LA, Chicago	1/10/86	62,031	47,337	4,620
INDIANA						
First Indiana Corp., Indianapolis (a)★	N	First Indiana Federal Savings Bank, Indianapolis	11/25/86	926,611	628,817	45,629
Landmark Financial Corp., Indianapolis★	N	Landmark Savings Bank FSB, Indianapolis	11/25/86	28,647	26,121	1,612
Maddox Financial Inc., Hartford City	N	City Savings Bank, Hartford City	8/7/84	29,287	26,371	2,616
Regional Federal Bancorp, Inc., New Albany★	N	Regional Federal Savings Bank, New Albany	11/25/86	152,261	139,323	8,460
Union Holding Company Inc., Indianapolis	N	Union Federal Savings Bank, Indianapolis	9/7/84	707,148	501,058	69,567
KANSAS						
Fidelity Financial Corp., Wichita	N	Fidelity SA of Kansas, Wichita	12/31/85	296,846	172,220	11,688
First Kansas Holding Co., Beloit	N	First FS&LA, Beloit	1/29/82	82,910	89,596	(12,999)
First of Kansas Corp, Hays (*)	N	First of Kansas Banking & SA, Hays	5/7/83	58,912	53,899	1,380
Franklin Savings Corp., Ottawa (b)	N	Franklin SA, Ottawa, Kan.	5/20/76	3,904,849	1,998,569	294,783
Mid-America Financial Corp., Ellis	N	Golden Belt S&LA, Ellis	6/16/81	67,542	62,319	4,400
Overland Park Financial Corp.	N	Overland Park S&LA, FA	2/21/79	222,308	99,200	11,469
Peoples Federal Bancshares, Inc., Salina	N	People Heritage FS&LA, Salina	6/2/83	1,642,545	1,045,025	70,600
Peoples Financial Corp., Parsons	N	Peoples S&LA, Parsons	10/12/77	106,240	79,350	259
Pioneer Financial Corp., Prairie Village	N	Pioneer S&LA, McPherson	5/16/85	129,317	90,831	9,284
Rupp Financial Corp., Plainville	N	Rooks County SA, Plainville	5/22/83	46,216	41,170	1,015
Security Financial of Kansas, Inc., Medicine Lodge	N	Barber County S&LA, Medicine Lodge	3/7/86	56,014	48,879	2,117
TSA Financial Corp., Topeka	N	Topeka SA	11/8/78	115,412	103,383	(419)
Western Financial Corp., Emporia	N	Columbia SA, FA, Emporia	6/2/78	543,620	344,455	28,433
KENTUCKY						
Capital Holding Corp., Louisville (*)	N	First Deposit Savings Bank, Redding, Calif.	8/24/84	90,563	78,828	9,506
LOUISIANA						
Deposit Bancshares, Inc., Monroe	N	Deposit Trust Savings Bank, Monroe	2/28/85	122,643	102,596	5,143
First Louisiana Holding Co., Lafayette	N	First Louisiana FSB, Lafayette	3/8/85	133,817	117,294	4,466
MAINE						
The One Bancorp, Portland, Me.† ★	N	Maine Savings Bank, Portland	12/83	1,316,848	1,045,623	87,415
MARYLAND						
Loyola Capital Corp., Baltimore† ★	N	Loyola Federal Savings & Loan Assn., Baltimore	12/12/86	1,625,591	1,300,727	138,617
MASSACHUSETTS						
American Heritage Bancorp, Methuen	N	Home Federal Savings Bank, Worcester	5/21/86	278,483	228,306	20,165
Boston Bancorp† ★	N	South Boston Savings Bank, Boston	10/84	1,215,565	954,810	85,650
Massachusetts State Carpenters Pension Fund, Burlington★	N	First Trade Union Savings Bank, Boston	3/4/87	(c)	(c)	(c)
Neworld Bancorp, Inc., Boston† ★	N	Neworld Bank for Savings, Boston	4/20/87	1,207,119	1,047,616	118,470
Yankee Oil & Gas, Inc., Cohasset	D	Yankee Bank for Finance & Savings FSB, Boston	5/23/84	580,999	491,024	33,201
MICHIGAN						
Central Holding Co., Mount Clemens	N	Colonial Central Savings Bank FSB, Mount Clemens	4/2/84	338,671	257,871	14,449
First Federal of Michigan, Detroit (*)	N	(1) Omni Savings Bank FSB, Columbia, S.C. (2) Bay Savings Bank FSB, Newport News, Va.	3/3/83	200,619 631,763	62,090 234,889	9,497 19,784
Ford Motor Co., Dearborn (*)	D	First Nationwide Bank FSB, San Francisco	12/6/85	16,048,835	11,079,351	790,222
Northern Michigan Corp., Escanaba	N	Northern Michigan Savings Bank FSB, Escanaba	6/3/85	73,846	65,501	5,352
Primark Corp., Detroit (*)	D	Westmark Savings Bank, Newport Beach, Calif.	5/14/84	31,934	29,037	2,655
Selighan & Associates, Inc., Southfield	N	Sterling S&LA, Royal Oak	6/3/85	65,512	36,409	4,000
MINNESOTA						
American Investors Financial Corp., Minneapolis	N	Investors Savings Bank FSB, Minneapolis	5/25/84	181,983	160,978	12,020
Twin City FS&LA, Minneapolis (*)	N	TCF Banc SA, Houston, Tex.	6/23/83	336,418	282,353	15,974
Winstar Corp., Roseville	N	United Federal Savings Bank, Windom	7/6/84	145,440	122,184	6,422
MISSISSIPPI						
Allmiss Capital Corp., Jackson (d)	N	Eastover Bank for Savings, Jackson	8/22/86	519,106	441,751	36,792
Bailey Mortgage Co., Jackson (d)	N		8/22/86			
Congress Street Properties, Jackson (d)	N		8/22/86			
Parkway Co., Jackson (d)	N		8/22/86			
Mid-South Holding Co., Jackson	D	First Jackson Savings Bank FSB	4/25/83	76,370	60,544	3,383
New South Capital Corp., Batesville	N	New South Bank For Savings FSB, Batesville	12/31/85	20,109	17,454	875
Pine Belt Capital Corp., Hattisburg	N	Charter Bank FSB, Hattisburg	12/1/83	116,642	86,031	4,530
SFS Capital Corp., Gulfport	N	Southern Federal Bank for Savings, Gulfport	5/19/81	127,025	101,535	5,725
MISSOURI						
Bartlett Enterprises, Inc., Kansas City (*)	D	Brookside Savings Bank FSB, Kansas City	10/20/83	177,021	138,480	7,882
C&M Bancshares, Inc., Cameron★	N	Missouri Federal Savings Bank, Cameron	8/8/86	32,442	26,731	2,803
FSB Holding Co., Inc., Kansas City (*)★	N	First Savings Bank, FSB, Kansas City	12/31/85	27,588	23,518	766
Great Plains Financial Corp., Kansas City	N	Eureka FS&LA, Eureka, Kan.	5/12/86	252,104	213,818	11,774
ISC Financial Corp., Kansas City	N	Anchor SA, Kansas City, Kan.	9/26/73	773,309	590,340	24,140
Lambert Trust A of 5/16/73, Kansas City	D	First FS&LA, Manchester	5/16/73	98,630	62,403	6,743
Love Savings Holding Co., St. Louis	N	Heartland Savings Bank, FSB, St. Louis	12/31/85	211,300	131,245	7,996
NEBRASKA						
Berkshire Hathaway Inc., Omaha (*)	D	Mutual S&LA, Pasedena, Calif.	N.A.	342,977	282,529	54,763
Commercial Federal Corp., Omaha	N	Commercial FS&LA, Omaha	2/2/84	3,329,508	1,804,121	120,458
Security Holding Co., Lincoln	N	Security Federal Savings, Lincoln	5/8/85	26,680	20,081	2,256
United Financial Corp. (of Nebraska), Lincoln	N	Provident FSB, Lincoln	8/8/83	51,936	41,628	2,447
NEVADA						
First Western Financial Corp., Las Vegas	N	First Western SA, Las Vegas	2/1/68	1,211,290	880,486	60,399
Sierra Holding Co., Minden	N	Sierra S&LA, Minden	7/30/82	19,442	17,575	496
NEW HAMPSHIRE						
Amoskeag Bank Shares, Inc., Manchester† ★	N	Amoskeag Bank, Manchester	5/83	1,278,377	948,260	96,618
NFS Financial Corp., Nashua	N	Nashua FS&LA	7/14/86	410,437	310,149	53,464
New Hampshire Savings Bank Corp, Concord† ★	N	New Hampshire Savings Bank, Concord	12/82	792,101	587,628	52,667
Numerica Financial Corp., Manchester	N	(1) Numerica Savings Bank FSB, Manchester (2) Home Bank FSB, Laconia	10/2/85	684,008 218,624	495,465 164,912	50,004 18,386
NEW JERSEY						
Carteret Bancorp, Inc., Morristown★	N	Carteret Savings Bank, FA, Newark	6/30/87	5,645,847	4,121,361	306,608
Cenlar Capital Corp., Plainfield	N	Cenlar Federal Savings Bank, Pennington	5/4/84	509,888	325,545	22,362
First Fidelity Bancorporation, Newark† ★	N	Morris Savings Bank, Morristown	6/9/86	997,733,000	905,796,000	58,993,000
Howard Savings Bank, Livingston	N	Howard Federal Savings FA, Berlin	11/30/83	50,781	44,131	1,646
Raritan Valley Financial Corp., East Brunswick	N	Raritan Valley S&LA, East Brunswick	3/23/81	192,917	123,898	14,990
NEW MEXICO						
Ameri West Financial Corp., Albuquerque	N	Albuquerque FS&LA	9/16/83	2,009,826	1,300,720	68,712
American Holding Co., Albuquerque	N	American FS&LA, Albuquerque	1/30/84	225,514	173,681	2,816
First Southwest Financial Service, Inc., Albuquerque	N	Security FS&LA, Albuquerque	10/2/85	214,857	152,497	27,047
Public Service Co. of New Mexico, Albuquerque (*)	D	Republic Savings Bank FSB, Matteson, Ill.	8/30/85	312,639	236,009	39,945

Data are from the Federal Home Loan Bank Board and American Banker. **Type: D—Diversified.** A diversified holding company is a unitary holding company whose subsidiary insured institution and related activities constitute less than 50% of its consolidated net worth. **Type: N—Nondiversified.** A nondiversified holding company can be a unitary or multiple holding company. The operations of a nondiversified holding company are focused within the thrift industry and related activities. **Charter Approval**—The date FHLBB approved holding company charter, or date acquired, **Net Worth**—Regulatory net worth. **()**—Indicates negative regulatory net worth. **N.A.**—Not available. **(*)**—The company is at the apex of an indirect holding company network. **(★)**—"New" holding company, not on last year's listing. **(a)**—Somerset Group, Inc., Indianapolis, the thrift's largest shareholder, was listed as the holding company for First Indiana Federal in last year's listing. **(b)**—Formerly known as Franklin Financial Corp., Kansas City, Mo. **(c)**—Bank began operations 9/87. **(d)**—Each company owns equal shares in the thrift, and combined they own a controlling interest. **(†)**—Not on FHLBB list of holding companies.

Active Thrift Holding Companies

Listed Geographically by State, and Within State Alphabetically (Dollar Amounts in Thousands)

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Name of Holding Company	Type	Name of Subsidiaries	Charter Approved	Subsidiary Assets 12/31/86	Subsidiary Deposits 12/31/86	Subsidiary Net Worth 12/31/86
NEW YORK						
Citicorp, New York (*)	N	(1) Citicorp Svgs of Washington, D.C. FS&LA★ (2) Citicorp Svgs of Ill. FS&LA, Chicago (3) Citicorp Svgs FS&LA, San Francisco (4) Citicorp Svgs of Fla. FS&LA, Miami	8/13/82	1,051,354 5,527,563 4,978,642 2,947,940	711,689 3,640,424 3,072,518 1,592,882	81,180 1,694,935 907,337 984,948
CrossLand Savings FSB, Brooklyn (*)	N	(1) CrossLand Savings FSLA, Bradenton, Fla. (2) CrossLand Savings FSB, Gainesville, Fla. (3) CrossLand Savings FSB, Salt Lake City, Utah★	8/5/83	1,239,605 136,782 395,075	780,775 110,253 360,438	59,563 4,107 (24,876)
Empire of America FSB, Buffalo (*)	N	Empire of America FSB, DeLand, Fla.	7/30/82	2,754,245	2,220,364	174,035
First Investors Consolidated Corp., New York	D	First Financial S&LA, Burlington, N.J.	3/29/85	54,692	49,950	2,862
Goldome Savings Bank FSB, Buffalo (*)	N	Goldome SA, St. Petersburg, Fla.	6/9/83	1,806,692	1,355,106	64,120
Gotham Investors Corp., New York	N	White Horse S&LA, Trenton, N.J.	12/31/85	55,348	48,446	4,255
Gulf & Western Inc., New York (*)	D	Associates FS&LA, San Ramon, Calif.	6/1/83	21,966	17,418	2,238
ITT Corp., New York (*)	D	Newport-Balboa Savings, FA, Newport Beach, Calif.	5/19/83	339,548	196,245	23,774
Long Island Savings Bank FSB, Syosset	N	Long Island Savings Bank of Centereach FSB	8/11/83	3,214,344	2,240,330	233,126
Orion Capital Corp., New York (*)	D	Sentry S&L Assn., Stamford, Ct.	11/14/84	22,841	1,037	2,386
Republic New York Corp., New York†★	N	Williamsburgh Savings Bank, Brooklyn, N.Y.	4/30/87	2,330,027	2,215,194	50,127
Seamen's Corp., New York	N	Seamen's Bank for Savings FSB, New York	12/27/85	3,360,558	2,415,959	160,633
Security Capital Corp., New York	N	Benjamin Franklin SA, Houston, Tex.	10/1/81	1,937,982	1,706,616	73,569
NORTH CAROLINA						
FirstCorp, Inc., Raleigh (*)	N	(1) First FS&LA, Raleigh (2) First Security S&LA, Pinehurst (3) First FS&LA, Durham★	3/29/85	576,502 62,350 76,083	370,131 46,532 70,885	39,595 2,885 3,593
First Fincorp, Inc., Kingston ★	N	First Financial Savings Bank, Inc., Kingston	10/23/86	76,083	70,885	3,593
NORTH DAKOTA						
Metropolitan Financial Corp., Fargo★	N	(1) Metropolitan Federal Savings Bank, Moorhead, Minn. (2) Metropolitan Federal Bank, FSB, Fargo, N.D.	3/1/85	77,842 1,923,960	34,527 1,044,298	7,700 102,940
OHIO						
American Financial Corp., Cincinnati (*)	D	Hunter SA, Cincinnati	1/1/68	1,219,966	933,638	69,505
Baldwin-United Corp., Cincinnati	D	Empire SB&LA, Denver, Colo.	1/17/69	2,076,180	1,422,768	72,627
Broadview Financial Corp., Cleveland	N	Broadview S&L Co., Cleveland	2/2/73	1,881,530	1,238,847	9,043
Buckeye Financial Corp., Columbus (a)	N	Buckeye FS&LA, Columbus	10/1/80	1,335,893	913,812	44,281
CAMCO Financial Corp., Cambridge	N	(1) Cambridge S&LA (2) Marietta S&L Co.	10/29/71	117,593 67,552	101,793 56,588	5,476 2,924
CS Financial Corp., Cleveland	N	Cuyahoga SA, Cleveland	1/11/73	278,241	222,916	17,214
Charter Oak Financial Corp., Cincinnati★	N	Charter Oak Federal Savings Bank, Cincinnati	4/6/87	346,457	316,555	19,237
Dana Corp., Toledo (*)	D	Diamond S&L Co., Findlay	12/31/80	1,195,826	947,603	40,897
First Financial Group, Inc., Columbus	N	County Savings Bank, Newark	6/10/71	598,944	408,787	31,271
Great Northern Financial Corp., Barberton	N	Great Northern Savings Co., Barberton	9/13/85	287,415	238,314	15,159
Greater Ohio Corp., Findlay	N	C S L Savings Bank, Tiffin	1/1/70	141,854	118,873	4,286
Horizon Financial Services, Inc., Beachwood	N	Horizon S&L Co., Beachwood	8/7/86	194,702	161,773	20,400
Independent Share Corp, Euclid	N	Independent Savings Bank, Euclid	9/19/85	55,703	51,650	3,364
Liberty Capital, Inc., Hillsboro	N	Liberty Savings Bank FSB, Hillsboro	11/7/85	55,238	32,809	7,192
Marietta Franklin Securities Co., Columbus	N	Pioneer S&L Co., Marietta	1/1/68	15,233	13,290	1,574
Metropolitan Financial Corp., Shaker Heights	N	Metropolitan SA, Shaker Heights	9/5/72	91,221	79,014	7,117
Ohio Savings Financial Corp., Cleveland	N	Ohio Savings Bank, Cleveland	10/10/78	1,379,757	1,238,867	75,379
Security Savings Holding Co., Milford	N	Security SA, Milford	10/11/77	69,942	[illegible]	3,141
Zimmerman Holding Co., Cleveland	N	Superior SA, Cleveland	6/27/86	115,466	84,608	4,394
OKLAHOMA						
Amerihome Financial Co., Oklahoma City	N	American Home S&LA, Edmond	5/3/85	92,425	64,953	2,823
Home Savings Financial Corp., Lawton	N	Home Savings Bank FA, Lawton	8/16/84	259,638	229,582	6,726
Merok Financial Corp., Anadarko	N	American FS&LA, Anadarko	6/30/83	107,538	147,609	(60,243)
Midland Financial Corp., Oklahoma City	N	Mid-First S&LA, Oklahoma City	4/16/82	386,189	315,681	37,472
National Royalty Co., Tulsa	D	First Oklahoma Savings Bank FA, Tulsa	6/30/83	47,915	39,444	1,651
Phoenix Financial Corp., Muskogee	N	Phoenix FS&LA, Muskogee	11/28/83	496,815	379,483	7,462
Sooner FS&LA, Tulsa (*)	N	Texas Western FS&LA, Houston	10/20/82	106,028	79,368	5,252
OREGON						
Celco Enterprises, Inc., Eugene	N	Liberty S&LA, Medford	7/11/84	87,458	82,053	3,761
PENNSYLVANIA						
Atlantic Financial Federal, Philadelphia (*)	N	(1) Atlantic Fin'l SB FSB, San Francisco (2) Atlantic Fin'l Svgs, Las Vegas	3/8/85	360,395 74,575	245,180 67,959	36,553 5,524
Central Pennsylvania Financial Corp., Shamokin	N	Central Pennylvania SA, Shamokin	5/23/86	282,184	245,440	25,507
FNB Corp., Hermitage	D	Metropolitan Savings Bank, Youngstown, Ohio	12/27/85	207,217	189,896	12,673
Liberty Financial Group, Inc., Horsham† (b)	N	Liberty Savings Bank, Horsham	11/15/85	422,427	333,505	30,693
Meritor Savings Bank, Philadelphia (*)	N	(1) Meritor Savings Bank FSB, Arlington, Va. (2) Meritor Savings FA, Winter Haven, Fla.	4/26/85	846,917 765,432	530,040 706,640	218,802 27,120
Progress Financial Corp., Norristown	N	Progress Federal Savings Bank, Bridgeport, Pa.	8/19/86	226,800	191,015	15,274
York Financial Corp.	N	York FS&LA	5/27/86	631,626	541,057	30,368
RHODE ISLAND						
Citizens Financial Group, Inc., Providence	N	Citizens Savings Bank FSB, Providence	5/2/85	1,922,029	1,101,453	222,281
Old Stone Corp., Providence	N	(1) Old Stone Bank FSB, Providence (2) Old Stone Bank of N.C., FSB, High Point	12/27/85	3,512,277 295,103	2,511,973 261,151	268,152 24,475
SOUTH CAROLINA						
U.S. Shelter, Greenville	N	Malibu Savings Bank, Calif.	3/30/84	126,941	108,373	9,587
SOUTH DAKOTA						
Midwest R&S, Brookings	N	Home Trust S&LA, Vermillion	12/16/82	29,175	27,684	1,028
TENNESSEE						
Cumberland Savings Bancshares, Inc., Carthage★	N	Cumberland Savings Bank, Carthage	4/10/87	15,936	12,197	589
Fidelity Crossville Corp., Chattanooga	N	First Fidelity S&LA Inc., Crossville	12/13/84	39,396	37,299	1,618
Financial Fedcorp, Inc., Memphis	N	Financial Federal Savings Bank, Memphis	4/22/85	24,746	15,681	1,508
First City, Inc., Memphis	N	First City FSB, Memphis	6/5/86	12,522	8,902	2,816
Goodwin Southern Corp., Memphis★	N	Tennessee S&LA Inc., Cookeville	12/12/86	23,188	21,539	1,519
Hickory Investments, Inc., Hendersonville	N	Investor Federal Savings Bank, Nashville	5/13/77	72,929	55,618	2,764
Progressive Holding Corp., Inc., Jamestown	N	Progressive Savings Bank, Jamestown	1/8/85	37,737	35,389	1,439
Republic Holding Co., Memphis	N	Republic FS&LA, Loudon	4/10/85	15,334	12,292	1,074
TEXAS						
Academy Insurance Group, Inc., San Antonio	N	Armed Forces SA, San Antonio	10/24/83	71,501	68,751	2,375
American Century Corp., San Antonio	N	Commerce SA, Dallas	9/24/82	836,674	758,268	33,169
American Eagle Financial Corp., Lake Jackson	N	American S&LA of Brazoria, Lake Jackson	2/21/85	314,122	292,390	3,030
Ameriway Corp., Houston	N	Ameriway Savings, Houston	6/27/83	223,307	199,141	840
Aspen Financial, Inc., Dallas (c)	N	Aspen S&LA, Colo.	9/19/85	91,502	60,677	5,127
Austin Holdings Inc.	N	Austin SA	4/11/86	57,148	46,180	3,703
Bayview Holding Co., Portland	N	Bayview FSA, Corpus Christi	12/31/85	78,229	70,449	3,489
Cadwallader Financial Corp., San Antonio	N	First State SA, San Antonio	3/11/83	296,445	240,869	6,949
Carlyon Capital Corp., San Antonio	N	Mission SA, San Antonio	2/25/85	77,957	72,992	4,646
Caroline Hunt Trust Estate, Dallas	N	Southwest SA, Dallas	6/16/83	1,199,876	893,646	52,738
Central Plains, Inc., Plainview	N	Interwest SA, Ft. Worth	11/21/80	156,138	159,853	(16,714)
Colonial Financial Corp. Fort Worth	N	Colonial S&LA, Fort Worth	10/19/81	608,955	329,752	60,372
Commodore Financial Corp., Dallas (*)	N	Commodore SA, Dallas	5/9/83	815,853	1,005,888	(235,055)
El Paso Financial Corp.	N	Surety SA, El Paso	8/11/83	318,210	268,550	6,136
Entex, Inc., Houston	D	Universtiy SA, Houston	5/18/77	3,935,592	2,853,527	138,701
Fidelity Capital Corp., Irving	N	(1) Fidelty S&LA, Port Arthur (2) Fidelity Savings-Austin FA (3) Davey Crockett Federal Savings Bank, Crockett	5/18/84	240,666 53,971 49,308	216,967 43,947 43,556	6,073 3,685 3,120
First Financial Enterprises, Inc., El Paso	N	First Financial, SA of El Paso	9/29/80	342,648	274,275	2,696
First Franklin Financial, Inc., Austin	N	(1) CreditBanc SA, Austin (2) Franklin SA, Austin	5/13/83	667,936 630,251	612,144 497,210	6,798 359
Formation Security, Inc., Borger	N	First S&LA, Borger	12/15/83	81,467	62,696	2,177

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Active Thrift Holding Companies

Listed Geographically by State, and Within State Alphabetically (Dollar Amounts in Thousands)

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Name of Holding Company	Type	Name of Subsidiaries	Charter Approved	Subsidiary Assets 12/31/86	Subsidiary Deposits 12/31/86	Subsidiary Net Worth 12/31/86
TEXAS (Continued)						
Freedom Capital Corp., San Antonio (*)	N	Seguin SA	8/8/84	136,017	126,204	6,192
GC Services Corp., Houston (*)	D	Killeen S&LA	2/21/80	260,679	257,513	1,924
GTI, Inc., Bridge City	N	Golden Triangle S&LA, Bridge City	5/15/81	40,490	63,006	(27,616)
Graham Savings Financial Corp.	N	Graham S&LA	7/22/85	71,860	61,855	3,828
Great Southwestern Financial Corp., Houston	N	Guardian S&LA, Houston	4/26/83	2,589,666	1,540,136	103,321
Great West Bancshares, Inc., Dallas	N	Caprock S&LA, Lubbock	4/8/86	151,887	127,651	6,045
Greater Texas Financial Corp., Brownwood	N	Southern S&LA, Brownwood	6/25/81	190,123	140,232	(13,848)
Guadalupe Voting Agreement, Kerrville	N	Guadalupe S&LA, Kerrville	8/17/79	26,355	25,517	730
Hallmark Savings Group, Inc., Plano	N	New Braunfels S&LA	10/25/85	67,487	59,018	2,620
Hidalgo Investment Corp., Edinburg	N	Hidalgo S&LA, Edinburg	12/17/81	116,181	98,770	4,302
Hinton Mortgage & Investment Co., Dallas	N	BannerBanc SA, Garland	8/22/73	53,420	44,978	2,600
Home Financial Corp., Lufkin (*)	N	(1) Home S&LA, Lufkin (2) Southland SA, Longview	4/22/83	379,233 37,376	357,097 32,969	(6,811) 3,980
Interstate Federal Corp., Dallas	N	Valley FS&LA, Hutchinson, Kan.	7/11/85	223,179	178,428	10,185
L.S. Financial Corp., Austin	N	Great West Savings Banc, Austin	4/27/84	170,030	139,112	8,332
Lamar Financial Corp., Austin	N	(1) Lamar SA, Austin (2) City S&LA, San Angelo	7/31/80	1,994,725 784,774	1,892,664 824,100	(27,749) (73,844)
MCO Holdings Federated Development Co., Houston (*)	N	United SA, Houston	12/6/84	5,988,566	3,193,286	248,882
Mid-Central Financial Group, Inc., Odessa	N	Odessa SA	4/16/82	166,678	163,344	1,057
Midland Bancorp., Inc.	N	Petroplex SA, Midland	7/2/84	158,112	168,496	(15,307)
Murray Investment Co., Dallas (*)	N	Murray SA, Dallas	6/19/75	1,071,426	872,002	56,655
Nowlin Financial Corp., Ft. Worth	N	Nowlin SA, Ft. Worth	7/16/85	245,915	200,090	9,004
Panhandle Management Corp., Dumas	N	North Plains S&LA, Dumas	4/25/72	73,979	68,110	3,895
San Antonio Savings Assn., San Antonio★ (a)	N	San Antonio Federal Savings Bank, Weslaco	1/16/87	103,627	116,116	(15,690)
Savings Investment Co., Irving	N	Irving SA	12/3/80	61,754	84,930	(34,281)
Security Financial Corp., Austin	N	Capitol City SA, Austin	3/29/85	307,496	248,233	18,248
Shamrock Financial Group, Inc.	N	Shamrock Federal Savings Bank	8/21/84	104,046	86,459	3,694
Southmark Corp., Dallas (*)	N	San Jacinto SA, Houston	8/1/83	2,709,356	2,271,363	151,725
Southern Union Co., Dallas (*)	D	First Bankers Trust & SA, Midland	4/10/80	131,294	112,333	2,157
Spindletop SA Voting & Stock Restric A, Beaumont	N	Spindletop SA, Beaumont	3/24/86	299,416	286,573	249
Texana Capital Corp, Texarkana	N	Texana S&LA, Texarkana	11/18/81	78,323	72,582	3,161
Texas Security Investors, Inc., Dickinson	N	Security S&LA, Dickinson	7/20/81	114,580	110,332	3,248
Thrift Savings & Loan Holding Co., Andrews	N	Andrews S&LA	3/16/81	160,967	118,779	7,025
Titleshares, Inc., Houston	N	Village SA, Houston	7/20/85	146,503	136,994	681
USAA Fincancial Services, San Antonio	N	USAA Federal Savings Bank, San Antonio	12/28/83	344,699	281,793	57,368
W.S.C. Holding Co., Inc., Irving	N	First City SA, Irving	11/6/84	230,261	219,516	(2,511)
Western Gulf Financial Corp., Bay City	N	Western Gulf S&LA, Bay City	8/10/82	200,688	207,169	(32,949)
Windsor Financial Corp., Austin	N	Windsor SA, Austin	12/26/85	106,563	91,796	6,423
UTAH						
Prudential Financial Services Corp., Salt Lake City	N	Prudential FS&LA, Salt Lake City	2/3/83	809,779	455,767	51,239
VERMONT						
Eastern Bancorp Inc., Burlington	N	Vermont Federal Bank FSB, Burlington	7/25/86	334,088	236,364	22,759
VIRGINIA						
CFS Financial Corp., Fairfax	N	Continental Federal Savings Bank, Fairfax	4/29/85	981,237	826,073	60,368
Heritage Financial Corp., Richmond	N	Heritage S&LA, Richmond	2/1/68	674,663	569,359	9,803
WASHINGTON						
Continental, Inc., Seattle★	N	Continental Savings Bank, Seattle	6/12/86	94,345	34,942	11,290
Pacific First Financial Corp., Tacoma	N	Pacific First Federal Savings Bank, Tacoma	6/11/84	4,096,433	2,058,230	204,954
Puget Sound Bancorp, Tacoma† ★	N	Savings Bank of Puget Sound, FSB, Seattle	7/1/86	1,249,958	613,173	112,596
Prudential Bancorp., Seattle	N	Prudential Bank FSB, Seattle	2/7/85	669,943	442,214	45,193
Rainier Bancorp., Seattle★ (b)	N	Lincoln S&L Assn., Portland, Ore.	7/21/86	263,147	204,958	20,145
Weyerhaeuser Co., Federal Way (*)	D	Republic FS&LA, Altadena, Calif.	8/22/85	843,452	635,021	32,262
WISCONSIN						
Barron Bancshares, Inc., Barron★	N	Barron Federal Savings Bank	12/1/86	159,531	145,161	4,409
Community Shares Ltd., Fund Du Lac	N	Community S&LA, Fond Du Lac	12/28/83	301,524	234,206	14,877
First Financial Corp., Stevens Point	N	First Financial SA, Stevens Point	3/22/84	1,845,041	1,547,265	76,406
North Land S&LA, Ashland	N	Range S&LA Inc., Hurley	1/28/85	12,397	11,316	1,017
Joseph J. Zilber Voluntary Trust, Milwaukee★ (*)	D	Universal Savings Bank FA, Milwaukee	4/21/87	....	....	....
FOREIGN-BASED						
Canadian Securities Corp., Ltd., Winnipeg (*)	D	Western Financial Savings Bank, Orange, Calif.	10/29/82	1,235,758	613,758	104,065
First Pacific Investments Ltd., Monrovia, Liberia (*) (c)	N	United Savings Bank FSB, San Francisco	3/28/86	667,773	570,583	47,660
Heron International N.V., London, U.K. (*)	D	Pima S&LA, Tucson, Ariz.	10/1/85	2,564,031	1,768,579	124,156

Data are from the Federal Home Loan Bank Board and American Banker. **Type: D—Diversified.** A diversified holding company is a unitary holding company whose subsidiary insured institution and related activities constitute less than 50% of its consolidated net worth. **Type: N—Nondiversified.** A nondiversified holding company can be a unitary or multiple holding company. The operations of a nondiversified holding company are focused within the thrift industry and related activities. **Charter Approval**—The date FHLBB approved holding company charter. **Net Worth**—Regulatory net worth. ()—Indicates negative regulatory net worth. N.A.—Not available. (*)—The company is at the apex of an indirect holding company network. (★)—"New" holding company, i.e., not on last year's listing. (a)—The thrift subsidiary was formerly known as Magic Valley S&LA, and it was owned by Magic Valley Investment Co., Weslaco. (b)—Rainier was acquired by Security Pacific Corp., in August. (c)—According to the FHLBB, six companies comprise the indirect holding company network for United Savings, including Hibernia Bancshares Corp., San Francisco, the one-bank holding company for Hibernia Bank.

Changes in This Year's Active Thrift Holding Company List (Listed Geographically)

Companies New to Listing (Formed Since September 1986)

(1) **AZP Group, Inc., Phoenix**, parent of Merabank, FSB, Phoenix since 12/8/86.

(2) **Union Federal Financial Corp., Los Angeles**, parent of Union Federal S&LA, Los Angeles, since 6/25/87.

(3) **Eagle Financial Corp., Torrington, Conn.**, parent of First FS&LA, Torrington, since 12/12/86.

(4) **Webster Financial Corp., Waterbury**, parent of First FS&LA, Waterbury, since 10/31/86.

(5) **Southeast Financial Corp. Holding Co., Atlanta**, parent of Home Federal S&L Assn., Atlanta, since 12/24/86.

(6) **FirstFed America Inc., Honolulu**, parent of: First S&LA of America, Tamuning, Guam; First FS&LA of America, Honolulu; and New People's S&LA, Honolulu, since 12/86.

(7) **Peoples Savings Corp., Chicago**, parent of Peoples Bank for Savings, Streator, Ill., since 12/24/86.

(8) **St. Paul Bancorp, Inc., Chicago**, parent of St. Paul Federal Bank for Savings, Chicago, since 5/14/87.

(9) **First Indiana Corp., Indianapolis**, parent of First Indiana Federal Savings Bank, Indianapolis, since 11/25/86.

(10) **Landmark Financial Corp., Indianapolis**, parent of Landmark Savings Bank FSB, Indianapolis, since 11/25/86.

(11) **Regional Federal Bancorp, Inc., New Albany, Ind.**, parent of Regional Federal Savings Bank, New Albany, since 11/25/86.

(12) **Loyola Capital Corp., Baltimore**, parent of Loyola Federal Savings & Loan Assn., Baltimore, since 12/12/86.

(13) **Massachusetts State Carpenters Pension Fund, Burlington**, parent of First Trade Union Savings Bank, Boston since 3/4/87.

(14) **Neworld Bancorp, Inc., Boston**, parent of Neworld Bank for Savings, Boston, since 4/20/87.

(15) **Carteret Bancorp, Inc., Morristown, N.J.**, parent of Carteret Savings Bank, FA, Newark, since 6/30/87.

(16) **Republic New York Corp.**, parent of Williamsburgh Savings Bank, Brooklyn, since 4/30/87.

(17) **First Fincorp, Inc., Kingston, N.C.**, parent of First Financial Savings Bank, Inc., Kingston, since 10/23/86.

(18) **Charter Oak Financial Corp., Cincinnati**, parent of Charter Oak Federal Savings Bank, Cincinnati, since 4/6/87.

(19) **Cumberland Savings Bancshares, Inc., Carthage, Tenn.**, parent of Cumberland Savings Bank, Carthage, since 4/10/87.

(20) **Goodwin Southern Corp., Memphis**, parent of Tennessee S&LA Inc., Cookeville, since 12/12/86.

(21) **San Antonio Savings Assn., San Antonio**, parent of San Antonio Federal Savings Bank, Weslaco, since 1/16/87.

(22) **Barron Bancshares, Inc., Barron, Wis.**, parent of Barron Federal Savings Bank since 12/1/86.

(23) **Joseph J. Zilber Voluntary Trust, Milwaukee**, parent of Universal Savings Bank FA, Milwaukee, since 4/21/87.

Companies New to Listing (Formed Before September 1986, But Missing from Last Year's Listing)

(1) **Colorado Federal Bancshares, Sterling**, parent of Colorado Federal Savings Bank, Sterling, since 2/21/86.

(2) **Hartford National Corp., Conn.**, parent of Provident Institution for Savings, Boston, since 2/86.

(3) **Eagle Bancshares, Inc., Tucker, Ga.**, parent of Tucker Federal S&L Assn. since 1/16/86.

(4) **The One Bancorp, Portland, Me.**, parent of Maine Savings Bank, Portland, since 12/83.

(5) **Boston Bancorp**, parent of South Boston Savings Bank, Boston, since 10/84.

(6) **C&M Bancshares, Inc., Cameron, Mo.**, parent of Missouri Federal Savings Bank, Cameron, since 8/8/86.

(7) **FSB Holding Co., Inc., Kansas City**, parent of First Savings Bank, FSB, Kansas City, since 12/31/85.

(8) **New Hampshire Savings Bank Corp, Concord**, parent of, New Hampshire Savings Bank, Concord, since 12/82.

(9) **Amoskeag Bank Shares, Inc., Manchester**, parent of Amoskeag Bank, Manchester, since 5/83.

(10) **First Fidelity Bancorporation, Newark**, parent of Morris Savings Bank, Morristown, N.J., since 6/9/86.

(11) **Metropolitan Financial Corp., Fargo, N.D.**, parent of Metropolitan Federal Savings Bank, Moorhead, Minn. and Metropolitan Federal Bank, FSB, Fargo, N.D. since 3/1/85.

(12) **Continental, Inc., Seattle**, parent of Continental Savings Bank, Seattle, since 6/12/86.

(13) **Rainier Bancorp., Seattle**, parent of Lincoln S&L Assn., Portland, Ore., since 7/21/86.

(14) **Puget Sound Bancorp, Tacoma**, parent of Savings Bank of Puget Sound, FSB, Seattle, since 7/1/86.

Companies Dropped from Listing (No Longer a Holding Company)

(1) **Barrett Holding Co., Inc., Harrison, Ark.**, holding company for Guaranty S&LA, Harrison. Thrift was Acquired by Superior Federal Bank FSB, Fort Smith.

(2) **Great American First Savings Bank, San Diego,** holding company for Great American First Savings Bank FSB, Tucson. The Arizona-based thrift was merged into Great American, San Diego.

(3) **First Federal S&L Assn. of America, America Inc., Honolulu**, holding company for First S&LA of America, Tamuning, Guam, and New People's S&LA, Honolulu. New holding company formed, and First Federal is a subsidiary of that company as are the other two thrifts.

(4) **Somerset Group, Inc., Indianapolis,** parent of First Indiana Federal Savings Bank, Indianapolis. First Indiana Corp., Indianapolis, formed on 11/25/86, is now the thrift's parent.

(5) **I.S.B. Holding Company, Kansas City**, holding company for Independence Federal Savings Bank. Independence was acquired by First Savings Bank FSB, Independence.

(6) **Statewide Financial Corp., Cleveland**, parent of State S&L Co., South Euclid
and Citizens Home Savings Co., Lorain. Both thrifts were acquired by First Nationwide Bank FSB, San Francisco

(7) **Western & Southern Life Insurance Co., Cincinnati**, parent of Eagle SA, Cincinnati. Eagle was acquired by AmeriTrust Co. NA, Cleveland, 11/26/86.

(8) **CreditBanc Corp., Austin**, Tex., parent of Equitable SA, Round Rock. Equitable is now a branch of CreditBanc SA, Austin which is owned by First Franklin Financial.

(9) **Dallas Federal Financial Corp.**, parent of Dallas FS&LA. Thrift was acquired by Bright Banc Savings Association, Dallas, Jan. 86

(10) **Dondi Financial Corp., Dallas**, partent of Vernon S&LA. Vernon was closed by state regulators.

(11) **Century Corp., Houston**, parent of Heights SA FSA, Houston. Thrift is in receivership and is now owned by FSLIC.

(12) **Magic Valley Investment Co., Weslaco**, parent of Magic Valley S&LA, Weslaco. Thrift was acquired by San Antonio Savings Association 1/87, and is now a wholly owned subsidiary of San Antonio SA. Thrift's title was changed to San Antonio Federal Savings Bank, Westlaco, after the acquisition.

(13) **Pacific Realty Corp., Dallas**, parent of Guaranty Federal S&L Assn., Dallas. Guaranty is now privately held.

(14) **State Management, Inc., Lubbock**, parent of Brownfield FS&LA and State S&LA, Lubbock. Both thrifts are now out of business.

(15) **Sunbelt Bancorp., Inc., Dallas**, pasrent of Sunbelt SA, Dallas. Sunbelt Bancorp. was dissolved in 1986. Sunbelt SA is now privately held.

(16) **Western Capital Corp., Dallas**, parent of Western SA, Gatesville. Western was closed by state banking authorities.

11/13/87 C0175-1 A

TOP MORTGAGE SERVICERS —TABLES BEGIN ON PAGE 6

American Banker

The Daily Financial Services Newsp

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JOHN P KENNEDY
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VOL. CLII NO. 223 Friday, November 13, 1987

Today

THRIFTS & MORTGAGES

The servicing portfolios of the top 300 mortgage companies grew 11.9% in the year ended June 30. There were few changes in the rankings, with GMAC Mortgage Co. remaining in the top slot. ____ 18

Theo H. Pitt Jr., chairman of the U.S. League of Savings Institutions, denies that his group lobbied for a smaller recapitalization of the FSLIC than it believed would eventually be needed. Edwin J. Gray, former Bank Board chairman, has said the group sought a small bond issue so that public money would be used when the money was depleted. ____ 18

East River Savings Bank has solved its interest-rate-sensitivity problems by balance sheet changes, says the chief financial officer of the New York thrift. ____ 19

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Citizens and Southern Corp., Atlanta, agreed to buy Chemical Bank's factoring division, which had revenues of $1.7 billion in 1986. ____ 2

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Secondary market prices for Mexican bank debt retreated from their October gains, as the government said its debt-equity swap program was "under review" because of inflation. ____ 2

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Fannie Mae announced it will begin cash purchases of adjustable-rate mortgages tied to the Federal Home Loan Bank of San Francisco's cost of funds. ____ 9

Shearson Lehman Brothers hopes to file an SEC registration statement within a month for a package of boat-loan-backed securities. ____ 26

Numero uno lists those who became CEOs of financial services companies in September and October. ____ 32

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We're going to pay our fair share, but it's impossible for us to pay the whole bill.

Gerald Levy, former chairman, U.S. League of Savings Institutions, on rescuing the FSLIC. [Page 1]

Unquote

An American Banker Special Report

Top Farm Banks Credit Success To Knowing Customers, Industry

By RICHARD RINGER

Were it not for its stellar farm loan portfolio, City National Bank of Kankakee, Ill., would be as average an agricultural bank as can be found in the nation.

Agricultural Lending

Going into this year's spring planting season, City National's $24.2 million farm loan portfolio was flawless. According to City National's federal regulatory report of condition for the first quarter, there were no bad loans. None of its farm loans was past due 90 days or more; none was on a nonaccruing basis.

City National's farm borrowers are harvesting the crops that were planted with loans received last spring. A good harvest is predicted, and Paul F. Blanke, president of City National, expects his farm-loan portfolio to remain in good shape.

Iowa Bankers' Expectations
Page 31

The financial squeeze in agriculture during most of the 1980s has made a clean farm-loan portfolio rare for a farm bank, which regulators define as a bank with at least 25% of its loans tied to agriculture. Of the top 100 agricultural banks, only five on the *American*

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S&L Executives Talk Publicly Of US Bailout

In Switch, They Suggest Taxpayer Help Needed

By JIM McTAGUE
Washington Bureau

News Analysis

WASHINGTON — The thrift industry is beginning to own up publicly to what it has long been saying behind closed doors: John Q. Taxpayer may have to ride to its rescue.

Statements to this effect by officials of the U.S. League of Savings Institutions at their annual convention this week in New Orleans resulted in a spate of news stories around the country.

Theo H. Pitt Jr., the league's new chairman, said there is a limited amount of money that healthy thrifts can contribute to help the Federal Savings and Loan Insurance Corp. liquidate the 20% of the industry that is dragging everyone else down.

The industry currently is paying special assessments to fund $10.8 billion in bonds to be raised for the FSLIC over the next three years.

"We have to make it abundantly clear to Congress that a lot of our problems were not created by us and that there has to be a sharing of responsibility," Mr. Pitt was quoted as saying at a U.S. League convention press conference.

Mr. Pitt's sentiments were echoed by former league chairman Gerald Levy.

"We're going to pay our fair share but it's impossible for us to pay the whole bill," he said.

When the league was fighting a proposed $15-billion industry bailout earlier this year, it was singing a very different tune. It claimed then that Federal Home Loan Bank Board Chair-

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A VIEW FROM OUTSIDE

MARTIN MAYER

Real Estate Powers for Banks

WHEN the bank lobbyists talk about the outmoded laws of the 1930s that must be removed so that our big banks can roam the earth like the giants of old, they never utter the words "deposit insurance."

But the banking legislation of the 1930s is not a Chinese menu that permits choices from column A and column B. It is a relatively unified body of law, more tightly written and more directly expressive of its intentions than most of what gets written these days.

Now, political action committees, lobbyists and other conspirators against plain speaking get their claws into legislation in the committees and then on the floor and then again when the executive branch advises the conference at the end. And, as the environmentalist Garret Hardin wrote some years ago, "You never can change just one thing."

Garn-St Germain, with its preposterous maintenance of insurance on principal *and interest*, while eliminating interest rate ceilings, can stand as the horrible example of what happens when you try to change just one thing. The costs of that provision in ultimate bailouts of the Federal Savings and Loan Insurance Corp. and, probably, the Federal Deposit Insurance Corp. will be greater than the Stealth bomber and the Trident submarine programs put together.

Put deposit insurance together with the abdication of control on the assets of depositories, and you're talking about costs to rival those of President Reagan's

View: Page 4 ➵

Would you feel more secure with a credit card program that offers very little risk?

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CBI EQUIFAX

A VIEW FROM OUTSIDE

Real Estate Powers for Banks

Continued from Page 1

Strategic Defense Initiative. For sure, the country can't afford both the SDI and the repeal of the Glass-Steagall Act without at least some modification of deposit insurance.

The fact that you can't seriously consider awarding securities powers to banks without modifying deposit insurance has begun to strike home at the big banks.

Testifying before the Senate Banking Committee the other day, Roberto G. Mendoza, executive vice president of Morgan Guaranty Trust Co., suggested that if you gave the money center banks a little time they might be able to convert to private insurance.

Or perhaps there might be a compromise, with New York State writing the insurance — its banking department is gung ho these days to give banks all sorts of powers. There are a number of experienced people in Ohio and Maryland, some currently unemployed, who could help the New Yorkers set up a state insurance fund.

Two significant proposals to relax controls on bank asset powers while maintaining deposit insurance have surfaced this year. One comes from Robert Litan of the Brookings Institution. His proposal suggests an abyssal break, not just a Chinese wall, between an insured "narrow bank" that could invest in nothing but short-term Treasuries and top-rated commercial paper, and the financial services sector of what might be any holding company, which could do pretty much what it pleased with its own money and uninsured borrowings in deposit form or otherwise.

Not to put too fine a point on the matter, the FDIC's venture to legitimize direct investment in real estate by nonmember banks couldn't be more wrongheaded.

A spokesman for the Federal Reserve Bank of New York, committed to a more wide-ranging deregulation program proposed by its president, E. Gerald Corrigan, complains that nobody would wish to own Mr. Litan's narrow bank. But Mr. Corrigan's proposal, which would leave the Fed in charge, conceals the deposit insurance issue behind verbiage that assumes the regulators can handle whatever comes up.

One notes in passing that it was in a market supervised by Mr. Corrigan's bank (not then under his direction) that the Brazilians were permitted to build up $4 billion or $5 billion of nightly Fed funds purchases until it failed at the New York clearing house on Dec. 9, 1982.

"We noticed what was happening," said the man in charge a few months later, while the creditors were sorting through the rubble, "but nobody thought through what it meant."

The other interesting proposal comes from Bert Ely and George Kaufman. It suggests a very wide range of premiums that could be assessed for deposit insurance according to the risk descriptors of the portfolio.

Banks with junk bonds, loans to lesser developed countries, second mortgages, heavy exposure in swaps or foreign exchange, or long-dated securities might have to pay as much as 125 basis points a year, while banks with Mr. Litan's inventory of assets might pay only 5 basis points. These premiums would vary continuously according to information digitally transmitted to the FDIC every night.

This is of course much more serious than the FDIC's own risk-related premium proposals, which would permit a maximum additional assessment of no more than 12.5 basis points on the riskiest portfolio imaginable. These proposals would assume that existing FDIC examiners could make adequate judgments on the relative safety of every bank's loans and investments in their annual or, at best, semiannual visits.

For Mr. Ely's and Mr. Kaufman's system to work, all holdings would have to be continuously marked to market, like the portfolios of the investment banks, the margin accounts at the brokerage houses, and the positions of the hedgers and speculators on the Chicago markets.

There is a precedent for this sort of close monitoring of depositories in the office of the National Credit Union Administration, whose computer is hooked into the books of all the credit unions the operation insures. Frequency of examination by the insurer would be a function of the volatility of the portfolio.

This proposal, I think, solves the problem. Couple this sort of high-profile, properly audited risk-related deposit insurance premium with a required liquidity ratio, and I'll support the total elimination of Glass-Steagall constraints on depository institutions.

It is against the background of this proposal that one should look at the FDIC's effort to legitimize direct investment in real estate by nonmember banks. Not to put too fine a point on the matter, the FDIC's venture couldn't be more wrongheaded.

It would reduce the liquidity of the banks' portfolios, put them into situations where entire investments can easily be lost (much harder to do when you're a lender and you have the investor's cushion to protect you from bad judgment or bad luck), and make it virtually impossible for the insurance corporation to mark to market a significant portion of the holdings of insured institutions.

If adopted and carried into effect, it would add greatly to the difficulty of proceeding along what may be the only plausible path to giving banks the continued benefit of insured deposits and the new opportunities of merchant banking.

For me, the action the FDIC has announced it will take in the next few days on its real estate proposal will be a litmus test of whether the incumbent leaders of this agency wish to make a contribution to the dialogue on the reform of banking legislation or wish to use their brief authority to make an ideological statement.

In fact, of course, a vote to authorize expanded powers can be for the time being no more than such a statement, for Congress has imposed a moratorium on the actual extension of new powers. The moratorium is scheduled to expire in March, and the banking associations have declared that the defeat of any extension of the moratorium is their prime goal before Congress right now.

The question of whether the moratorium should be extended is at bottom a question of whether the regulators and their counsel will employ their considerable and growing powers of casuistry to gut the legislation they are supposed to enforce. Such actions would make it more difficult for Congress to write new legislation that serves public as distinct from industry purposes.

If the FDIC votes to give insured state-chartered nonmember banks power to make direct investments in real estate, I think it quite clear that Congress has no choice but to extend the moratorium until a new President and Congress can take up these matters. ■

Mr. Mayer is the author of "The Bankers" and "The Money Bazaars."

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Strategic Dates

Dec. 15, 1987

ACCOUNTING RULES: Financial Accounting Standards Board rules on accounting for nonrefundable fees and costs of originating loans go into effect today. The changes include expanding the types of costs that are eligible for capitalization, taking prepayment estimates into account in determining the life of the loan, and allowing some refinanced loans to be treated as new loans. Lenders have the option of applying the new accounting procedures prospectively — from the time the changes take effect — or restating the earnings of prior years to reflect the changes.

LETTER TO THE EDITOR

Many Support Tax-Exempt Status for Credit Unions

To the Editor:

In essence, your Nov. 2 article titled "Taxation Inevitable for Credit Unions, Experts Say" [page 9] is misleading. Not to detract from the professional reputations of the two individuals quoted in support of your conclusion (who are no doubt very knowledgeable in their own fields), it is worth noting that Sen. Jake Garn, R-Utah, the only expert cited on the views of Congress, asserted his belief that the nation's credit unions "will always be able to maintain" their tax-exempt status.

Sen. Garn's views are not insignificant in this matter, since Congress alone can legislate changes affecting the credit union exemption. He is not alone in this belief, either. The chairmen and ranking minority members of both the House and Senate banking committees as well as a considerable portion of the members of these committees stand firm in their support for maintaining the tax-exempt status of credit unions as member-owned, nonprofit organizations.

Moreover, proposals to alter this status have been considered a number of times by both the House Ways and Means and Senate Finance committees and have been, in each instance, summarily rejected.

For these reasons, the National Association of Federal Credit Unions believes that its efforts in the future will challenge the accuracy of your publication's headline, as the "inevitability" of credit union taxation is nowhere near as apparent to those in the know.

Robert A. Hess
Chairman
National Association of
Federal Credit Unions
Washington

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

We would like our pages to reflect as wide a range of views and opinions as possible — no matter how provocative or controversial. The key goal is to factor your views into our own thinking so that both our newspaper and the executives who read us can do a better job running our organizations.

In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reasons of space and clarity.

Remember, we need your views to be a true community newspaper.

Strategic Dates

July 1, 1992

INDIANA TRIGGER: Full interstate banking in Indiana goes into effect on this date.

Summary of Survey Findings

Top 25 Mortgage Servicers Among Banks, Thrifts, and Mortgage Companies

Based on the Combined Mortgage Servicing Volume of Firms With More than One Servicing Subsidiary As of June 30, 1987, Compared with Dec. 31, 1986 (Dollar Figures in Millions)

Rank 6/87	Rank 12/86		Servicing Volume 6/30/87	Servicing Volume 12/31/86	% Chg.	Number of Subsidiaries 6/30/87	Number of Subsidiaries 12/31/86	Name of Parent Firm
1	**1**	**Citicorp, New York (a)**	**39,800†**	**24,325**	**(‡)**	**5**	**6**	....
2	2	GMAC Mortgage Co., Elkins Park, Pa.	23,886	22,872	4.43	...	...	General Motors Acceptance Corp., Detroit
3	**4**	**Fleet Financial Group, Inc., Providence, R.I.(b)**	**23,104**	**18,654**	**23.86**	**3**	**3**	....
4	3	Lomas & Nettleton Financial Corp., Dallas	21,503	21,628	–0.58	...	...	....
5	**5r**	**Metropolitan Life Insurance Co., New York (c)**	**18,377**	**16,300r**	**12.74**	**2**	**2**	....
6	**6R**	**CityFed Financial Corp., Bedminster, N.J. (d)**	**17,289**	**16,155**	**7.02**	**2**	**2**	....
7	7R	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	15,461	14,610	5.82	...	...	Fireman's Fund Corp., Novato, Calif.
8	**10**	**Sears, Roebuck & Co., Chicago (e)**	**13,310**	**11,376**	**17.00**	**2**	**2**	....
9	8	Commonwealth Mortgage Corp. of America, Houston	12,769	11,823	8.00	...	...	Commonwealth Savings Association, Houston.
10	9	BankBoston Mortgage Corp., Jacksonville (f)	12,336	11,659	5.81	...	...	Bank of Boston Corp.
11	**13**	**First Interstate Bancorp., Los Angeles (g)**	**12,028**	**10,984**	**9.50**	**8**	**6**	....
12	**12**	**Mellon Bank Corp., Pittsburgh (h)**	**11,703**	**11,000**	**6.39**	**3**	**3**	....
13	11	Weyerhaeuser Mortgage Co., Los Angeles	11,535	11,160	3.36	...	...	Weyerhaeuser Co., Tacoma, Wash.
14	14	Home Savings of America FA, Los Angeles	11,031	10,751	2.60	...	...	H.F. Ahmanson & Co., Los Angeles
15	16	Goldome Realty Credit Corp., Buffalo, N.Y.	10,870	9,127	19.10	...	...	Goldome, Buffalo, N.Y.
16	15	First Union Mortgage Corp., Charlotte, N.C. (i)	10,474	9,827	6.58	...	...	First Union Corp., Charlotte, N.C.
17	**21**	**BankAmerica Corp., San Francisco (j)**	**10,273**	**7,116**	**44.36**	**3**	**3**	....
18	**18**	**Meritor Savings Bank, Philadelphia (k)**	**8,200**	**8,159**	**0.50**	**3**	**3**	....
19	19	Chemical Mortgage Corp., Columbus, Ohio	8,178	7,608	7.49	...	...	Chemical New York Corp.
20	17	American Savings & Loan Assn., Stockton, Calif.	7,920	8,497	–6.79	...	...	Financial Corp. of America, Los Angeles
21	20	Sovran Mortgage Corp.., Richmond	7,255	7,244	0.15	...	...	Sovran Financial Corp., Norfolk, Va.
22	27	Great Western Bank, FSB, Beverly Hills	7,201	6,229	15.60	...	...	Great Western Financial Corp., Beverly Hills
23	23	Imco Realty Services Inc., Santa Rosa, Calif.	7,172	6,586	8.90	...	...	....
24	22	Shearson Lehman Mortgage Corp., Irvine, Calif.	7,129	6,712	6.21	...	...	Shearson Lehman Brothers, Inc., New York
25	28	Knutson Mortgage Corp., Bloomington, Minn.	6,994	6,139	13.93	...	...	Home Owners Federal S&LA, Boston.
		DROPPING OUT OF THE TOP 25				...	...	
26	24	Anchor Mortgage Services, Inc., Wayne, N.J.	6,500	6,544	–0.67	...	...	Anchor Savings Bank FSB, Northport, N.Y.
..	25	Alliance Mortgage Co., Jacksonville, Fla.	5,852	6,427	–8.95	...	...	Owens-Illinois, Inc., Toledo, Ohio

Listing of the top 25 firms in the mortgage industry based on the dollar volume of mortgages serviced for others. The listing includes mortgage companies, commercial banks, and thrifts. For firms with more than one subsidiary engaged in mortgage servicing, a **combined** servicing figure is used for all of these subsidiaries and the name of the parent company is shown in bold type. All data— except data for thrifts— are from American Banker questionnaires sent directly to the mortgage firms. Thrift data are from the report of condition submitted by FSLIC-insured institutions to the Federal Home Loan Bank Board. Source of these data is **ADP Data Services Division, New York.** **(a)**— The five mortgage servicing subsidiaries are: Citicorp Howeowners Services, Inc., St. Louis; Citicorp Savings of Illinois, FS&LA, Chicago; Citicorp Savings, FS&LA, San Francisco; Citicorp Savings of Florida, FS&LA, Miami; and Citibank NA, New York. **(†)**— Includes mortgages owned by Citicorp, **and therefore substantially overstates the servicing (for others) volume**. Citicorp would not provide data on mortgages serviced for others only. Also, Citicorp would not provide data for Citicorp Howeowners Services, Inc., and Citicorp Real Estate, Inc., New York. Citicorp Homeowners ranked 3rd among the top 100 mortgage companies on 12/31/86 with $19.8 billion in servicing for investors, and Citicorp Real Estate ranked 85th with $2.1 billion. **(b)**— The three mortgage servicing subsidiaries are: Fleet Real Estate Funding Corp., Florence, S.C.; Fleet Mortgage Corp., Milwaukee, Wis.; and Union Bank & Trust Co., Hartford, Conn. **(c)**— The two mortgage company subsidiaries are: Metmor Financial Inc., Los Angeles, and MetFirst Financial Co., Overland Park, Kansas. **(d)**— The two mortgage servicing subsidiaries are: Kissell Co., Springfield, Mo., and City Federal Savings Bank, Elizabeth, N.J. The latter does its servicing business through a division of the bank called CityFed Mortgage Co. **(e)**— The two mortgage company subsidiaries are: Sears Mortgage Corp., Lincolnshire, Ill., and Coldwell Banker Real Estate Financial Services, El Segundo, Calif. **(f)**— In the latter half of 1986, three Bank of Boston Corp. mortgage company subsidiaries— Mortgage Corporation of the South, Birmingham, Ala.; Stockton, Whatley, Davin & Co., Jacksonville, Fla.; and BancBoston Mortgage Corp., Wellesley Hills, Mass.— merged into one entity called BancBoston Mortgage Companies, Inc. Since yearend 1986, the firm changed title and merged RIHT Mortgage Corp., Charlotte, N.C., another Bank of Boston subsidiary. **(g)**— The eight mortgage servicing subsidiaries are: First Interstate Mortgage Co., Pasadena, Calif.; First Interstate Bank of Oregon NA, Portland; First Interstate Bank of Washington NA, Seattle; First Interstate Bank of Casper NA, Wyoming; First Interstate Bank of Alaska, Anchorage; First Interstate Bank of Arizona NA, Phoenix; First Interstate Bank of Nevada NA, Reno; and First Interstate Bank of Englewood NA, Colo.. **(h)**— The three mortgage company subsidiaries are: Mellon Financial Services Corp. #8, Cleveland; Mortgage & Trust, Inc., Houston; and Mellon Financial Services Corp. #7, New Orleans. **(i)**— Formerly known as Cameron-Brown Co. **(j)**— The three mortgage servicing subsidiaries are: Bank of America NT&SA, San Francisco; Seafirst Mortgage Corp., Seattle; and BA Mortgage & International Realty Corp., San Francisco. **(k)**— The three mortgage company subsidiaries together are called "Meritor Mortgage Group" and consist of: Meritor Mortgage Corp- West, Orange, Calif.; Meritor Mortgage Corp- East, Philadelphia; and Meritor Mortgage Corp- Central, St. Paul, Minn. **(r)**— The 12/31/86 rank and servicing volume were revised to include MetFirst Financial Co. **(R)**— Revised. **(‡)**— Non-comparable data, no percentage change calculated.

10 Largest Gainers in Servicing Among Top 300 Mortgage Companies

	(Dollar Amounts in Millions)	Servicing 6/30/87	Servicing 6/30/86	Percent Increase	Serv. Rank
1	**Glenfed Mortgage Corp., Irvine, Calif.**	$3,261.0	590.6	452	52
2	**Oak Tree Mortgage Corp., Oklahoma City**	602.2	186.0	224	198
3	**Washington Mortgage Corp., Seattle**	2,208.5	790.3	179	80
4	**Barclays American/Mortgage Corp., Charlotte, N.C.**	2,102.7	766.0.	174	82
5	**Merchants Mortgage Corp., Indianapolis**	1,253.7	487.0	157	127
6	**Residential Financial Corp., Wayne, N.J.**	1,447.5	615.5	135	117
7	**BankEast Mortgage Corp., Manchester, N.H**	703.9	302.5	133	181
8	**Signet Mortgage Corp., Baltimore**	521.5	224.4	132	213
9	**National Mortgage Co., Denver**	249.2	108.7	129	276
10	**Eastland Mortgage Co., Oklahoma City**	318.0	144.1	121	257

10 Largest Losers of Servicing Among Top 300 Mortgage Companies

	(Dollar Amounts jn Millions)	Servicing 6/30/87	Servicing 6/30/86	Percent Decrease	Serv. Rank
1	**Crocker Mortgage Co., Inc., San Diego, Calif.**	488.9	3,021.5	84	222
2	**California Mortgage Service, Santa Ana**	408.2	1,402.1	71	238
3	**Citizens & Southern Mortgage Corp., Tampa**	189.1	629.8	70	292
4	**BancOhio Mortgage Co., Columbus**	226.4	669.7	66	283
5	**BA Mortgage & International Realty Corp., San Francisco**	624.1	1,648.0	62	194
6	**Collateral Mortgage, Ltd., Birmingham, Ala.**	886.8	1,992.8	56	160
7	**B. F. Saui Co., Chevy Chase, Md.**	1,783.1	3,886.8	54	96
8	**PaineWebber Housing & Healthcare Funding, Inc., New York**	548.5	1,117.1	51	207
9	**Moore Mortgage Co., Denver**	271.0	505.5	46	271
10	**Ryan Mortgage Co., Arlington, Tex.**	1,069.8	1,790.7	40	143

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1987

Compiled by American Banker Copyright 1987

		Volume of Mortgages Serviced					No. of Investors 6/30/87	
		Total 6/30/87	Total 6/30/86	Rank 6/30/86	Gain in Rank	Mortgages Serviced (No.) 6/30/87	Excluding GNMA Pools	GNMA Pools
1	GMAC Mortgage Co., Elkins Park, Pa.	23,886,013,000	21,761,283,000	1		372,592	1,146	2,794
2	Lomas & Nettleton Financial Corp., Dallas	21,503,282,211	21,299,732,000	2		653,152	0	0
3	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	15,461,142,222	14,792,230,000	4	+1	369,703	489	4,057
4	Metmor Financial, Inc., Los Angeles	13,835,000,000	11,655,158,000	5	+1	253,639	453	2,976
5	Commonwealth Mortgage Corp. of America, Houston	12,769,376,000	11,413,223,848	6	+1	238,961	658	3,656
6	BancBoston Mortgage Corp., Jacksonville, Fla. (a)	12,336,000,000	....	...		281,000	0	0
7	Fleet Mortgage Corp., Milwaukee, Wis.	11,829,701,370	8,711,710,904	10	+3	300,370	700	2,823
8	Weyerhaeuser Mortgage Co., Los Angeles	11,534,696,708	10,754,822,000	7		192,040	517	2,793
9	Goldome Realty Credit Corp., Buffalo, N.Y. (b)	10,869,526,000	8,013,857,400	11	+2	181,418	359	1,377
10	First Union Mortgage Corp., Charlotte, N.C.	10,474,000,000	8,889,720,040	9		193,777	375	1,548
11	First Interstate Mortgage Co., Pasadena, Calif.	10,130,000,000	9,117,196,530	8		95,862	575	777
12	Sears Mortgage Corp., Lincolnshire, Ill.	10,003,947,992	6,820,070,885	13	+1	159,500	343	938
13	Fleet Real Estate Funding Corp., Columbia, S.C. (c)	9,252,032,742	4,769,757,225	29	+ 16	195,877	892	2,358
14	Chemical Mortgage Corp., Columbus, Ohio	8,178,000,000	6,779,000,000	14		98,907	180	1,017
15	Kissell Co., Springfield, Ohio	7,260,659,868	6,612,935,000	17	+2	209,799	550	1,301
16	Sovran Mortgage Corp., Richmond	7,255,399,530	6,890,000,000	12		161,465	285	1,605
17	Imco Realty Services Inc., Santa Rosa, Calif.	7,171,714,793	6,135,721,000	19	+2	124,946	406	888
18	Shearson Lehman Mortgage Corp., Irvine, Calif.	7,129,466,000	5,234,424,857	24	+6	112,527	460	1,545
19	Knutson Mortgage Corp., Bloomington, Minn.	6,993,837,905	4,412,602,032	31	+ 12	108,122	190	884
20	Anchor Mortgage Services, Inc., Wayne, N.J.	6,499,712,124	6,708,000,000	15		133,673	193	650
21	BancPlus Mortgage Corp., San Antonio, Tex.	6,230,526,514	6,080,744,692	20		136,280	230	2,487
22	Bright Mortgage Co., Dallas	6,200,000,000	6,200,000,000	18		140,000	450	850
23	Waterfield Mortgage Co., Inc., Fort Wayne, Ind.	6,100,000,000	5,100,134,450	26	+3	146,500	190	1,557
24	Empire of America Realty Credit Corp., Buffalo, N.Y.	6,000,000,000	5,517,000,000	22		121,000	250	313
25	Alliance Mortgage Co., Jacksonville, Fla.	5,852,085,609	6,648,540,600	16		112,266	196	2,019
26	New York Guardian Mortgagee Corp., Hempstead, N.Y.	5,642,941,759	4,852,849,651	28	+2	127,383	46	4,394
27	Countrywide Funding Corp., Inc., Pasadena, Calif.	5,471,650,867	2,669,270,848	51	+24	75,705	N.A.	N.A.
28	Mellon Financial Services Corp. #8, Cleveland	4,979,100,000	3,991,286,000	35	+7	90,877	180	1,691
29	Talman Home Mortgage Corp., Chicago	4,877,834,118	5,599,172,851	21		130,112	244	517
30	Lincoln Service Corp., Owensboro, Ky.	4,657,103,000	3,943,508,580	36	+6	70,600	122	829
31	Foster Mortgage Corp., Fort Worth, Tex.	4,653,000,000	2,609,163,000	53	+ 22	60,881	274	285
32	Bowest Corp., La Jolla, Calif.	4,613,688,026	4,997,306,521	27		85,470	236	550
33	Southeast Mortgage Co., Miami	4,575,700,000	3,846,100,000	40	+7	59,551	311	647
34	MetFirst Financial Co., Overland Park, Kan.	4,542,000,000	3,586,000,000r	42r	+8	109,783	16	14
35	Colwell Financial Corp., Los Angeles	4,512,522,287	5,123,071,917	25		125,783	56	774
36	Chase Home Mortgage Corp., Montvale, N.J. (d)	4,365,415,479	3,129,782,000	46	+ 10	90,234	112	330
37	Mortgage & Trust, Inc., Houston	4,224,345,084	3,921,170,162	37		92,994	355	1,610
38	Seafirst Mortgage Corp., Seattle	4,134,130,000	3,833,000,000	41	+3	65,307	364	474
39	Reilly Mortgage Group, Inc., Washington, D.C.	4,097,337,299	4,155,767,573	33		1,232	69	3
40	Troy & Nichols Mortgage Co., Monroe, La.	3,949,608,000	3,910,726,700	38		113,930	362	1,431
41	Paine Webber Mortgage Finance, Inc., Columbia, Md.	3,942,000,000	3,269,730,392	42	+1	33,700	70	710
42	Barnett Mortgage Company, Jacksonville, Fla.	3,874,552,128	2,496,558,950	55	+ 13	70,693	150	386
43	Pacific First Mortgage Corp., Walnut Creek, Calif.	3,518,197,670	4,308,397,398	32		84,406	323	153
44	Rainier Mortgage Co., Seattle (b)	3,493,972,063	4,470,664,055	30		56,325	135	1,108
45	CFS Mortgage Corp., Omaha, Neb.	3,400,000,000	1,581,840,050	97	+ 52	63,000	250	560
46	Dorman & Wilson, Inc., White Plains, N.Y.	3,385,326,000	2,482,885,000	56	+ 10	1,418	18	0
47	AmSouth Mortgage Co., Inc., Birmingham, Ala.	3,369,389,165	2,193,093,887	65	+ 18	103,124	270	1,332
48	Associates National Mortgage Corp., Irving, Tex.	3,347,946,000	....	...		48,243	21	987
49	Meritor Mortgage Corp.-West, Orange, Calif.	3,326,000,000	3,132,992,000	45		51,228	138	484
50	American General Mortgage Corp., Houston	3,324,545,000	2,029,017,587	73	+ 23	25,138	51	5
51	Coldwell Banker Real Estate Finance Services, El Segundo, Calif.	3,306,416,987	3,186,815,972	43		4,911	15	0
52	Glenfed Mortgage Corp., Irvine, Calif. (e)	3,261,000,000	590,574,629	192	+140	77,225	251	672
53	Lumbermen's Investment Corp., Austin, Tex.	3,172,022,848	3,085,912,701	47		85,641	206	846
54	Travelers Mortgage Services, Inc., Cherry Hill, N.J.	3,167,000,000	1,721,820,685	88	+ 34	35,615	45	0
55	NBD Mortgage Co., Troy, Mich.	3,054,330,181	1,919,100,629	80	+ 25	86,372	182	347
56	Meritor Mortgage Corp.-East, Philadelphia	3,011,539,633	2,850,935,006	50		81,060	369	512
57	ICM Mortgage Corp., Englewood, Colo.	2,853,769,000	2,857,212,000	49		40,348	22	1,278
58	Old Stone Mortgage Corp., Seattle	2,804,439,000	2,249,646,000	62	+4	63,698	165	570
59	North American Mortgage Co., Houston	2,747,308,791	2,377,953,304	58		35,989	268	477
60	Banc One Mortgage Corp., Indianapolis (f)	2,682,269,019	....	...		65,172	181	235
61	SunTrust Mortgage, Inc., Atlanta	2,662,942,170	1,228,214,000	112	+ 51	55,325	215	246
62	Cenlar Capital Corp., Pennington, N.J.	2,619,924,462	1,729,468,379	87	+ 25	51,641	150	710
63	U.S. Bancorp Mortgage Co., Portland, Ore.	2,562,399,440	2,080,737,720	70	+7	42,999	154	355
64	Murray Mortgage Co., Dallas	2,525,000,000	1,949,503,359	76	+ 12	44,000	180	650
65	ARCS Mortgage, Inc., Canoga Park, Calif.	2,519,127,892	2,261,485,160	60		42,705	80	493
66	Mellon Financial Services Corp. #7, Metairie, La.	2,499,792,285	1,996,346,020	74	+8	47,068	63	854
67	Shawmut Mortgage Corp., Dayton, Ohio	2,457,687,296	1,914,283,198	81	+ 14	56,333	88	560
68	United Mortgage Corp., Minneapolis	2,455,039,684	1,208,270,012	116	+ 48	43,734	59	382
69	National Mortgage Co., Memphis, Tenn.	2,427,752,000	2,056,841,861	71	+2	81,053	99	575
70	Independence One Mortgage Corp., Southfield, Mich.	2,400,000,000	1,922,482,493	78	+8	55,009	180	301
71	Dovenmuehle Mortgage Inc., Schaumburg, Ill. (g)	2,394,739,000	2,336,022,891	59		66,804	320	8
72	Margaretten & Company, Inc., Perth Amboy, N.J.	2,340,000,000	2,143,000,000	67		40,059	70	608
73	Guild Mortgage Co., San Diego, Calif.	2,300,957,659	1,709,866,649	89	+ 16	34,403	80	569
74	Citizens & Southern Commercial Corp., Tucker, Ga.	2,276,162,857	1,655,784,000	92	+ 18	37,137	208	379
75	York Associates, Inc., Bethesda, Md.	2,275,000,000	1,452,000,000	102	+ 27	1,316	10	310
76	Ryan Financial Services, Inc., Pittsburgh	2,274,473,000	2,042,718,361	72		39,711	103	769
77	First Wachovia Mortgage Co., Winston-Salem, N.C.	2,263,797,382	2,170,622,307	66		48,612	140	474
78	Mortgage Investment Co. of El Paso, Tex.	2,231,723,321	2,600,000,000	54		58,880	182	1,068
79	FBS Mortgage Corp., St. Paul, Minn.	2,213,650,000	1,811,709,000	84	+5	36,753	187	273
80	Washington Mortgage Corp., Seattle (h)	2,208,502,673	790,267,434	158	+ 78	19,014	125	216
81	Equitable Mortgage Resource Inc., Clearwater, Fla.	2,183,980,348	2,620,977,057	52		60,867	221	451
82	Barclays American/Mortgage Corp., Charlotte, N.C.	2,102,690,000	766,031,000	162	+ 80	44,701	90	646
83	Crestar Mortgage Corp., Richmond (i)	2,092,402,474	2,224,702,000	63		51,639	294	482
84	Dominion Bankshares Mortgage Corp., Fairfax, Va.	2,027,378,000	1,248,726,540	111	+ 27	36,889	92	348
85	Western Mortgage Loan Corp., Ogden, Utah	2,022,745,855	1,764,389,821	86	+1	32,443	39	808
86	DRG Funding Corp., Washington, D.C.	2,008,268,152	1,426,411,165	104	+ 18	494	8	270
87	Sunbelt National Mortgage Corp., Dallas	1,994,276,472	1,210,434,103	114	+ 27	27,424	103	263
88	Latimer & Buck, Inc., Philadelphia	1,994,078,243	1,111,790,176	127	+ 39	854	24	0
89	Standard Mortgage Corp., New Orleans, La.	1,947,056,000	1,920,000,000	79		22,640	106	143
90	CenTrust Mortgage Corp., Deerfield Beach, Fla.	1,944,414,000	1,089,501,000	130	+ 40	28,549	135	338
91	Nowlin Mortgage Co., Fort Worth, Tex.	1,866,993,000	1,706,041,000	90		25,983	369	267
92	Meritor Mortgage Corp.-Central, St. Paul, Minn.	1,862,653,423	1,646,537,182	94	+2	40,768	170	513
93	MidFirst Mortgage Co., Oklahoma City	1,809,168,536	2,252,531,959	61		39,185	152	655
94	Firstier Mortgage Co., Omaha, Neb.	1,808,157,000	1,531,909,400	100	+6	29,483	60	437
95	TCF Mortgage Corp., Minneapolis	1,807,214,644	....	...		53,897	37	151
96	B.F. Saul Co., Chevy Chase, Md.	1,783,119,113	3,886,787,589	39		316	0	0
97	Norstar Mortgage Corp., Westbury, N.Y.	1,777,244,411	966,000,000	142	+ 45	18,400	30	253
98	L.J. Melody & Co., Houston	1,776,703,693	1,430,544,973	103	+5	154	7	0
99	Colonial Mortgage Co., Montgomery, Ala.	1,754,078,547	1,556,888,857	99		48,593	187	709
100	CrossLand Mortgage Corp., Salt Lake City	1,741,825,828	....	...		23,538	85	187

Volume of Mortgages Serviced— the dollar volume of permanent mortgages serviced for investors. Mortgages owned by an institution, as well as foward commitments, home improvement loans, and all temporary financing such as construction loans and development loans are excluded. **(a)**— In the latter half of 1986, Mortgage Corporation of the South, Birmingham, Ala.; Stockton, Whatley, Davin & Co., Jacksonville, Fla.; and BancBoston Mortgage Corp., Wellesley Hills, Mass.— 3 Bank of Boston Corp. subsidiaries— merged into one entity called BancBoston Mortgage Companies, Inc. Since yearend 1986, the firm changed title and merged another mortgage subsidiary of its parent— RIHT Mortgage Corp., Charlotte, N.C. **(b)**— Acquired $2.515 billion in residential mortgage servicing from 43d-ranked Rainier Mortgage Co., Seattle, on 10/30/87. **(c)**— Acquired the $2.9 billion servicing portfolio of Security Pacific mortgage Corp., Denver, 12/86. **(d)**— Acquired the $1.5 billion servicing portfolio of 107th-ranked Lyons Mortgage Corp., Rolling Meadows, Ill., on 11/2/87 **(e)**— Acquired the $3.2 billion servicing portfolio of Merrill Lynch Mortgage Corp., Stamford, Conn. **(f)**— Company formed by the merger of American Fletcher Mortgage Co., Indianapolis, and Banc One Mortgage, Columbus, Ohio, 3/87. **(g)**— Formerly Gilldorn Mortgage Midwest Corp. **(h)**— Acquired $1.2 billion in servicing from Savings Bank of Puget Sound, Seattle. **(i)**— Changed title from United Virginia Mortgage Corp. 9/1/87. **(r)**—Based on data received after publication last year. This is the rank the company would have had if data were available. **N.A.**—Not Available.

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1987

Compiled by American Banker Copyright 1987

		Volume of Mortgages Serviced				Mortgages Serviced (No.) 6/30/87	No. of Investors 6/30/87	
		Total 6/30/87	Total 6/30/86	Rank 6/30/86	Gain in Rank		Excluding GNMA Pools	GNMA Pools
101	Wallace Moir Co., Beverly Hills, Calif.	1,719,011,356	1,422,827,497	105	+4	1,239	9	0
102	American Mortgage Co., Houston	1,712,270,801	1,840,461,064	83		32,771	178	493
103	Numerica Financial Services, Inc., Clearwater, Fla.	1,709,556,000	840,664,272	154	+ 51	31,416	48	688
104	Real Estate Financing, Inc., Montgomery	1,660,739,162	1,686,817,041	91		40,435	177	505
105	Midlantic Home Mortgage Corp., Melville, N.Y.	1,633,250,699	1,154,477,387	122	+ 17	28,244	72	424
106	Draper & Kramer, Inc., Chicago	1,608,013,567	1,348,617,493	107	+1	11,743	73	314
107	Lyons Mortgage Corp., Rolling Meadows, Ill. (a)	1,583,060,551	....	...		22,070	30	449
108	Directors Mortgage Loan Corp., Riverside, Calif.	1,576,000,000	1,139,522,982	123	+ 15	20,478	34	475
109	Embanque Capital Corp., Carle Place, N.Y.	1,551,808,819	917,024,872	146	+ 37	30,851	46	939
110	Loan America Financial Corp., Miami Lakes, Fla.	1,551,524,937	....	...		23,164	85	46
111	Federated Financial Corp., Atlanta	1,550,000,000	1,560,895,779	98		27,000	71	1,200
112	Criterion Financial Corp., Dallas	1,547,020,000	1,214,232,786	113	+1	22,164	44	139
113	First California Mortgage Co., San Rafael, Calif.	1,504,000,000	772,000,000	161	+ 48	16,608	89	300
114	Continental, Inc., Seattle	1,489,000,000	1,184,872,984	118	+4	24,081	66	526
115	Rothschild Financial Corp., St. Paul, Minn.	1,475,000,000	1,182,000,000	119	+4	30,466	250	262
116	Weaver Bros., Inc., Chevy Chase, Md.	1,470,606,000	1,274,819,000	110		24,399	47	430
117	Residential Financial Corp., Wayne, N.J.	1,447,465,636	615,470,894	184	+ 67	21,097	52	99
118	Meridian Mortgage Corp., St. Davids, Pa.	1,446,013,732	....	...		32,183	64	119
119	Connecticut National Mortgage Co., West Hartford	1,408,966,356	894,633,328	147	+ 28	25,640	182	0
120	Bailey Mortgage Co., Jackson, Miss.	1,371,258,810	716,405,418	169	+ 49	44,783	105	430
121	CalFed Mortgage Co., Los Angeles	1,367,259,000	1,925,706,325	77		24,323	43	306
122	Sunbank Mortgage Co., Orlando, Fla.	1,352,177,000	1,085,280,000	131	+9	29,917	104	0
123	Wells Fargo Realty Finance, San Francisco	1,334,552,000	....	...		519	43	0
124	Gulf Coast Investment Corp., Houston	1,329,448,540	1,066,455,000	133	+9	34,466	95	654
125	Genstar Mortgage Corp., Glendale, Calif.	1,308,260,000	1,876,063,000	82		37,717	122	192
126	Victoria Mortgage Co., San Antonio, Tex.	1,283,353,889	1,040,000,000	136	+ 10	24,130	361	294
127	Indiana Mortgage Corp., Indianapolis	1,267,120,000	1,167,544,714	120		23,743	137	217
128	Merchants Mortgage Corp., Indianapolis	1,253,695,000	487,000,000	214	+ 86	13,956	19	20
129	GN Mortgage Co., Canoga Park, Calif.	1,244,363,000	684,639,000	173	+ 44	11,541	31	0
130	Gershman Investment Corp., St. Louis, Mo.	1,237,594,856	1,065,556,395	134	+4	25,495	132	295
131	Globe Mortgage Co., Hackensack, N.J.	1,237,393,000	877,820,650	150	+ 19	12,948	53	94
132	WestAmerica Mortgage Co., Denver	1,230,000,000	1,309,586,438	108		21,569	109	492
133	Peoples Mortgage Co., Seattle	1,217,635,000	1,103,925,000	128		28,516	71	295
134	Westwood Mortgage Corp., Dallas	1,215,175,929	....	...		42,739	163	420
135	Security Savings Mortgage Corp., North Canton, Ohio	1,203,564,935	1,306,525,573	109		38,246	124	63
136	Investors Residential Mortgage Corp., Austin, Tex.	1,202,790,345	747,000,000	166	+ 30	22,406	100	263
137	Liberty Mortgage Co., Oklahoma City	1,200,597,338	1,067,945,656	132		19,843	86	313
138	Valley National Mortgage Co., Phoenix, Ariz. (b)	1,145,686,114	1,155,174,754	121		27,099	64	493
139	Molton, Allen & Williams, Inc., Birmingham, Ala.	1,126,752,204	1,048,826,753	135		25,832	162	247
140	Boston Mortgage Co., Inc.	1,119,023,754	777,204,059	160	+ 20	199	6	0
141	W. Lyman Case & Co., Columbus, Ohio	1,098,081,662	785,523,390	159	+ 18	368	15	0
142	Mortgage First Corp., Atlanta	1,076,766,081	1,132,263,275	124		30,851	82	364
143	Ryan Mortgage Co., Arlington, Tex.	1,069,815,599	1,790,718,000	85		466	27	0
144	Hinton Mortgage & Investment Co., Dallas	1,061,067,000	995,549,988	140		20,408	100	600
145	Mason-McDuffie Financial Corp., Moraga, Calif.	1,041,781,654	932,798,340	145		416	16	0
146	Bancwest Mortgage Corp., Phoenix, Ariz.	1,029,798,235	890,349,056	148	+2	18,350	57	151
147	Sibley Corp., Rochester, N.Y.	1,016,620,396	812,423,597	157	+ 10	22,090	56	482
148	Walker & Dunlop, Inc., Washington, D.C.	1,005,250,304	1,118,543,438	125		293	26	2
149	W. Ross Campbell Co., Los Angeles	1,000,883,373	1,030,886,006	137		85	4	0
150	Deposit Guaranty Mortgage Co, Jackson, Miss.	997,414,189	866,300,000	151	+1	27,637	126	338
151	Zions Mortgage Co., Salt Lake City	990,906,647	482,000,000	215	+ 64	20,426	87	341
152	H.S. Pickrell Co., Phoenix, Ariz.	983,702,384	969,532,259	141		13,400	N.A.	N.A.
153	Cowger & Miller Mortgage Co. Inc., Louisville, Ky.	958,833,586	668,033,118	177	+ 24	20,971	63	211
154	Society Mortgage Corp., Wethersfield, Conn.	951,550,602	....	...		20,176	30	69
155	United Mortgage Co., Englewood, Colo. (c)	940,012,676	1,208,609,545	115		12,140	200	98
156	Firstbank Mortgage Co., Springfield, Ill.	911,906,725	729,642,710	168	+ 12	20,406	35	361
157	New York Urban Servicing Co., Inc.	897,643,684	879,346,395	149		219	5	0
158	Universal Mortgage Corp., Milwaukee, Wis.	888,046,000	841,997,388	153		24,562	92	517
159	Inland Mortgage Co. Inc., Indianapolis	888,023,806	465,691,283	220	+ 61	14,692	57	289
160	Collateral Mortgage, Ltd., Birmingham, Ala.	886,803,061	1,992,804,749	75		20,010	105	44
161	Mid-North Financial Services, Inc., Chicago	868,000,000	....	...		1,190	20	0
162	Gulf States Mortgage Co., Inc., Atlanta	862,000,000	454,656,577	227	+ 65	13,582	33	314
163	Leader Mortgage Co., Cleveland	860,000,000	597,850,000	190	+ 27	40,000	72	178
164	Arvida Mortgage Co., Boca Raton, Fla. (d)	836,485,175	540,543,910	197	+ 33	14,241	99	118
165	Georgia Co., Columbus	826,092,994	838,190,750	155		28,302	38	406
166	First of America Mortgage Co., Kalamazoo, Mich.	826,000,000	575,060,184	193	+ 27	25,999	75	0
167	Honolulu Mortgage Co., Inc.	821,409,410	758,137,574	163		10,649	64	306
168	Dale Funding Corp., Hempstead, N.Y.	808,000,000	684,000,000	174	+6	14,550	18	320
169	First RepublicBank Mortgage Corp., Dallas	786,800,000	503,413,706	207	+ 38	14,800	125	182
170	U.S. Mortgage Corp., Westmont, N.J.	783,110,000	550,000,000	195	+ 25	11,604	17	118
171	Premier Mortgage Co., Baton Rouge, La.	773,943,832	546,870,659	196	+ 25	13,277	111	51
172	CitFed Mortgage Corp. of America, Dayton, Ohio	771,930,725	....	...		19,532	85	0
173	Robert C. Wilson Co., Houston	768,000,000	828,000,000	156		530	N.A.	N.A.
174	Moore Financial Services, Inc., Portland, Ore.	765,000,000	....	...		21,500	180	41
175	Unified Mortgage Company, Cupertino, Calif.	736,235,000	357,000,000	250	+ 75	7,227	22	5
176	Fidelity Investment Co., Wichita, Kan.	725,950,000	710,684,000	170		20,411	80	123
177	Dickinson, Logan, Todd & Barber, Inc., Raleigh, N.C.	724,718,839	674,063,072	175		343	18	0
178	Mercantile Mortgage Corp., Houston	724,170,345	510,000,000	204	+ 26	12,262	13	265
179	Magnet Mortgages Inc., Charleston, W. Va.	709,566,804	....	...		17,359	94	37
180	Liberty Mortgage Corp., Tucker, Ga. (e)	708,100,000	610,000,000	185	+5	12,723	130	189
181	BankEast Mortgage Corp., Manchester, N.H.	703,929,000	302,514,131	261	+ 80	11,953	64	6
182	Corinthian Mortgage Corp., Shawnee Mission, Kan.	702,519,000	660,000,000	178		13,413	17	264
183	Sheahan Financial Co., Clayton, Mo.	687,471,152	610,000,000	186	+3	17,374	102	94
184	Colorado National Mortgage Co., Denver	680,852,503	621,457,610	182		11,517	270	22
185	E.B. Mortgage Corp., Towson, Md.	679,622,636	737,242,343	167		13,945	33	88
186	First NH Mortgage Corp., Manchester	677,800,000	394,215,790	245	+ 59	10,700	81	7
187	First Investment Co., Columbus, Ohio	666,701,388	604,302,908	187		22,883	68	351
188	Arlington Mortgage Co., Inc., Falls Church, Va.	657,726,130	510,428,110	203	+ 15	17,195	101	109
189	U.S. Home Mortgage Corp., Clearwater, Fla.	656,963,000	852,900,000	152		11,653	43	237
190	Hammond Co., Newport Beach, Calif.	654,854,826	568,978,000	194	+4	7,284	44	96
191	SCN Mortgage Corp., Columbia, S.C.	638,577,349	703,666,260	171		15,779	114	192
192	SouthTrust Mortgage Corp., Birmingham, Ala.	637,196,917	511,906,449	200	+8	12,624	44	217
193	Carl I. Brown & Co., Kansas City, Mo.	636,695,475	350,166,558	252	+ 59	9,916	20	446
194	BA Mortgage & International Realty Corp., San Francisco	624,125,000	1,647,998,000	93		2,062	84	2
195	Detroit Mortgage & Realty Co., Detroit	622,975,000	493,298,607	212	+ 17	11,066	28	180
196	Bloomfield Mortgage Corp., Southfield, Mich.	611,815,754	....	...		9,909	6	75
197	Beverly Hills Securities Co., Encino, Calif.	610,829,524	511,649,000	201	+4	6,717	32	153
198	Oak Tree Mortgage Corp., Oklahoma City (f)	602,215,000	186,016,000	295	+ 97	11,189	68	81
199	Home Mortgage Co. of El Paso, Tex.	599,640,771	644,000,000	180		16,352	48	279
200	M&I Grootemaat Mortgage Corp., Milwaukee, Wis.	598,710,131	436,513,504	233	+ 33	15,899	58	217

Volume of Mortgages Serviced— the dollar volume of permanent mortgages serviced for investors. Mortgages owned by an institution, as well as foward commitments, home improvement loans, and all temporary financing such as construction loans and development loans are excluded. (a)— Sold its servicing portfolio to 36th-ranked Chase Home Mortgage Corp., Montvale, N.J., 11/2/87. (b)— Acquired 219th-ranked Valley Mortgage Corp., Salt Lake City, Utah, 7/87. (c)— Formerly known as IntraWest Mortgage Co. (d)— On 10/6/87, Cobb Partners, Inc., Miami— a company formed by 13 former Arvida executives— acquired Arvida from The Walt Disney Company and changed its name to Cobb Partners Fiancial, Inc. (e)— Formerly known as Pine State Securities Corp. (f)— Changed title from United Bankers Mortgage Corp. when Dixie S& L Assn., New Orleans acquired the company from United Oklahoma Bank. N.A.— Not available.

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1987

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		Volume of Mortgages Serviced					No. of Investors 6/30/87	
		Total 6/30/87	Total 6/30/86	Rank 6/30/86	Gain in Rank	Mortgages Serviced (No.) 6/30/87	Excluding GNMA Pools	GNMA Pools
201	Stanwell Mortgage, Concord, Calif.	589,169,355	430,000,000	235	+ 34	8,311	59	167
202	R&G Mortgage Corp., Hato Rey, P.R.	582,651,347	500,215,658	209	+7	14,582	35	286
203	Seattle Mortgage Co.	566,141,705	459,509,172	222	+ 19	9,596	28	249
204	First Commercial Mortgage Co., Little Rock, Ark.	559,916,500	511,463,700	202		14,465	240	148
205	James B. Nutter & Co., Kansas City, Mo.	555,000,000	452,300,000	228	+ 23	13,833	83	193
206	Third National Mortgage Co., Nashville	549,689,670	446,531,000	231	+ 25	8,823	80	132
207	PaineWebber Housing & Healthcare Funding, Inc., New York	548,545,232	1,117,065,233	126		21	N.A.	N.A.
208	Guardian Mortgage Co., Inc., Dallas	541,000,000	461,847,564	221	+ 13	9,599	62	293
209	Southwest Mortgage Co., Albuquerque, N.M.	539,671,477	756,432,920	164		9,500	49	362
210	Consumer Mortgage Corp., Farmington Hills, Mich. (a)	531,735,073	404,981,331	238	+ 28	18,332	49	1
211	Mission Hills Mortgage Corp., Santa Ana, Calif.	530,042,437	452,266,926	229	+ 18	6,313	10	233
212	Pope Mortgage Co., Raleigh, N.C. (b)	528,038,659	....	...		7,975	70	1
213	Signet Mortgage Corp., Baltimore (c)	521,477,049	224,427,472	283	+ 70	9,757	70	23
214	Drew Mortgage Co., Houston	520,000,000	647,630,597	179		9,470	110	163
215	Investor's Mortgage Service Co., Burbank, Calif.	519,502,000	616,033,429	183		15,128	88	133
216	Security Financial & Mortgage Corp., St. Louis, Mo.	516,977,494	....	...		12,677	11	333
217	Housing Mortgage Corp., Pittsburgh	506,844,357	458,112,000	224	+7	14,711	157	65
218	Mercantile Mortgage Corp., Baltimore	494,684,083	475,000,000	217		6,419	44	112
219	Valley Mortgage Corp., Salt Lake City (d)	493,504,437	495,099,637	211		10,416	82	1
220	Commodore Financial Services Corp., Dallas	492,125,314	701,770,798	172		6,188	74	44
221	McCaughan Mortgage Co., Inc., Coral Gables, Fla.	489,774,289	507,199,980	205		22,071	73	141
222	Crocker Mortgage Co., Inc., San Diego, Calif. (e)	488,946,436	3,021,525,851	48		7,239	53	2
223	First Mortgage Corp., Diamond Bar, Calif.	482,336,056	383,661,365	246	+ 23	7,781	14	158
224	Key Pacific Mortgage Co., Milwaukie, Ore. (f)	467,800,000	475,951,454	216		4,543	26	0
225	USLife Real Estate Services Corp., Dallas	467,000,000	403,000,000	242	+ 17	865	23	0
226	Holland Mortgage & Investment Corp., Houston	464,000,000	600,884,255	188		8,757	182	0
227	Baird & Warner, Inc., Chicago	463,000,000	458,906,672	223		422	52	2
228	National Pacific Mortgage Corp., Cerritos, Calif.	452,146,784	404,650,618	239	+ 11	5,186	10	50
229	Fullerton Financial Corp., Minneapolis	450,795,456	434,856,700	234	+5	11,871	53	241
230	Brumbaugh & Fulton Co., Tulsa, Okla.	441,429,784	448,519,000	230		13,120	57	100
231	Magna Mortgage Co., Decatur, Ill.	437,000,000	369,805,585	248	+ 17	14,250	42	297
232	Midland Mortgage Corp., Orlando, Fla.	436,000,000	410,000,000	237	+5	15,527	91	120
233	American Mortgage & Investment Co., Oklahoma City	433,628,409	500,028,101	210		16,758	109	144
234	Statesman Mortgage Co., Des Moines, Iowa (g)	428,477,000	488,386,000	213		9,636	56	210
235	Justice Mortgage Co., Inc., Dallas	423,300,602	284,959,852	268	+ 33	7,632	52	26
236	Metropolitan Service Mortgage Corp., Fargo, N.D.	419,501,434	....	...		3,767	82	7
237	Hartger & Willard Mortgage Assoc., Inc., Grand Rapids, Mich.	408,700,000	318,515,600	258	+ 21	410	18	12
238	California Mortgage Service, Santa Ana	408,185,207	1,402,093,048	106		36,901	60	514
239	Professional Bancorp Mortgage Co., Coral Gables, Fla.	403,000,000	216,793,124	286	+ 47	5,988	19	0
240	St. Joseph Mortgage Co., Inc., South Bend, Ind.	402,785,116	330,000,000	255	+ 15	7,769	83	144
241	D&N Mortgage Corp., Troy, Mich.	401,481,449	....	...		5,885	9	28
242	Bank South Mortgage Corp., Atlanta	398,460,420	349,444,229	253	+ 11	7,960	43	205
243	Regional Investment Co., Leawood, Kan.	389,000,000	403,118,794	240		13,830	95	250
244	Atlantic Mortgage & Investment Corp., Jacksonville, Fla.	380,045,997	250,052,610	274	+ 30	8,852	25	112
245	Lowell, Smith & Evers, Inc., Van Nuys, Calif.	375,797,971	368,631,792	249	+4	13,682	29	135
246	Oklahoma Mortgage Co., Inc., Oklahoma City	371,717,757	403,093,299	241		12,037	65	246
247	Laurance Eustis Mortgage Corp., New Orleans, La.	369,000,000	381,900,000	247		5,639	31	105
248	Mercury Mortgage Co., Inc., Tulsa, Okla.	369,000,000	326,317,000	256	+8	10,747	25	243
249	International Mortgage Co., Los Angeles	360,000,000	314,865,502	260	+ 11	3,700	15	200
250	Kirk Mortgage Co., Philadelphia	343,160,000	315,000,000	259	+9	12,832	33	41
251	First Fidelity Mortgage Corp., Atlanta	340,000,000	276,000,000	269	+ 18	47	5	0
252	Camp & Co., Birmingham, Ala.	338,694,634	252,809,882	273	+ 21	180	14	0
253	Occidental Mortgage Corp., West Covina, Calif.	338,354,131	285,637,147	267	+ 14	4,852	8	32
254	Agrivest, Inc., Glastonbury, Conn.	332,086,124	440,000,000	232		1,100	1	0
255	Beneficial Standard Mortgage Co., Los Angeles	328,547,000	230,247,440	280	+ 25	825	5	0
256	Alamo Investment Co., San Antonio, Tex.	326,931,434	293,037,142	263	+7	5,271	52	229
257	Eastland Mortgage Co., Oklahoma City	317,954,812	144,110,341	316	+ 59	7,242	68	27
258	Eberhardt Co., Minneapolis	306,182,698	455,350,000	226		857	15	1
259	John Burnham & Co., San Diego, Calif.	303,311,790	240,956,000	275	+ 16	444	13	0
260	Calumet Securities Corp., Schererville, Ind.	300,110,268	268,136,658	270	+10	9,718	45	0
261	Miktomm Mortgage Corp., Sioux Falls, S.D. (h)	299,600,000	....	...		6,941	40	41
262	Capitol Mortgage & Trust Co., Austin, Tex.	298,000,000	320,393,778	257		5,669	52	1
263	A.E. Landvoigt, Fairfax, Va.	289,657,907	200,036,915	291	+ 28	3,723	21	122
264	Central Mortgage Bancshares, Inc., Springfield, Mo.	287,305,517	233,599,255	279	+ 15	8,742	54	94
265	Singleton Mortgage Corp., Memphis, Tenn.	286,642,350	240,800,000	276	+ 11	7,666	26	34
266	First Citizens Mortgage Co., Raleigh, N.C. (i)	286,100,000	289,535,872	265		7,366	46	48
267	Barry S. Slatt Mortgage Co., San Francisco	281,295,458	211,417,378	288	+ 21	376	0	0
268	Megapolitan Mortgage Co., Denver	279,070,477	286,320,204	266		2,747	90	0
269	American National Mortgage Co., Inc., Fort Worth, Tex.	277,491,167	301,276,613	262		7,100	80	146
270	Boatmen's Mortgage Corp., St. Louis	273,440,000	204,000,000	289	+ 19	6,614	13	1
271	Moore Mortgage Co., Denver	271,012,813	505,527,978	206		3,469	95	128
272	BancOklahoma Mortgage Corp., Tulsa	269,632,091	....	...		3,784	20	0
273	Tucker Brothers, Inc., Jacksonville, Fla.	253,060,000	401,893,595	243		9,344	70	110
274	Carey Winston Co., Bethesda, Md.	252,666,912	176,019,395	300	+ 26	3,783	33	27
275	Mercury Mortgage Service Corp., Hayward, Calif.	249,500,000	185,556,828	297	+ 22	2,856	7	60
276	National Mortgage Co., Denver	249,156,000	108,715,001	328	+ 52	4,407	35	51
277	Mayflower Mortgage Corp., Plymouth, Mich.	246,365,883	183,730,616	298	+ 21	4,662	10	0
278	Indian Head Mortgage Servicing Corp., Nashua, N.H.	240,000,000	173,210,949	301	+ 23	4,750	25	0
279	Pioneer Mortgage Corp., Shreveport, La.	239,000,000	219,163,897	285	+6	7,527	31	111
280	First Financial Corp., Waco, Tex.	237,297,245	239,363,148	277		16,689	30	823
281	Proctor & Associates of Michigan, Inc., Troy	235,927,669	193,332,289	293	+ 12	290	10	0
282	Boulevard Mortgage Co., Philadelphia	235,863,026	233,770,532	278		7,621	34	65
283	BancOhio Mortgage Co., Columbus	226,357,000	669,743,819	176		6,673	13	5
284	Alta Mortgage Co., Concord, Calif.	223,937,447	191,753,045	294	+10	3,339	35	82
285	Hancock Mortgage Corp., Gulfport, Miss.	214,701,000	185,936,507	296	+ 11	4,211	49	69
286	Holliday Mortgage Corp., Tulsa, Okla.	211,003,074	227,393,157	281		134	15	0
287	Weststar Mortgage Corp., Santa Rosa, Calif.	205,000,000	226,981,000	282		3,618	25	0
288	Lincoln-Rowe Mortgage Corp., Dearborn, Mich.	205,000,000	161,152,153	305	+ 17	6,045	0	0
289	GECC Financial Corp., Honolulu	202,257,450	222,005,335	284		1,849	40	0
290	Turner Corp. of Oklahoma, Inc., Tulsa	201,681,922	197,101,603	292	+2	5,397	51	69
291	Orbanco Real Estate Services Co., Portland, Ore.	200,000,000	292,000,000	264		3,500	42	3
292	Citizens & Southern Mortgage Corp. of Florida, Tampa	189,078,630	629,753,032	181		6,988	99	5
293	Atlas Capital Corp., Encino, Calif.	187,000,000	N.A.	...		2,900	14	0
294	Fullerton Mortgage & Escrow Co., Calif.	186,000,000	212,000,000	287		3,900	23	12
295	Community Savings Mortgage Co., Jacksonville, Fla.	179,088,094	123,694,379	321	+ 26	3,345	55	0
296	Welborn Mortgage Corp., Fort Worth, Tex.	174,427,878	160,762,000	306	+10	4,767	29	33
297	LBT Mortgage Corp., Shreveport, La.	167,575,171	155,677,943	309	+ 12	4,755	15	116
298	Flynn Investment Co., Harlingen, Tex.	166,229,838	161,812,227	304	+6	5,246	45	0
299	Richards-Woodbury Mortgage Corp., Salt Lake City	163,079,783	143,168,113	317	+ 18	2,773	59	13
300	Worthen First Mortgage Co., Little Rock, Ark.	158,795,899	168,848,364	302	+2	4,891	33	20
	TOTALS FOR TOP 300	**$615.5 Billion**	**$549.8 Billion‡**	**+11.9%**				

Volume of Mortgages Serviced— the dollar volume of permanent mortgages serviced for investors. Mortgages owned by an institution, as well as foward commitments, home improvement loans, and all temporary financing such as construction loans and development loans are excluded. (a)— Formerly known as Capital Mortgage Corp. (b)— Acquired Commerce McGehee Mortgage Inc., Memphis, 12/85. (c)— Formerly known as Bank of Virginia Mortage Corp. (d)— Acquired by 138th-ranked Valley National Mortgage Co., Phoenix, 7/87. (e)— Company no longer exists. Effective 7/1/87, servicing is dono by Wells Fargo Mortgage Loan Center, San Diego, a division of Wells Fargo Bank NA, San Francisco. (f)— Formerly known as Alaska Pacific Mortgage Co., Anchorage. (g)— Formerly known as Hawkeye Bancorp. Mortgage Co. (h)— A new subsidiary of Western Bank, Sioux Falls. Formerly, servicing was done by the bank. (i)— Formerly known as Stockton, White & Co. N.A.— Not Available. (‡)— Data are for the top 300 firms on 6/30/86.

Top Banks in Servicing of Permanent Mortgages

Banks with More than $100 Million in Servicing for Investors on June 30, 1987

Compiled by American Banker Copyright 1987

Servicing Rank 6/30/87		Mortgages Serviced for Investors		No. of Investors 6/30/87		Servicing Rank 6/30/86	Gain in Rank	Total Mortgage Servicing (in Dollars) 6/30/87	Mortgages Owned by Bank (in Dollars) 6/30/87
		Dollar Volume 6/30/87	Number of Mortgages 6/30/87	Excluding GNMA Pools	GNMA Pools				
1	**Bank of America NT&SA, San Francisco**	5,515,000,000	104,198	362	47	1		14,168,000,000	8,653,000,000
2	**Security Pacific National Bank, Los Angeles**	1,748,856,797	27,572	102	15	2		6,700,708,811	4,951,852,014
3	**Marine Midland Bank NA, Buffalo, N.Y.**	1,446,408,000	23,421	0	0	13	+ 10	2,884,429,000	1,432,311,000
4	**Citizens Fidelity Bank & Trust Co., Louisville, Ky. (a)**	1,215,200,000	17,725	68	185	3		1,339,100,000	123,900,000
5	**National State Bank, Elizabeth, N.J.**	1,052,424,999	19,827	44	258	14	+9	1,152,248,108	99,823,109
6	**National Bank of Alaska, Anchorage**	969,565,807	10,673	66	14	7	+1	N.A.	N.A.
7	**Union National Bank, Little Rock, Ark.**	833,259,181	23,887	206	473	6		893,521,912	60,262,731
8	**First National Bank, Anchorage, Alaska**	817,914,313	10,581	25	1	5		N.A.	N.A.
9	**Alaska Mutual Bank, Anchorage**	763,492,000	7,794	36	0	9		897,935,000	134,442,000
10	**First Tennessee Bank NA, Memphis**	669,200,083	15,479	49	246	12	+2	819,144,968	149,944,884
11	**Chase Bank of Arizona, Phoenix**	666,453,810	8,772	58	58	10		N.A.	N.A.
12	**First Interstate Bank of Oregon NA, Portland**	665,669,677	20,709	56	124	22	+ 10	943,372,280	277,702,603
13	**Bank of Hawaii, Honolulu**	628,803,140	15,323	132	1	11		1,055,695,849	426,892,709
14	**United Jersey Bank, Hackensack, N.J.**	568,225,941	9,059	55	0	28	+ 14	1,012,726,903	13,224
15	**Bank of New England NA, Boston**	524,187,813	6,078	43	0	21	+6	152,728,173	2,950
16	**Chase Lincoln First Bank NA, Rochester, N.Y.**	447,223,446	12,508	30	22	...		1,252,006,010	804,782,564
17	**United Bank Alaska, Anchorage**	439,431,046	3,762	15	0	18	+1	439,431,046	48,583,915
18	**First Wisconsin National Bank, Milwaukee**	397,931,817	9,011	155	49	23	+5	547,331,115	172,515,678
19	**First Interstate Bank of Washington NA, Seattle**	375,440,309	12,650	72	116	8		755,149,167	379,708,858
20	**Union Planters National Bank, Memphis, Tenn.**	368,963,592	7,946	117	69	24	+4	408,556,069	57,048,120
21	**Texas American Bank/Fort Worth NA**	330,626,349	4,679	24	93	54	+ 33	443,561,768	112,935,420
22	**Commerce Union Bank, Nashville, Tenn.**	316,939,060	7,348	36	29	44	+ 22	316,939,060	55,457,000
23	**First Interstate Bank of Casper NA, Wyo.**	311,997,834	6,659	53	3	40	+ 17	339,725,890	27,862,945
24	**First Interstate Bank of Alaska, Anchorage**	298,366,618	2,537	38	1	26	+2	N.A.	N.A.
25	**Central Trust Co. NA, Cincinnati**	296,662,616	7,267	25	0	51	+ 26	641,990,062	345,327,446
26	**Comerica Bank-Detroit**	283,590,310	7,113	23	0	27	+1	1,182,712,907	899,122,597
27	**First National Bank, Cincinnati**	272,322,286	4,448	104	58	31	+4	666,028,202	414,655,951
28	**Hibernia National Bank, Baton Rouge, La.**	272,313,861	6,989	53	5	33	+5	332,129,519	59,815,658
29	**Valley Fidelity Bank & Trust Co., Knoxville, Tenn.**	267,949,278	6,687	30	150	38	+9	290,974,175	22,024,897
30	**American Security Bank NA, Washington, D.C.**	259,158,465	4,217	31	6	65	+ 35	262,002,773	164,108,555
31	**Sanwa Bank California, Los Angeles**	247,283,606	5,599	19	0	47	+ 16	113,441,423	133,842,183
32	**Society National Bank, Cleveland**	240,525,520	7,792	81	0	20		899,895,175	659,369,656
33	**California First Bank, San Francisco**	226,911,298	4,669	54	34	30		986,651,954	482,464,317
34	**Seattle Trust & Savings Bank**	226,610,300	4,710	24	4	37	+3	226,610,300	117,315,100
35	**First National Bank of Maryland**	225,462,000	4,271	33	3	52	+ 17	620,786,528	395,324,527
36	**Banco de Ponce, Hato Rey, P.R.**	221,049,000	12,259	59	110	36		322,697,000	167,826,000
37	**Union Bank, Los Angeles**	220,000,000	3,550	44	0	46	+9	570,000,000	347,000,000
38	**First Hawaiian Bank, Honolulu**	215,540,867	6,838	0	0	32		1,041,371,262	347,343,557
39	**Fremont Bank, Calif.**	209,849,000	2,713	15	0	49	+ 10	304,107,000	94,258,000
40	**First Wyoming Bank NA-Cheyenne**	202,971,776	4,473	43	0	42	+2	210,455,405	7,483,629
41	**Commercial Security Bank, Salt Lake City**	202,882,110	5,311	38	45	39		299,166,380	96,284,270
42	**Maryland National Bank, Baltimore**	201,097,813	5,937	19	2	35		266,129,972	65,032,158
43	**Banco Popular de Puerto Rico, San Juan**	200,404,600	15,027	148	20	43		397,947,800	210,112,500
44	**Manufacturers National Bank, Detroit**	199,506,954	5,957	52	6	29		924,469,910	828,020,589
45	**Sunwest Bank of Albuquerque NA, N.M.**	192,111,000	5,336	13	50	57	+ 12	441,250,000	249,139,000
46	**North American Bank & Trust Co., Stratford, Conn.**	180,363,031	3,786	19	2	45		6,685,628	6,685,628
47	**Central Bank of Denver**	166,033,712	5,136	90	0	41		204,623,482	38,512,102
48	**First Interstate Bank of Arizona NA, Phoenix**	161,967,021	8,365	58	47	50	+2	616,503,625	454,536,604
49	**Bank of Boston-Connecticut, Waterbury**	158,957,000	3,731	80	0	62	+ 13	699,649,000	539,190,000
50	**Norwest Bank Casper NA, Wyo.**	156,121,491	3,690	31	0	48		169,055,793	12,934,302
51	**First Interstate Bank of Hawaii, Honolulu**	147,300,292	2,902	42	0	55	+4	295,893,446	148,593,154
52	**Kanawha Valley Bank NA, Charleston, W. Va.**	144,646,637	3,655	21	0	53	+1	212,632,390	67,985,753
53	**Bank IV Wichita NA, Kan.**	140,117,326	2,134	80	0	59	+6	315,359,661	175,242,335
54	**Wilmington Trust Co., Del.**	138,031,569	3,152	50	0	79	+ 25	721,496,898	567,472,792
55	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	137,250,000	3,717	16	0	78	+ 23	194,192,000	56,942,000
56	**Citizens Commercial & Savings Bank, Flint, Mich.**	128,527,585	6,646	0	15	60	+4	405,659,898	277,132,313
57	**First National Bank, Omaha, Neb.**	125,217,166	2,040	25	6	61	+4	161,592,079	36,248,419
58	**Branch Banking & Trust Co., Wilson, N.C.**	122,527,775	2,779	37	8	56		436,338,206	313,810,431
59	**Idaho Bank & Trust Co., Boise**	122,474,918	2,431	71	0	64	+5	184,020,311	61,545,393
60	**Old Kent Bank of Kalamazoo, Mich.**	122,288,405	2,350	32	0	...		219,290,208	97,001,802
61	**Norwest Bank Omaha NA, Neb.**	120,060,524	3,867	22	0	66	+5	56,456,728	63,614,128
62	**Alaska Statebank, Anchorage**	108,689,077	1,069	16	0	76	+ 14	119,075,480	10,386,404
63	**Rainier Bank Alaska NA, Anchorage**	104,183,696	1,259	N.A.	N.A.	...		N.A.	N.A.
64	**Provident Bank, Baltimore**	104,025,663	2,023	1	0	...		412,206,727	308,181,063

Data are for banks only and exclude subsidiary mortgage companies. **Mortgages Serviced for Investors**— The dollar volume of permanent mortgages serviced for others by the bank. Excludes home improvement loans and temporary financing such as construction and development loans. Also excludes mortgages serviced for itself and for all accounts of the bank's trust department. **Total Mortgages Serviced**— Total dollar volume of permanent mortgages serviced by the bank for itself, for all accounts of its trust department, and for others. **Mortgages Owned by the Bank**— The dollar volume of permanent mortgages which are assets of the bank. **(a)**—Servicing is done by Citizens Fidelity Mortgage Co., a division of the bank.

Changes in This Year's Top 300 Mortgage Survey (Listed Geographically)

Companies that were Acquired

Western American Financial Corp., Phoenix — ranked 144th last year with $936 million in servicing for others on 6/30/86 — was acquired by ,Pima S&LA, Tucson, 1/87.

ICA Mortgage Corp., San Diego — ranked 117th with $1.2 billion in servicing on 6/30/86 — was integrated into its parent's (Imperial Corp. of America) thrift subsidiary, Imperial Savings Assn.

Trust Company Mortgage, Atlanta — ranked 112th in servicing last year with $1.23 billion in servicing — was merged into a new mortgage company subsidiary of its parent (SunTrust Banks, Inc.), SunTrust Mortgage, Inc., Atlanta.

Security Pacific Mortgage Corp., Denver — ranked 57th in servicing last year with $2.48 billion in servicing — was acquired by Fleet Real Estate Funding Corp., Columbia, S.C.

Merrill Lynch Mortgage Corp., Stamford, Conn. — ranked 44th in servicing last year with $3.18 billion in servicing — was acquired by Glenfed Mortgage Corp., Irvine, Calif.

American Fletcher Mortgage Co., Inc., Indianapolis — ranked 95th with $1.6 billion in servicing — merged with **Banc One Mortgage Corp., Columbus, Ohio** — ranked 129th with $1.1 billion — to form Banc One Mortgage Corp., Indianapolis.

RIHT Mortgage Corp., Charlotte, N.C. — ranked 96th with $1.6 billion in servicing — was merged into its parent's (Bank of Boston Corp.) other mortgage company subsidiary, BancBoston Mortgage Corp., Jacksonville, Fla., during first half of 1987.

Bancshares Mortgage Co., Spokane, Wash. — ranked 254th with $337 million in servicing and a subsidiary of Old National Bancorp — merged with U.S. Bancorp. Mortgage Co., Portland, Ore., a subsidiary of U.S. Bancorp.

Companies that didn't Report

American Continental Mortgage Co., Phoenix, — ranked 251st with $355 million in servicing — stated that it was going out of business.

Charter Oaks Mortgage Corp., Los Angeles — ranked 318th with $138 million in servicing — did not respond to data requests.

Plus Financial, Inc., Walnut Creek, Calif. — ranked 307th with $160 million in servicing — did not respond to data requests.

Shelter America Corp., Aurora, Colo. — ranked 208th with $500 million in servicing — stated that they chose not to participate this year.

Permanent Mortgage Co., Washington, D.C. — ranked 329th with $100 million in servicing — did not respond to data requests.

J.I. Kislak Mortgage Service Corp., Miami — which ranked 34th with $4.15 billion in servicing — did not respond to two letters, a mailgram, and and five phone calls.

Pan American Mortgage Corp., Miami — ranked 139th with $996 million — chose not to participate.

Freedom Mortgage Co., Tampa, Fla. — ranked 138th with $1.02 billion — chose not to participate.

Cauble & Co., Atlanta — ranked 199th with $527 million — chose not to participate.

Ensign Mortgage Co., Atlanta — ranked 236th with $427 million — chose not to participate

Cohen Financial Corp., Chicago — ranked 244th with $400 million — chose not to participate.

Jones & Company, Overland Park, Kan. — ranked 311th with $150 million — did not respond to data requests.

Missouri Valley Investment Co., Prairie Village, Kan. — ranked 198th with $539 million — did not respond to two letters, a mailgram, and five phone calls.

AmBank Mortgage Co., Baton Rouge, La. — ranked 290th with $203 million — chose not to participate.

Mid-States Mortgage Corp., Southfield, Mich. — ranked 219th with $467 million — "did not consider the listing to be important" and chose not to participate.

Charles F. Curry & Co., Kansas City, Mo. — ranked 69th with $2.12 billion — chose not to participate.

Citicorp Homeowners Services! Inc., St. Louis — ranked 3rd with $15 billion — is not permitted to participate in the survey by its parent, Citicorp.

Citicorp Real Estate, Inc., New York — ranked 64th with $2.2 billion — is not permitted to participate in the survey by its parent, Citicorp.

Yerke Mortgage Co., Columbus, Ohio — ranked 319th with $135 million — did not respond to data requests.

Citizens Mortgage Corp., Oklahoma City — ranked 312th with $147 million — did not respond to data requests.

Pool Mortgage Co., Oklahoma City — ranked 271st with $262 million — closed servicing offices and apparently went out of business.

Fidelity Bond & Mortgage Co., Philadelphia — ranked 101st with $1.51 billion — stated that they planned to participate but never responded as promised.

Colonial Mortgage Bankers Corp., Hato Rey, P.R. — ranked 331st with $89 million — did not respond to data requests.

Prudential Mortgage Corp., San Juan, P.R. — ranked 323d with $120 million — did not respond to data requests.

C&S Real Estate Services, Inc., Charleston, S.C. — ranked 218th with $469 million — chose not to participate.

Texas Western Mortgage, Inc., Houston — ranked 272d with $262 million — chose not to participate.

Richard Carlyon Co., San Antonio — ranked 310th with $152 million — did not respond to data requests.

Spokane Mortgage Co., Wash. — ranked 324th with $117 million — did not respond to data requests.

Top 100 Thrifts in Mortgage Servicing

June 30, 1987 Compared with June 30, 1986 (Thousands of Dollars)

Compiled by American Banker Copyright 1987

Rank		Loans Serviced for Others			Loan Servicing Fees			Total Assets	
6/30/87		6/30/87	6/30/86	% Chg.	1987	1986	% Chg.	6/30/87	6/30/86
1	City Federal Savings Bank, Bedminster, N.J.	17,528,533	14,064,826	24.63	60,170	20,164	198.40	10,776,524	10,194,595
2	Home Savings of America, FA, Los Angeles	11,030,703	8,753,183	26.02	54,363	47,369	14.76	27,748,974	27,878,939
3	American S & L Assn., Stockton, Calif.	7,919,799	9,861,011	-19.69	N.A.	N.A.	...	33,932,563	29,179,482
4	Great Western Bank, FSB, Beverly Hills	7,201,264	5,950,610	21.02	25,337	16,172	56.67	25,305,516	23,166,716
5	Standard Federal Savings & Loan Assn., Gaithersburg, Md.	5,111,017	2,712,358	88.43	9,280	9,699	-4.32	1,213,108	1,025,967
6	Carteret Savings Bank, FA, Newark, N.J.	4,647,629	2,443,302	90.22	6,178	4,268	44.08	5,672,718	5,345,308
7	Imperial Savings Assn., San Diego, Calif.	4,365,679	2,049,307	113.03	8,548	2,965	188.30	9,374,734	7,957,387
8	Mercury Savings Assn., Wichita Falls, Tex.	4,319,193	4,590,181	-5.90	53	726	-92.70	617,062	746,482
9	Home Owners Federal Savings & Loan Assn., Burlington, Mass.	4,075,739	3,053,470	33.48	44,285	29,054	52.42	1,847,933	1,211,486
10	Transohio Savings Bank, Cleveland	3,868,676	2,344,106	65.04	23,886	6,851	248.65	5,612,553	3,580,270
11	Merabank, FSB, Phoenix	3,556,884	2,124,935	67.39	9,075	6,862	32.25	6,342,785	5,322,461
12	First Nationwide Bank, FSB, San Francisco	3,524,623	3,140,252	12.24	15,965	11,876	34.43	15,357,142	12,995,194
13	Coast Savings & Loan Assn., Los Angeles	3,398,824	2,798,427	21.45	6,146	4,650	32.17	11,096,110	8,044,701
14	Homestead Savings, FS & LA, San Francisco	3,357,298	5,007,810	-32.96	6,473	18,848	-65.66	5,497,745	5,060,565
15	Amerifirst Federal Savings & Loan Assn., Miami	3,266,017	2,760,894	18.30	8,794	4,490	95.86	4,055,319	3,957,579
16	Colonial Savings & Loan Assn., Fort Worth, Tex.	3,171,078	3,095,558	2.44	12,816	12,499	2.54	502,448	538,872
17	Great American First Savings Bank, San Diego, Calif.	3,135,791	2,966,043	5.72	545	2,430	-77.57	11,150,994	9,710,313
18	Comfed Savings Bank, Lowell, Mass.	3,100,181	2,255,284	37.46	21,261	11,386	86.73	1,411,726	991,911
19	Home Federal Savings & Loan Assn., San Diego, Calif.	3,054,374	3,159,568	-3.33	12,517	11,845	5.67	12,733,612	10,686,525
20	Glendale Federal Savings & Loan Assn., Calif.	2,938,640	2,646,418	11.04	4,477	3,361	33.20	18,059,868	15,966,689
21	Pacific First Federal Savings Bank, Tacoma, Wash.	2,819,708	3,206,171	-12.05	9,910	13,200	-24.92	4,330,257	3,627,491
22	Duval Federal Savings & Loan Assn., Jacksonville, Fla,	2,777,151	1,251,323	121.94	9,330	4,482	108.17	1,322,095	1,072,392
23	California Federal Savings & Loan Assn., Los Angeles	2,767,021	2,898,118	-4.52	6,060	3,058	98.17	21,339,064	19,253,289
24	Victor Savings & Loan Assn., FS & LA, Muskogee, Okla.	2,699,580	N.A.	....	15	N.A.	....	421,544	N.A.
25	Gibraltar Savings, Beverly Hills	2,677,025	2,569,302	4.19	27	28	-3.57	12,442,224	10,358,704
26	Investors Savings Bank, Richmond	2,338,606	1,034,984	125.96	3,580	1,862	92.27	1,755,022	1,123,668
27	Standard Federal Bank, Troy, Mich.	2,314,713	2,268,724	2.03	8,132	6,799	19.61	8,980,741	7,455,032
28	Western Federal Savings & Loan Assn., Marina Del Rey, Calif.	2,053,798	1,066,000	92.66	153	2,310	-93.38	2,026,970	1,753,553
29	Albuquerque Federal Savings & Loan Assn., N.M.	1,817,104	1,197,686	51.72	5,124	5,181	-1.10	2,377,582	1,868,954
30	Leader Federal Savings & Loan Assn., Memphis, Tenn.	1,802,726	1,064,809	69.30	3,832	3,049	25.68	1,953,166	1,723,663
31	Dominion Federal Savings & Loan Assn., Tyson Corner, Va.	1,689,144	1,088,850	55.13	3,935	2,557	53.89	1,773,088	1,520,197
32	Midfirst Savings & Loan Assn., Oklahoma City	1,660,800	N.A.	....	7,884	1,018	674.46	428,864	214,064
33	Gibraltar Savings Assn., Houston	1,571,205	1,525,562	2.99	3,640	2,081	74.92	5,921,285	5,276,174
34	Continental Savings Bank, Seattle	1,529,779	N.A.	....	2,827	N.A.	....	126,870	N.A.
35	Buckeye Federal Savings & Loan Assn., Columbus, Ohio	1,459,699	1,309,006	11.51	4,171	4,052	2.94	1,295,607	1,275,993
36	Cenlar Federal Savings Bank, Pennington, N.J.	1,400,000	1,764,708	-20.67	6,798	13,226	-48.60	622,591	443,563
37	Dime Savings Bank of New York, FSB, Garden City, N.Y.	1,356,845	1,059,780	28.03	7,261	2,554	184.30	9,177,566	7,999,700
38	Chevy Chase Savings Bank, FSB, Md.	1,352,881	1,061,502	27.45	4,860	3,938	23.41	3,121,682	2,507,445
39	Security Savings & Loan Assn., Jackson, Miss.	1,302,383	N.A.	....	3,782	2,665	41.91	470,188	378,330
40	Perpetual Savings Bank, FSB, McLean, Va.	1,249,772	1,105,599	13.04	3,370	4,488	-24.91	4,479,394	4,120,959
41	Altus Bank, FSB, Mobile, Ala.	1,237,824	816,450	51.61	6,357	3,774	68.44	2,746,364	2,280,325
42	Platte Valley Federal Savings & Loan Assn., Gering, Neb.	1,223,456	444,488	175.25	791	574	37.80	393,133	367,865
43	Mercury Savings & Loan Assn., Huntington Beach, Calif.	1,202,756	984,613	22.16	11	0	....	2,241,186	2,191,232
44	First Federal Savings & Loan Assn., Rochester, N.Y.	1,161,020	798,961	45.32	4,266	3,235	31.87	4,388,623	4,635,586
45	Citicorp Savings of Illinois, FS&LA, Chicago	1,127,487	1,015,558	11.02	3,849	3,183	20.92	5,601,121	4,590,681
46	Far West Savings & Loan Assn., Newport Beach, Calif.	1,115,123	949,578	17.43	1,451	1,455	-0.27	3,371,518	2,726,087
47	Sears Savings Bank, Glendale, Calif.	1,111,288	1,001,517	10.96	7,765	5,701	36.20	5,378,614	6,476,810
48	United Savings Bank, FSB, San Francisco, Calif.	1,104,864	392,543	181.46	3,570	54	6,511.11	760,974	596,586
49	Suncoast Savings & Loan Assn., Hollywood, Fla.	1,085,068	244,496	343.80	2,049	254	706.69	91,348	43,599
50	Georgia Federal Bank, FSB, Atlanta	1,083,186	894,952	21.03	N.A.	N.A.	...	3,602,921	3,086,980
51	Union Federal Savings & Loan Assn., Los Angeles	1,082,976	1,056,995	2.46	743	988	-24.80	1,579,069	1,438,369
52	Columbia Savings & Loan Assn., Beverly Hills	1,080,026	667,817	61.72	3,084	1,118	175.85	9,101,839	7,322,457
53	First Minnesota Savings Bank, FSB, Minneapolis	1,020,201	939,087	8.64	4,363	1,026	325.24	3,061,592	2,835,362
54	First Texas Savings Assn., Dallas	1,003,962	1,210,574	-17.07	3,392	2,868	18.27	3,602,520	3,902,537
55	Beverly Hills Savings, FS & LA, Beverly Hills	998,124	1,164,267	-14.27	3,181	1,725	84.41	1,802,274	2,257,662
56	Decatur Federal Savings & Loan Assn., Ga.	976,514	779,960	25.20	545	810	-32.72	1,935,425	1,869,433
57	Boston Five Cents Savings Bank, FSB, Boston	960,945	600,880	59.92	3,141	1,995	57.44	1,922,583	1,842,424
58	Fortune Savings Bank, Clearwater, Fla.	941,258	664,748	41.60	1,651	2,039	-19.03	2,708,972	2,155,506
59	United Savings Assn., Houston	936,321	1,049,071	-10.75	2,855	3,528	-19.08	5,909,915	5,615,049
60	Atlantic Financial Federal, Bala Cynwyd, Pa.	922,686	852,810	8.19	3,283	1,597	105.57	6,822,380	4,883,970
61	First Federal Savings & Loan Assn. Greenville, S.C.	905,430	736,230	22.98	2,471	1,551	59.32	1,898,114	1,890,827
62	Valley Federal Savings & Loan Assn., Van Nuys, Calif.	898,879	725,487	23.90	4,885	4,313	13.26	2,912,967	2,559,807
63	Citicorp Savings, FS & LA, San Francisco	887,845	560,918	58.28	1,951	507	284.81	6,904,682	4,707,928
64	Bay View Federal Savings & Loan Assn., San Mateo, Calif.	869,143	814,272	6.74	1,228	1,095	12.15	1,782,921	1,456,215
65	Hamilton Savings Bank, FSB, San Francisco	796,834	343,156	132.21	1,764	556	217.27	221,785	170,636
66	American Charter Federal Savings & Loan Assn., Lincoln, Neb.	796,219	408,834	94.75	954	280	240.71	1,403,002	1,485,831
67	Downey Savings & Loan Assn., Costa Mesa, Calif.	775,966	859,318	-9.70	2,959	3,642	-18.75	2,759,654	2,522,619
68	Beach Federal Savings & Loan Assn., Boynton Beach, Fla.	769,357	N.A.	....	1,670	N.A.	....	1,186,463	N.A.
69	Southwest Savings & Loan Assn., Los Angeles	749,418	440,468	70.14	4,315	3,557	21.31	842,452	821,997
70	University Savings Assn., Houston	747,782	1,058,852	-29.38	36	20	80.00	4,116,956	4,054,904
71	Loyola Federal Savings & Loan Assn., Baltimore	742,809	588,900	26.13	2,013	1,823	10.42	1,660,465	1,588,984
72	Home Federal Savings & Loan Assn., Atlanta	741,318	566,969	30.75	2,473	1,310	88.78	223,922	223,783
73	First Federal Savings Bank of California, Santa Monica	730,321	513,315	42.28	851	562	51.42	1,518,070	1,361,428
74	Santa Barbara Savings & Loan Assn., Calif.	727,600	399,725	82.03	2,482	791	213.78	4,669,950	3,416,953
75	First Home Federal Savings & Loan Assn., Greensboro, N.C.	718,818	500,688	43.57	1,327	2,543	-47.82	1,224,259	1,231,072
76	Sterling Savings & Loan Assn., Royal Oak, Mich.	712,670	286,322	148.91	2,148	1,258	70.75	113,279	46,879
77	Household Bank, FSB, Newport Beach, Calif.	701,790	408,210	71.92	1,210	632	91.46	2,615,849	1,653,404
78	United Federal Savings & Loan Assn., Rocky Mount, N.C.	694,652	38,919	1,684.87	1,879	1,283	46.45	278,046	287,716
79	Champion Federal Savings & Loan Assn., Bloomington, Ill.	693,814	310,121	123.72	1,627	625	160.32	2,160,787	1,926,281
80	Community Federal Savings & Loan Assn., St. Louis, Mo.	693,202	604,527	14.67	1,950	2,334	-16.45	3,800,298	4,363,265
81	Capitol City Savings Assn., Austin, Tex.	689,396	326,291	111.28	2,436	1,670	45.87	339,876	290,588
82	American Savings & Loan Assn., FA, Salt Lake City, Utah	689,107	1,022,906	-32.63	3,339	4,043	-17.41	2,172,395	2,828,818
83	Western Savings & Loan Assn., Phoenix, Ariz.	688,597	625,974	10.00	2,935	3,147	-6.74	5,629,947	5,195,910
84	Ameribanc Savings Bank, Annandale, Va.	687,960	347,087	98.21	1,791	794	125.57	849,368	734,817
85	Honolulu Federal Savings & Loan Assn.	679,331	495,975	36.97	1,154	522	121.07	1,836,221	1,669,478
86	Mechanics & Farmers Savings Bank, FSB, Bridgeport, Conn.	678,449	528,387	28.40	2,954	1,825	61.86	1,214,634	931,884
87	San Francisco Federal Savings & Loan Assn.	673,369	294,661	128.52	2,010	2,319	-13.32	2,650,580	2,088,520
88	Farm & Home Savings Assn., Nevada, Mo.	672,084	679,196	-1.05	2,449	2,200	11.32	3,460,060	3,212,034
89	First Financial Savings Assn, Stevens Point, Wis.	670,075	641,136	4.51	6,483	4,837	34.03	1,839,330	1,868,523
90	Northeast Savings, FA, Hartford, Conn.	624,454	490,057	27.42	1,384	126	998.41	6,670,772	5,276,220
91	County Savings Bank, Santa Barbara, Calif.	620,213	460,788	34.60	N.A.	N.A.	....	930,641	704,886
92	First Federal Savings & Loan Assn., Amarillo, Tex.	609,492	251,253	142.58	2,293	993	130.92	261,951	249,043
93	Guarantee Savings, FS & LA, Fresno, Calif.	582,169	577,550	0.80	1,911	2,672	-28.48	2,831,625	3,696,710
94	Far West Federal Banks, Portland, Ore.	577,262	644,134	-10.38	1,345	1,239	8.56	1,929,462	2,042,388
95	Hill Financial Savings & Loan Assn., Red Hill, Pa.	570,708	545,559	4.61	1,697	1,558	8.92	2,840,611	2,434,569
96	Cal America Savings & Loan Assn., FS&LA, Walnut Creek, Calif.	559,714	N.A.	....	1,538	N.A.	....	261,616	N.A.
97	Cardinal Federal Savings Bank, Cleveland	557,921	522,022	6.88	1,227	1,014	21.01	1,682,583	1,646,654
98	Home Savings Assn. of Kansas City, FA, Kansas City, Mo.	551,558	237,067	132.66	1,709	203	741.87	1,539,875	941,774
99	Pioneer Savings & Trust, FA, Roswell, N.M.	540,059	518,091	4.24	2,652	2,249	17.92	216,008	203,926
100	Fulton Federal Savings & Loan Assn., Atlanta	537,914	556,260	-3.30	1,950	2,493	-21.78	2,361,536	2,069,860

All data are from the Quarterly Financial Report to the Federal Home Loan Bank Board for FSLIC-insured institutions and were provided by **ADP Data Services Division, New York**, from their data base of FHLBB data. **Mortgage Loans Serviced for Others** are the total of all unpaid principal balances of all whole loans and participating interests in loans serviced by an institution but owned by others at the close of the period, whether or not originated by the institution. **Loan Servicing Fees** are the fees earned— as a result of the servicing for others of loans or participations therein— **during the 12-month periods ending on June 30, 1987, and June 30, 1986, respectively**. The 12-month servicing fees are calculated by summing the fees earned in each of the four quarters of the period. **N.A.**— Not available.

THRIFTS & MORTGAGES

AN AMERICAN BANKER WEEKLY FEATURE

Five of the top 25 companies will not be in existence as presently constituted 18 months from now.

— Lawrence J. Trautman, director of mortgage services, Donaldson, Lufkin & Jenrette Securities Corp.

Newswatch

Thrift Groups Link

The Foundation for Savings Institutions will become an affiliate of the U.S. League of Savings Institutions.

The foundation — a trade organization of 900 savings institutions — was formed 35 years ago to promote home ownership and the thrift business.

At its annual convention this week in New Orleans, outgoing league chairman Joe C. Morris announced a $6 million promotional campaign concerning the affiliation.

The program will be financed with $3.5 million from the foundation, $1 million from the U.S. League's reserves, and $1.5 million raised by a one-year, 10% surcharge on league members.

Asset Growth Declines

Assets of federally insured thrift institutions grew at a 3.6% annual rate in September, down sharply from the 9.3% rate in August, the Federal Home Loan Bank Board reported.

Net acquisitions of mortgage-backed securities increased to $6.4 billion in September from $4 billion in August, while the $20 billion of mortgage loans closed by thrifts in September was about the same as in August.

The slower asset growth reflected a record $6.6 billion reduction in cash and investment security holdings during the month — compared with a $600 million decline in the previous month — and a decline in net non-mortgage loan acquisitions from $1 billion to virtually zero, the Bank Board said.

Florida Thrift In FSLIC Pact

Financial Security Savings and Loan Association, Delray Beach, Fla., has entered into a consent agreement with the Federal Savings and Loan Insurance Corp. and the State of Florida.

Certain business decisions must be approved by the FSLIC, and the agency may find a merger partner for the thrift. The agreement authorizes the FSLIC to negotiate a merger, consolidation, asset-liability transfer, or management services agreement.

Financial Security also is restricted from certain business activities without prior approval of its supervisory agent, according to filings at the FSLIC.

Imperial Bank Eyes Thrift

Imperial Bank, Los Angeles, with $1.5 billion in assets, plans to become the majority owner of a $22 million-asset thrift in Sacramento, Calif.

Under terms of the agreement, Imperial will acquire a controlling interest in Countryside Thrift and Loan, a unit of Countryside Bancshares, in exchange for Imperial's $4.9 million-asset Southern Pacific Thrift and Loan, Beverly Hills, Calif. In addition, Imperial will inject $5 million in capital into Countryside.

Boston Bancorp Plans Buyback

Boston Bancorp, the holding company for South Boston Savings Bank, said it plans to repurchase up to 4.9% of its outstanding stock, or 400,000 shares, over the next six months.

A company official said the stock was "an attractive investment at this time," adding the move is designed to increase earnings per share for outstanding stock.

Carteret Sets Home Vote.

Carteret Bancorp., parent of Morristown, N.J.-based Carteret Savings Bank, said its shareholders will meet Jan. 20 to vote on the proposed acquisition of Carteret by Home Group Inc., New York. Carteret said last month that Home Group had requested a mutual termination or postponement of the deal, but Carteret is seeking to enforce the agreement.

— **Phil Roosevelt**

Mortgage Servicing Volume Up

GMAC Remains Leader Among Mortgage Firms With $23.9 Billion Total

By PHIL ROOSEVELT

NEW YORK

THE SERVICING portfolios of the top 300 mortgage companies grew 11.9% in the year that ended June 30, but there was little change in the rankings of leading companies, according to a survey by the *American Banker.*

GMAC Mortgage Co., the Elkins Park, Pa.-based unit of General Motors Acceptance Corp., retained the top spot, servicing $23.9 billion of mortgages at midyear, the survey shows.

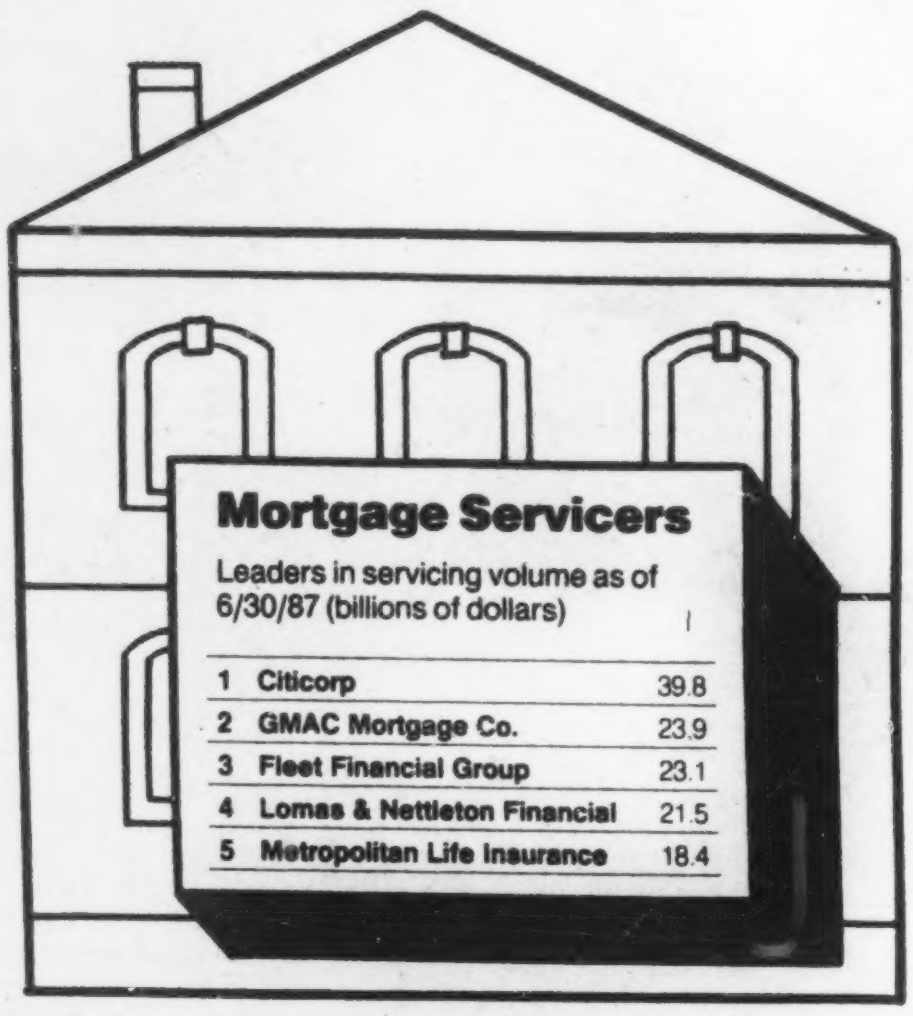
Counting banks and thrifts, as well as mortgage companies, New York-based Citicorp — which overtook GMAC as the leader at yearend 1986 — maintained its top ranking. GMAC remained in second place, but Fleet Financial Group, Providence, R.I., grabbed the No. 3 spot from Lomas & Nettleton Financial Corp., Dallas.

Despite the lack of dramatic shifts, the rankings "may change profoundly over the next 18 months, more so than at any other time in history," said Lawrence J. Trautman, director of mortgage services at Donaldson, Lufkin & Jenrette Securities Corp., New York.

Top Mortgage Companies
Tables Begin on Page 6

He predicted a spate of sales of servicing and whole companies as a result of the "treacherous" interest rate environment of the past six months. "Five of the top 25 companies will not be in existence as presently constituted 18 months from now," Mr. Trautman asserted.

Mortgage servicing, long the most profitable part of mortgage banking, includes the collection of payments, bookkeeping, insurance, loan analysis, and pursuit of delinquent loans. For performing these functions, the servicer of a mortgage typically receives an annual fee of about 0.50% of the outstanding balance.



Mortgage Servicers

Leaders in servicing volume as of 6/30/87 (billions of dollars)

1	Citicorp	39.8
2	GMAC Mortgage Co.	23.9
3	Fleet Financial Group	23.1
4	Lomas & Nettleton Financial	21.5
5	Metropolitan Life Insurance	18.4

In the survey, the 300 largest mortgage companies had a combined servicing portfolio of $615.5 billion on June 30, up from $549.8 billion reported by the top 300 a year earlier.

That gain might seem small compared with the spectacular growth in mortgage originations during the same period. According to SMR Research, Budd Lake, N.J., total originations of residential mortgages shot up 61% in the 12 months ended this June, to $515.7 billion.

Analysts point out, however, that many of the originations were refinancings, which produce no net gain in total servicing.

Mortgage companies that managed to post big gains often did so through affiliations with other companies.

Irvine, Calif.-based GlenFed Mortgage Corp., for example, saw its servicing portfolio grow by a whop-

Mortgage: Page 19 ➻

Savings League's Pitt Denies Group Lobbied To Maximize Public Funds for FSLIC Bailout

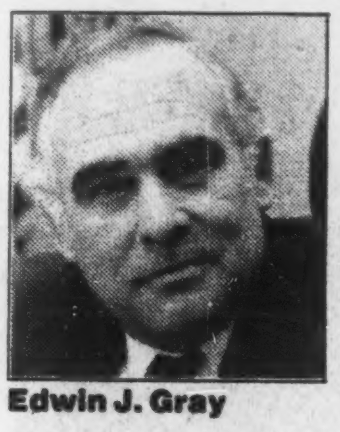
By LINDA ELLIS

NEW ORLEANS

DID the U.S. League of Savings Institutions deliberately lobby Congress for less money than eventually would be needed to bail out the Federal Savings and Loan Insurance Corp.?

Yes, said Edwin J. Gray, former chairman of the Federal Home Loan Bank Board in Dallas during an interview with *The Dallas Morning News.*

Absolutely not, countered Theo H. Pitt Jr., the new chairman of the U.S. League, at its convention here this week.



Edwin J. Gray

Mr. Gray said the thrift industry's largest trade group sought a small recapitalization bond issue because when the funds run out, more public money will be used.

"While it is true that this industry, the healthy part of the industry, will not be brought to its knees by the 20% of the thrift industry that is sick," Mr. Pitt said, "that statement by the former chairman is not true."

The league lobbied strenuously last summer for a $5 billion limit on the industry-funded FSLIC bailout. Congress voted a $10.8 billion bond issue. Many industry analysts and spokesmen say that will not be enough.

Several observers attending the league's convention, including Gerald Levy, a former chairman of the group, said the thrift industry might need an infusion of taxpayers' money.

Mr. Pitt acknowledged that possibility. He said there is a limit to the amount of money healthy thrifts should be required to contribute to sick thrifts.

"It must be made clear that a lot of the problems were not created by us as an industry. The problems were not of our doing, and the solution to the problems should be shared," he said.

Theo H. Pitt Jr.

"No one is able to determine what the needs are at this point, and until we know the magnitude of the problem, it is not appropriate to say that other funds, public funds, will not be necessary."

The U.S. League is starting studies of the deposit insurance system and developing strategies for the thrift business. A task force will seek ways to insulate the deposit insurance agencies from "excessive and irresponsible" risk-taking, Mr. Pitt said.

"Clearly, we have a more volatile economy in many respects since deregulation," Mr. Pitt told the group's delegates. "There are great risks and unpredictable factors that can trigger wild fluctuations. Our business is adapting to these conditions, and it has become more apparent that the deposit insurance agencies must adapt too."

A task force on the industry's future will examine the role of new technologies in the marketplace, he said.

"It will look at alternative lending and investment

Pitt: Page 19 ➻

East River Finds Beauty in Liquidity

By LINDA ELLIS

NEW ORLEANS

THE CHIEF FINANCIAL officer of the East River Savings Bank, New Rochelle, N.Y., stands happily accused of being insensitive. East River, a privately held, $2.6 billion-asset thrift, has solved its interest rate sensitivity problems by balance sheet changes, said Nelson L. Stephenson.

"We disposed of $500 million of long-term, fixed-rate assets, and raised $350 million of low-cost funds in the capital markets," Mr. Stephenson said at the convention of the U.S. League of Savings Institutions. "We did that with securities appropriate for our asset-liability posture."

Nelson Stephenson

Sounds easy, right? But it didn't happen overnight, according to Mr. Stephenson.

He said that East River increased production of floating-rate real estate loans and put additional liquid investments on the books.

East River's gap position — the relative pricing maturity dates of assets and liabilities — was just below 15% last September. Two years ago, it had been more than 70%.

"After all our restructuring activity, our balance sheet is split one-third in a commercial real estate portfolio, roughly one-third in a liquid investment portfolio, and one-third in a residential loan portfolio," Mr. Stephenson said. "About 80% of our funding is deposit related, and about 20% is from the capital markets."

Mr. Stephenson said East River's current investment program is based on risk-weighted return. "What that means," he said, "is that we are looking at the risks and asking if the return is acceptable. We ask if, on a worst-case basis, it's no worse than a relatively liquid, low-yield alternative investment. That helps with the decision on structure.

"A key phrase for us is volume and values. We try to make sure our decision-makers understand that you never confuse the two. The objective is to make money, not volume, and that's a tough concept for people who have been in a business that was volume driven with guaranteed spreads," he said.

The East River executive sees a problem for many savings institutions, because deregulation has permanently changed the business. East River's response, he said, is a diversification strategy that creates revenue without totally relying on spread banking.

"Commercial real estate financing and something we call real estate merchant banking give us the ability to participate in transactions on an equity basis."

For years, he said, thrifts and banks profited from lucrative interest rate spreads. Loans were illiquid, there were few alternative sources of capital for real estate investors, and banks were able to price loans at rates higher than their market value.

"Now, borrowers are more sophisticated, capital markets make money available, and spreads are under competitive attack. As an example, Japanese banks have a materially lower cost of funds than their American counterparts. It's not uncommon for Japanese banks to borrow routinely at levels less than Libor [London interbank offered rate], and a result of that is a competitive cost advantage in the lending marketplace," he explained.

The basic cost structure in the banking industry, he noted, is expanding. It is harder and harder to keep the personnel necessary to participate in an increasingly competitive environment. The convergence of declining spreads and increasing costs means banks are under pressure to redefine themselves and their profit centers.

East River, he said, looks to be profitable not necessarily from the use of capital, but from the use of expertise to create new instruments.

He predicts that more savings institutions will remove themselves from the portfolio lending process and turn to being servicers and originators.

Portfolio diversification should be encouraged, Mr. Stephenson said, but the institution needs to recognize the credit risk that stems from diversity.

"Through buying an asset-backed security that has collateral or credit enhancements, though, you can partially reduce credit exposure," he said. "Such enhancements also mean that a portfolio manager who isn't a seasoned commercial lender won't be exposing an institution to the same type of credit risk incurred before with direct whole loan originations."

Mr. Stephenson said East River uses options in managing the balance sheet.

"As an example, when a lender originates a real estate loan, the loan conveys the right to prepay, damaging the ability to manage that financial asset. The borrower has a no-cost option to prepay that mortgage without penalty. As an alternative, to give the lender the option, the lender may require a yield maintenance provision in the mortgage," he said.

"What that means is, if the borrower prepays, he must give the lender the present value difference between rates available at prepayment and the rate on the mortgage to compensate the lender for the loss of what was originally priced as a long-term fixed-rate loan. That's one example of one option," Mr. Stephenson said. ■

Mortgage Firms' Servicing Portfolios Up 11.9%

➸ Continued from Page 18

ping 452% from last year, chiefly the result of acquiring Merrill Lynch Mortgage Corp., Stamford, Conn., which ranked 44th in servicing last year, with $3.18 billion on June 30, 1986.

Seven other mortgage companies in the top 300 in June 1986 were acquired. After Merrill, the largest was Security Pacific Mortgage Corp., Denver, which was 57th in servicing last year with $2.48 billion. It was acquired by Fleet Real Estate Funding Corp., Columbia, S.C.

Some 28 mortgage companies, far more than usual, refused to respond to the *American Banker* survey. Among those that declined were St. Louis-based Citicorp Homeowners Services Inc., which ranked No. 3 a year earlier, and Citicorp Real Estate Inc., which was No. 64 a year earlier.

The two companies said their parent, Citicorp, would not allow them to participate. Citicorp, which last month consolidated some of its mortgage operations, only furnished the total servicing volume of all subsidiaries, including the servicing of mortgages owned by Citicorp.

Many others choosing not to participate gave no reason, prompting one industry observer to quip, "It's funny how people get quiet when business turns down."

Other survey highlights:

- Great Western Bank FSB, Beverly Hills, Calif., and Knutson Mortgage Corp., Bloomington, Minn., moved into the top 25 servicers among banks, thrifts, and mortgage companies. Anchor Mortgage Services Inc., Wayne, N.J., and Alliance Mortgage Co., Jacksonville, Fla., dropped out.
- Among thrifts servicing mortgages for investors, City Federal Savings Bank, Bedminster, N.J., led the pack, followed by Home Savings of America, Los Angeles, and American Savings & Loan Association, Stockton, Calif.
- Among banks, excluding their mortgage subsidiaries, Marine Midland Bank, Buffalo, rocketed from No. 13 to No. 3. Bank of America, San Francisco, retained the No. 1 spot and Security Pacific National Bank, Los Angeles, remained No. 2. ■

Pitt Denies Group Sought to Maximize Public Funds

➸ Continued from Page 18

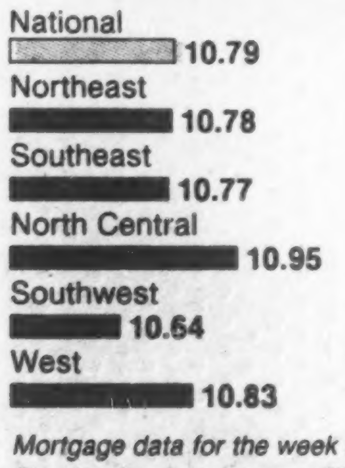
powers in the event that the mortgage market becomes so crowded that it is impossible to maintain appropriate profit margins," Mr. Pitt said. "And it will look at incentives that might be devised to maintain appropriate margins even in the face of growing competition in the mortgage market."

Savers are becoming increasingly sophisticated about new investment opportunities, said the savings league chairman, and thrifts can seize the opportunity to expand their deposit bases.

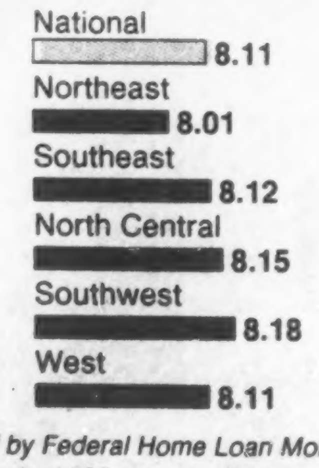
"An especially troubling factor facing us in the immediate future is the threat of a new rise in interest rates if the administration and Congress fail to put together an adequate program to reduce the federal deficit," Mr. Pitt said. "We understand how harmful these deficits are and how vulnerable they make us and the nation to another round of interest rate extremes." ■

Mortgage Database

Fixed-Rate Mortgages



Adjustable-Rate Mortgages



Mortgage data for the week ended Nov. 6 provided by Federal Home Loan Mortgage Corp. Fixed-rate mortgages are 80% loan-to-value conventional 30-year mortgages. Adjustable-rate mortgages are one-year Treasury indexed conventional 30-year mortgages.

Selected Interest Rates

6-Month Treasury Bills	6.24%
1-Year Treasury Bills	6.87%
3-Year Treasury Notes	7.96%
5-Year Treasury Notes	8.32%

Average rates for the week ended Nov. 6 compiled by the Federal Reserve Board.

McNichol to Chair PMI Mortgage

NEW YORK — J. Allan McNichol has been named chairman and chief executive officer of PMI Mortgage Insurance, one of the nation's largest private mortgage insurers.

Mr. McNichol, president of the San Francisco-based concern since 1984, succeeds C. Earl Corkett, who resigned to pursue other interests, a PMI spokeswoman said.

In an interview, Mr. McNichol said one of his priorities is to expand a program of offering discounts on premiums to lenders with records of making good loans.

The program, begun early this year, is patterned after good driving discounts typical in auto insurance and has yet to be imitated by other mortgage insurers, he said. Most insurers' premiums are based more strictly on the type of mortgage and the size of the loan relative to the home's value.

Mr. McNichol, 56, has spent 28 years working within PMI's parent, Allstate Insurance Co. He was executive vice president of Allstate Life Insurance Co. and vice president of marketing for all affiliates.

Succeeding him as PMI president is W. Randolph Leathers, executive vice president of field operations since 1984. ■

Fed Gives Nod to Fleet Merger

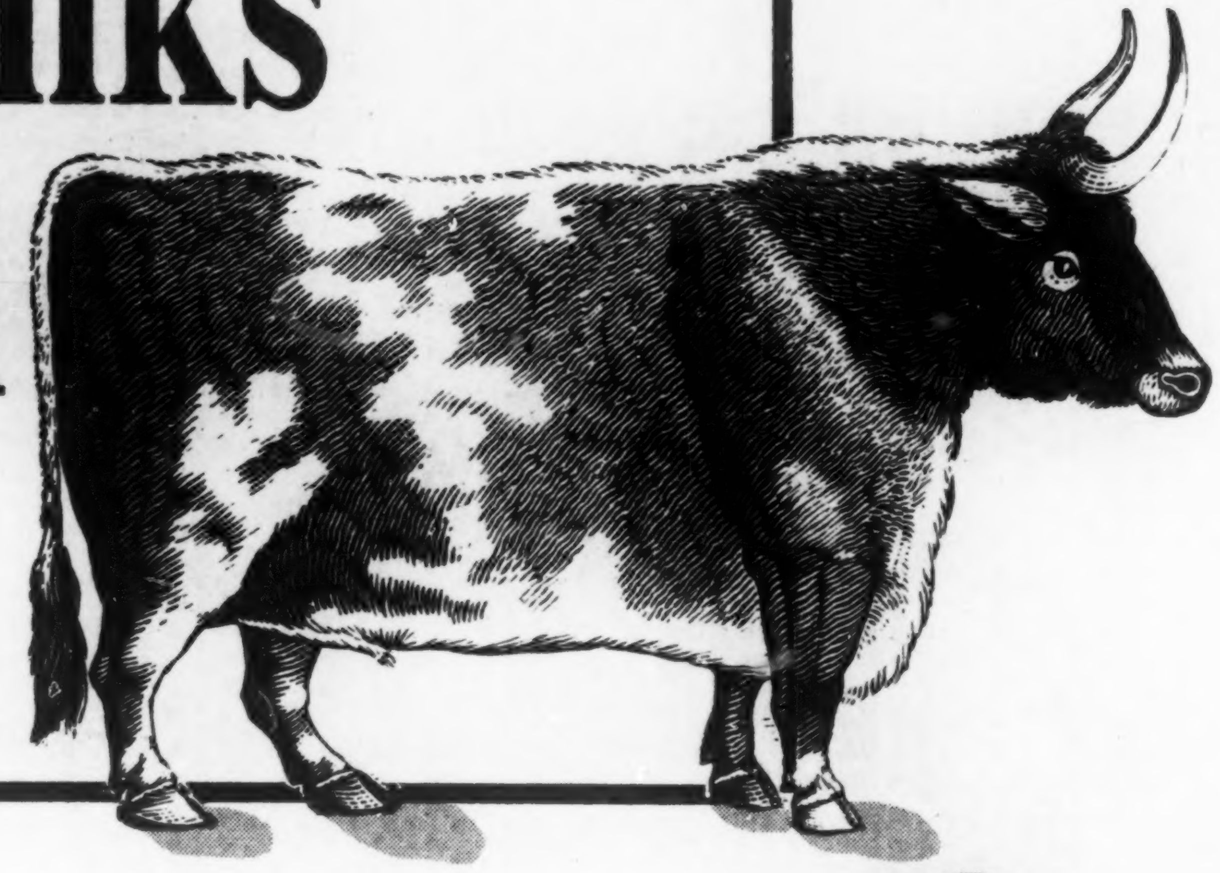
PROVIDENCE, R.I. — The Federal Reserve Board has approved the merger between Fleet Financial Group and Norstar Bancorp, Albany, N.Y.

The merger, expected to be completed in early January, still awaits other regulatory approvals, although difficulties are not expected. Fleet Financial, a diversified financial services firm based here, has more than 475 offices in 38 states and three foreign locations. ■

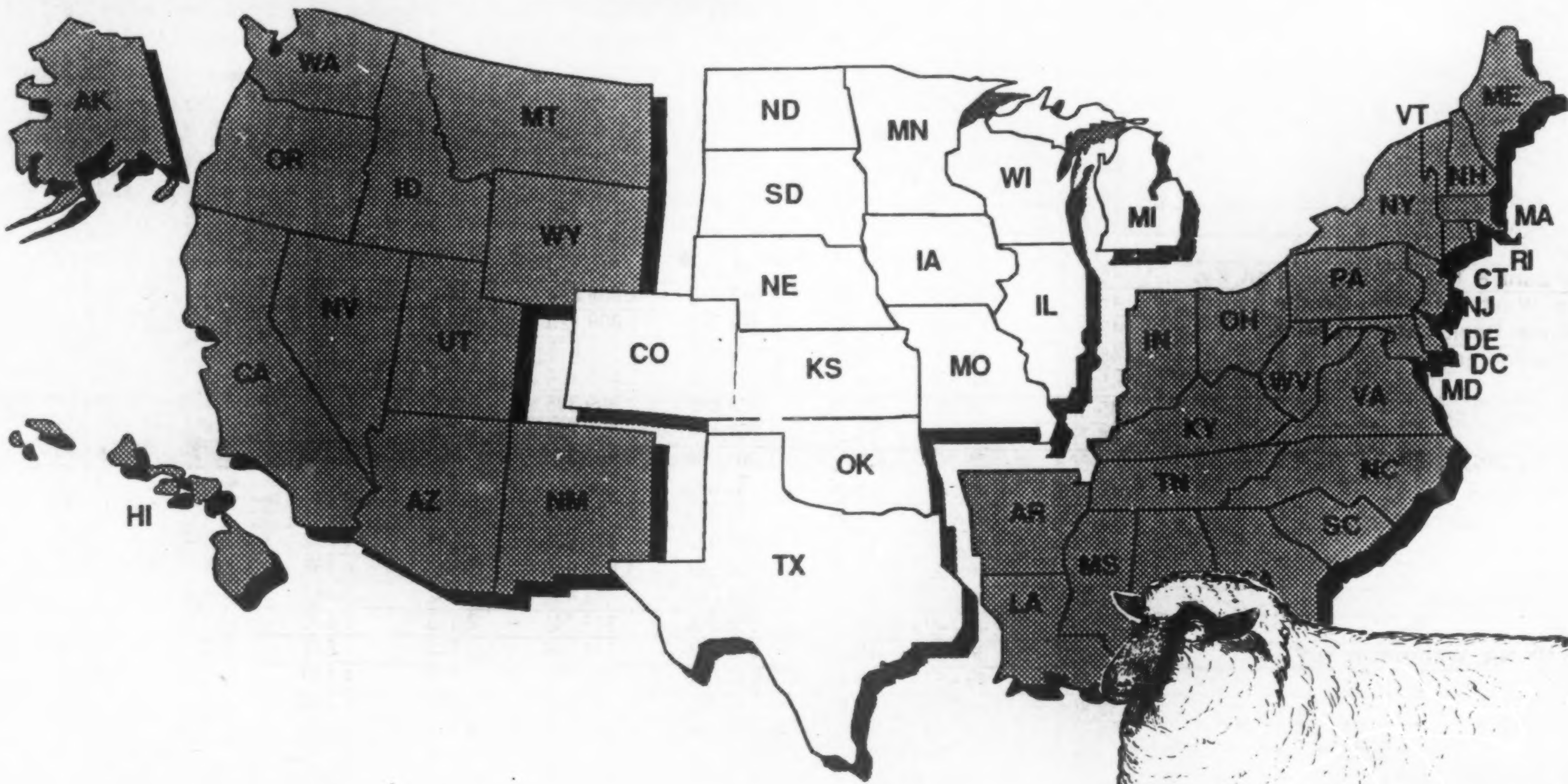
American Banker STATISTICS REVIEW

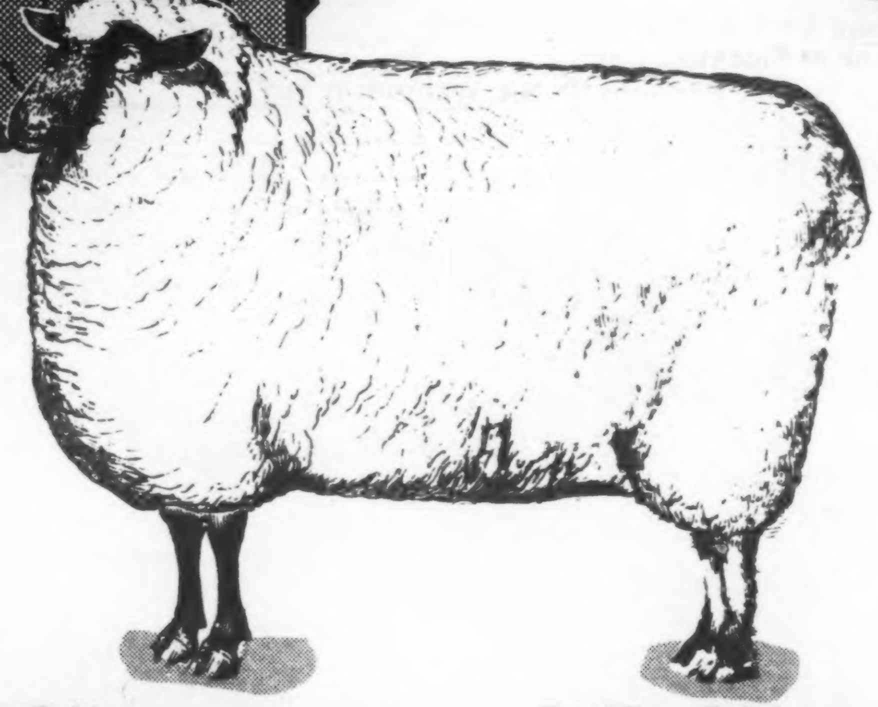
ANNUAL SURVEY

Top Banks in Agricultural Lending



The Thirteen Farm States





Holders of the Nation's Farm Debt

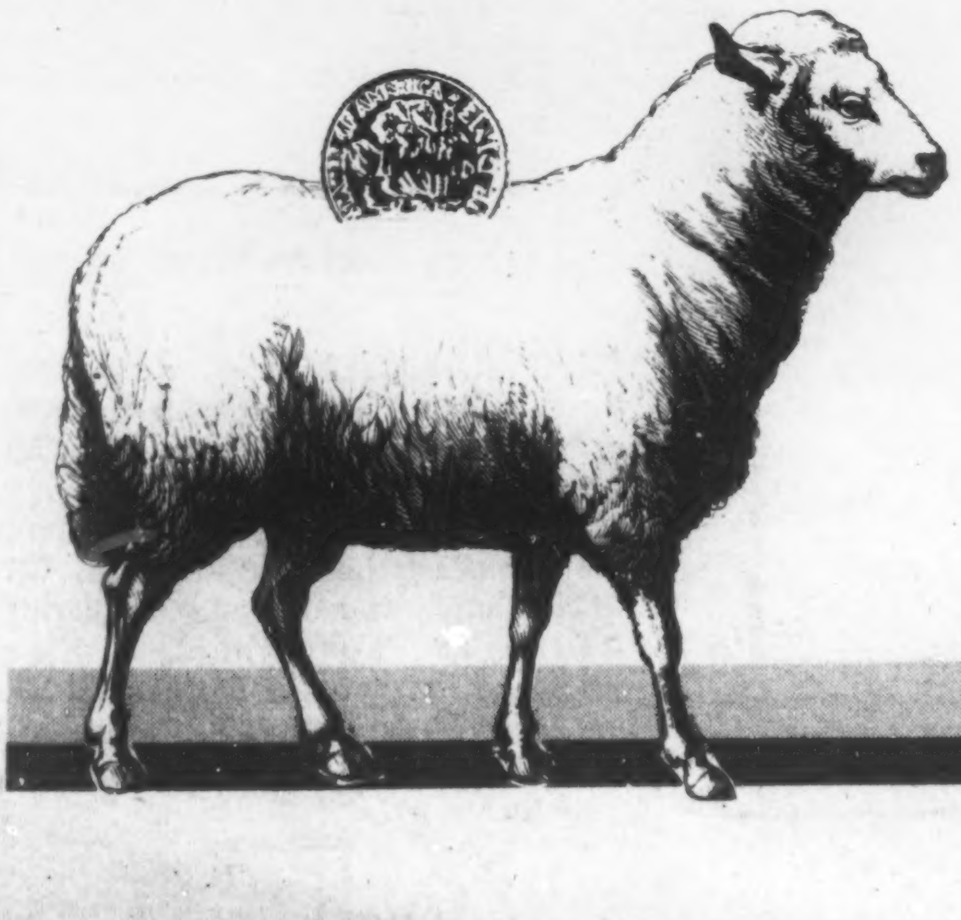
On December 31, 1986, Compared with December 31, 1985 (billions of dollars)

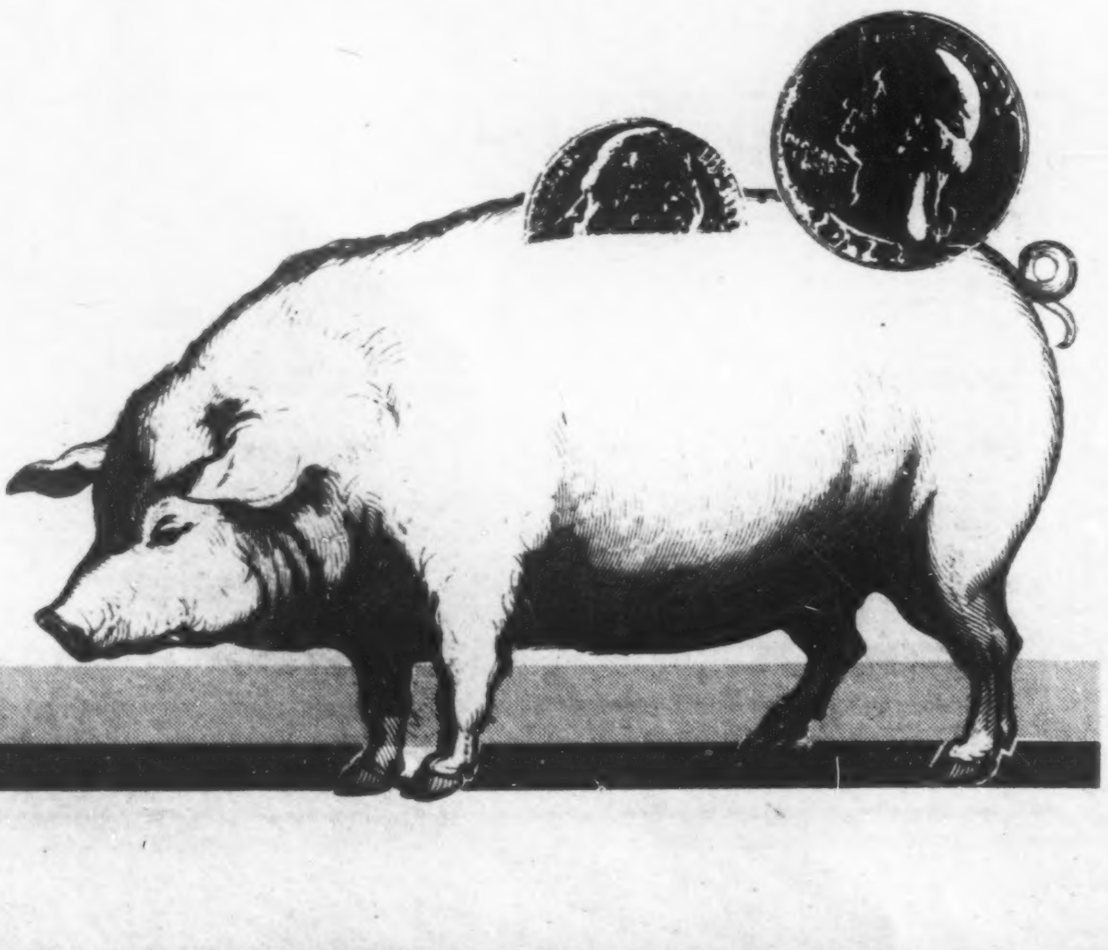
	Real Estate Debt					Non-Real-Estate Debt					Total Farm Debt[2]				
	Total 12/31/86	Total 12/31/85	% Chg.	% of Total 12/31/86	% of Total 12/31/85	Total 12/31/86	Total 12/31/85	% Chg.	% of Total 12/31/86	% of Total 12/31/85	Total 12/31/86	Total 12/31/85	% Chg.	% of Total 12/31/86	% of Total 12/31/85
Farm Credit System[1]	35.0	44.6	−22	(39.1%)	(42.2%)	10.6	14.6	−27	(15.6%)	(17.7%)	45.5	59.2	−23	(28.9%)	(31.5%)
Banks	11.7	11.4	+ 3	(13.1%)	(10.8%)	29.6	35.5	−17	(43.7%)	(43.2%)	41.3	46.9	−12	(26.3%)	(25.0%)
Individuals and others	23.1	27.2	−15	(25.8%)	(25.8%)	13.2	15.4	−14	(19.5%)	(18.7%)	36.3	42.6	−15	(23.1%)	(22.7%)
Farmers Home Administration	9.5	10.6	−10	(10.6%)	(10.0%)	14.4	16.8	−14	(21.2%)	(20.4%)	23.9	27.3	−12	(15.2%)	(14.5%)
Life Incurance Companies	10.2	11.8	−14	(11.4%)	(11.2%)	0	0	0	(0.0%)	(0.0%)	10.2	11.8	−14	(6.5%)	(6.3%)
TOTAL[2]	89.5	105.6	−15	(100%)	(100%)	67.8	82.3	−18	(100%)	(100%)	157.3	187.9	−16	(100%)	(100%)

[1] The Farm Credit System consists of Federal Land Banks, Federal Intermediate Credit Banks, and Production credit associations.

[2] Exludes loans from the Commodity Credit Corp.

Compiled by American Banker from Federal Reserve Bulletin data, page 527, July 1987.





Top 100 Banks in Agricultural Loans

Total Domestic Agricultural Loans Outstanding March 31, 1987, Compared with March 31, 1986 (Thousands of Dollars)

Compiled by American Banker Copyright 1987

Rank 3/87		Total Agricultural Loans			Total Loans		Bad Farm Loans		Bad Loans		Ratio: Bad Farm Loans: Bad Loans	
		3/31/87	3/31/86	% Chg.	3/31/87	3/31/86	3/31/87	3/31/86	3/31/87	3/31/86	3/31/87	3/31/86
1	Bank of America NT & SA, San Francisco	906,000	1,406,000	-35.56	38,939,000	46,695,000	133,000	0	4,268,000	2,358,000	3.12	0.00
2	Wells Fargo Bank NA, San Francisco	788,628	885,873	-10.98	29,349,465	29,850,669	186,726	229,589	1,306,736	864,351	14.29	26.56
3	Security Pacific National Bank, Los Angeles	553,472	595,448	-7.05	25,513,192	24,204,606	114,236	137,396	961,130	929,494	11.89	14.78
4	Valley National Bank of Arizona, Phoenix	395,261	347,149	13.86	6,776,518	6,512,450	36,651	25,530	248,776	193,505	14.73	13.19
5	Rainier National Bank, Seattle	301,910	292,460	3.23	4,733,183	4,705,762	17,452	14,784	88,521	108,929	19.72	13.57
6	First Interstate Bank of Arizona NA, Phoenix	203,536	120,128	69.43	4,464,005	4,290,697	3,220	2,814	117,214	58,143	2.75	4.84
7	Idaho First National Bank, Boise	176,159	212,000	-16.91	1,436,133	1,494,440	15,025	17,480	47,578	43,465	31.58	40.22
8	Seattle-First National Bank	167,907	188,577	-10.96	7,182,876	7,262,488	9,214	19,913	498,173	433,144	1.85	4.60
9	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	145,859	81,320	79.36	6,595,583	5,757,221	1,336	668	40,577	31,737	3.29	2.10
10	Sanwa Bank California, San Francisco	143,587	138,073	3.99	3,375,145	3,104,310	12,647	11,732	121,633	79,368	10.40	14.78
11	Norwest Bank South Dakota NA, Sioux Flls	134,529	171,351	-21.49	954,944	857,800	7,414	15,361	16,628	24,314	44.59	63.18
12	First National Bank, Amarillo, Tex.	129,415	142,886	-9.43	546,265	619,887	6,059	10,707	41,083	34,869	14.75	30.71
13	First Interstate Bank of California, Los Angeles	128,789	158,030	-18.50	12,235,220	12,090,389	32,540	23,890	593,552	368,096	5.48	6.49
14	United States National Bank, Portland, Ore.	127,195	172,187	-26.13	4,854,458	4,697,858	23,551	20,750	108,363	143,084	21.73	14.50
15	Chemical Bank, New York	117,000	143,252	-18.33	23,599,000	22,873,166	554,000	2,740	2,396,000	729,390	23.12	0.38
16	Peoples National Bank of Washington, Seattle	99,281	132,697	-25.18	1,541,736	1,577,626	10,002	1,116	39,561	24,674	25.28	4.52
17	NCNB National Bank of Florida, Tampa	97,520	64,959	50.13	5,126,083	4,167,817	856	1,304	79,951	70,407	1.07	1.85
18	Dominion Bank of Shenandoah Valley NA, Harrisonburg, Va.	91,766	71,283	28.73	408,001	367,882	1,331	705	3,562	3,763	37.37	18.74
19	Old National Bank of Washington, Spokane	82,281	82,569	-0.35	1,297,676	1,188,242	2,898	2,193	37,170	24,136	7.80	9.09
20	Branch Banking & Trust Co., Wilson, N.C.	77,683	73,730	5.36	2,188,339	1,795,900	1,563	1,241	21,698	18,895	7.20	6.57
21	NCNB National Bank of North Carolina, Charlotte	76,235	73,109	4.28	8,261,922	7,524,180	954	758	136,209	73,300	0.70	1.03
22	InterFirst Bank Austin NA, Tex.	75,389	25,651	193.90	1,122,543	1,258,905	0	0	88,871	20,957	0.00	0.00
23	Valley Bank, Idaho Falls, Idaho	75,257	72,343	4.03	169,871	178,352	9,310	8,412	15,322	16,207	60.76	51.90
24	FirsTier Bank NA, Omaha, Neb.	75,119	81,769	-8.13	645,057	679,678	979	6,561	13,780	35,356	7.10	18.56
25	First Interstate Bank of Oregon NA, Portland	74,713	81,272	-8.07	3,252,677	3,314,707	4,659	6,184	116,804	75,542	3.99	8.19
26	Texas American Bank Fort Worth NA, Tex.	72,124	88,376	-18.39	1,780,853	2,066,302	3,219	14,030	105,006	95,673	3.07	14.66
27	First Bank South Dakota NA, Sioux Falls	66,185	166,142	-60.16	673,886	808,199	13,415	47,511	30,094	68,547	44.58	69.31
28	Hamilton Bank, Lancaster, Pa.	66,182	53,721	23.20	2,004,055	1,876,900	138	609	10,954	11,785	1.26	5.17
29	First Security Bank Idaho NA, Boise	63,083	87,959	-28.28	1,216,548	1,255,285	5,325	6,672	14,631	21,395	36.40	31.18
30	Meridian Bank, Reading, Pa.	62,117	70,953	-12.45	4,304,378	3,838,535	5,012	2,750	61,786	44,677	8.11	6.16
31	Norwest Bank Nebraska NA, Omaha	62,063	96,646	-35.78	780,382	838,631	8,148	26,264	27,499	38,927	29.63	67.47
32	Southeast Bank NA, Miami	58,656	41,702	40.66	7,122,220	6,628,354	747	522	127,011	116,837	0.59	0.45
33	Citibank NA, New York	55,000	76,000	-27.63	42,888,000	32,153,000	7,000	0	4,067,000	492,000	0.17	0.00
34	First Security Bank of Utah NA, Ogden	54,982	57,433	-4.27	1,923,645	1,882,559	1,866	2,409	58,194	63,552	3.21	3.79
35	First National Bank of Holdrege, Neb.	53,163	56,824	-6.44	70,689	75,744	3,625	3,117	4,545	3,887	79.76	80.19
36	First Union National Bank of North Carolina, Charlotte	51,201	49,873	2.66	7,267,510	6,760,467	393	1,004	63,430	52,151	0.62	1.93
37	Sun Burst Bank, Grenada, Miss.	49,717	55,350	-10.18	619,113	574,198	3,065	6,335	15,179	16,176	20.19	39.16
38	Amarillo National Bank, Tex.	49,098	50,028	-1.86	418,698	431,770	8,243	4,232	26,959	18,918	30.58	22.37
39	Lebanon Valley National Bank, Lebanon, Pa.	48,786	39,584	23.25	253,315	225,515	0	91	1,467	2,567	0.00	3.54
40	Monticello State Bank, Iowa	47,940	51,459	-6.84	62,897	67,118	515	479	845	1,119	60.95	42.81
41	Sun Bank NA, Orlando, Fla.	47,164	13,794	241.92	2,318,014	1,987,325	0	376	16,380	19,443	0.00	1.93
42	First Security National Bank & Trust Co., Lexington, Ky.	46,858	44,941	4.27	786,230	711,178	0	0	10,556	7,672	0.00	0.00
43	First Interstate Bank of Washington NA, Seattle	46,452	44,503	4.38	2,047,016	1,989,294	501	1,160	69,965	57,767	0.72	2.01
44	Deposit Guaranty National Bank, Jackson, Miss.	46,096	53,322	-13.55	1,873,075	1,809,725	1,052	720	37,623	21,621	2.80	3.33
45	First Alabama Bank, Montgomery	45,699	39,066	16.98	2,400,663	2,138,875	64	362	21,523	18,656	0.30	1.94
46	interFirst Bank Dallas NA	45,130	88,685	-49.11	4,492,410	5,485,164	147	0	441,458	259,394	0.03	0.00
47	First Victoria National Bank, Tex.	45,024	54,763	-17.78	188,886	209,308	2,606	7,756	12,703	16,160	20.51	48.00
48	MBank Dallas NA	44,772	39,441	13.52	5,257,438	5,371,753	1,215	0	426,311	236,856	0.29	0.00
49	Bank of California NA, San Francisco	44,393	38,153	16.36	2,301,032	1,960,384	680	1,533	53,475	65,970	1.27	2.32
50	Key Bank of Oregon, Portland	44,338	48,242	-8.09	659,832	600,064	2,636	2,021	13,088	15,681	20.14	12.89
51	Adams Bank & Trust Co., Ogallala, Neb.	43,789	42,980	1.88	75,874	76,432	5,335	2,024	6,417	2,474	83.14	81.81
52	FirsTier Bank NA, Lincoln, Neb.	43,447	38,726	12.18	533,933	477,663	1,144	1,792	4,102	7,007	27.89	25.57
53	Bank of Oklahoma Tulsa NA	42,007	40,880	2.76	1,390,564	1,612,950	1,847	138	152,172	101,231	1.21	0.14
54	Idaho Bank & Trust Co., Pocatello	41,924	33,270	26.01	363,768	343,438	3,162	3,467	12,620	9,135	25.06	37.95
55	Bank of Stockton, Calif.	41,728	44,749	-6.75	368,588	317,741	2,578	1,670	19,116	16,367	13.49	10.20
56	Key Bank of Northern NY NA, Watertown, N.Y.	40,456	34,957	15.73	383,684	324,386	843	579	2,505	1,880	33.65	30.80
57	Sun Bank of Ocala, Fla.	40,312	49,457	-18.49	210,064	194,260	973	4,133	12,215	9,514	7.97	43.44
58	BankWest, Inc., Pierre, S.D.	39,804	48,309	-17.61	75,369	89,604	6,801	6,229	8,660	9,135	78.53	68.19
59	Marine Midland Bank NA, Buffalo, N.Y.	39,463	38,874	1.52	14,315,526	11,316,749	4,145	4,520	351,834	270,283	1.18	1.67
60	Union Bank, Los Angeles	38,958	23,457	66.08	6,980,368	5,795,379	4,964	5,025	259,634	167,544	1.91	3.00
61	Sovran Bank NA, Richmond, Va.	38,425	48,062	-20.05	7,129,715	6,928,255	897	1,018	49,830	37,019	1.80	2.75
62	Citizens & Southern National Bank, Atlanta	37,965	41,639	-8.82	6,711,280	6,101,948	253	339	85,617	42,784	0.30	0.79
63	Key Bank NA, Albany, N.Y.	37,627	41,431	-9.18	1,404,134	1,164,815	720	589	24,693	18,343	2.92	3.21
64	Colorado National Bank, Denver	36,680	57,194	-35.87	698,839	718,529	3,687	22,017	49,915	79,847	7.39	27.57
65	United Carolina Bank, Whitevile, N.C.	36,442	34,104	6.86	1,197,822	1,038,007	193	116	9,754	9,228	1.98	1.26
66	Barnett Bank of Highlands County, Sebring, Fla.	35,845	24,210	48.06	270,215	215,118	0	0	2,717	1,272	0.00	0.00
67	Banco Popular de Puerto Rico, San Juan	35,655	23,839	49.57	2,330,794	1,770,200	9,017	573	38,291	53,707	23.55	1.07
68	Norstar Bank of Upstate NY, Albany	35,120	46,690	-24.78	1,791,459	1,344,581	880	714	16,988	8,470	5.18	8.43
69	First National Bank & Trust Co., Columbus, Neb.	34,564	37,053	-6.72	80,575	88,437	209	347	1,248	1,079	16.75	32.16
70	Fidelity State Bank, Garden City, Kansas	34,414	N.A.	...	61,989	N.A.	45	N.A.	962	N.A.	4.68	...
71	Farmers & Merchants State Bank, Archbold, Ohio	34,357	31,919	7.64	122,949	97,048	893	134	1,635	835	54.62	16.05
72	Florida National Bank, Jacksonville	33,853	25,759	31.42	4,426,070	4,136,688	201	481	116,878	98,395	0.17	0.49
73	Arizona Bank, Phoenix	32,903	27,397	20.10	3,310,691	2,732,011	70	272	70,319	28,914	0.10	0.94
74	Toledo Trust Co., Ohio	32,465	26,041	24.67	1,880,867	1,369,286	0	419	27,374	26,576	0.00	1.58
75	Citizens Bank & Trust Co., Belzoni, Miss.	32,348	33,506	-3.46	66,661	73,500	657	3,238	2,550	5,206	25.76	62.20
76	First National Bank, York, Neb.	32,055	32,797	-2.26	63,435	63,375	1,566	1,622	1,718	2,193	91.15	73.96
77	First National Bank, Great Falls, Mont.	32,048	48,326	-33.68	155,443	174,531	3,994	2,653	5,316	7,007	75.13	37.86
78	Sunwest Bank of Albuquerque NA, N.M.	31,808	29,142	9.15	835,820	756,288	1,393	2,139	23,634	23,338	5.89	9.17
79	First Interstate Bank Oklahoma NA, Oklahoma City	31,758	808	3,830.45	347,981	60,130	0	0	5,511	4,349	0.00	0.00
80	United Bank of Denver NA	31,465	122,318	-74.28	1,326,228	1,385,152	393	403	57,831	49,940	0.68	0.81
81	Farmers Bank, Frankfort, Ind.	31,257	26,601	17.50	78,017	74,583	1,159	936	1,392	1,585	83.26	59.05
82	Huntington National Bank, Columbus, Ohio	30,793	29,230	5.35	4,395,733	4,305,966	631	989	77,500	64,118	0.81	1.54
83	First National Bank, Hereford, Tex.	30,717	36,930	-16.82	51,323	62,234	3,398	1,754	6,175	4,482	55.03	39.13
84	Twin Falls Bank & Trust Co., Idaho	30,084	29,357	2.48	88,084	84,605	348	2,158	965	2,858	36.06	75.51
85	First Interstate Bank of Idaho NA, Boise	30,078	39,442	-23.74	529,015	542,368	1,868	1,797	11,491	18,508	16.26	9.71
86	Central Fidelity Bank, Richmond, Va.	29,725	28,565	4.06	2,479,602	2,201,811	522	210	33,982	35,507	1.54	0.59
87	First-Citizens Bank & Trust Co., Raleigh, N.C.	29,614	27,226	8.77	1,538,728	1,384,648	75	55	4,002	4,984	1.87	1.10
88	Sunwest Bank of Clovis NA, N.M.	29,171	31,339	-6.92	87,906	84,209	2,976	1,116	8,223	2,323	36.19	48.04
89	Citizens First National Bank, Princeton, Ill.	29,141	32,604	-10.62	86,493	98,346	665	1,686	2,918	3,950	22.79	42.68
90	McCook National Bank, Neb.	29,134	29,153	-0.07	44,008	47,037	3,547	287	5,193	1,920	68.30	14.95
91	First Tennessee Bank NA, Memphis	29,090	29,778	-2.31	3,240,208	2,907,189	677	0	43,485	54,559	1.56	0.00
92	AmSouth Bank Birmingham NA, Ala.	28,329	14,455	95.98	3,838,857	3,362,604	182	81	53,374	39,923	0.34	0.20
93	Trustmark National Bank, Jackson, Miss.	28,108	30,488	-7.81	1,298,808	1,246,253	743	0	16,947	12,002	4.38	0.00
94	Union Bank & Trust Co., Lincoln, Neb.	27,933	19,938	40.10	74,686	66,344	435	749	2,313	2,431	18.81	30.81
95	Thumb National Bank & Trust Co., Pigeon, Mich.	27,886	27,848	0.14	58,222	56,471	907	26	1,103	728	82.23	3.57
96	Williamson County Bank, Franklin, Tenn.	27,721	22,825	21.45	257,921	213,932	28	81	3,718	4,462	0.75	1.82
97	First National Bank, Shreveport, La.	27,649	30,411	-9.08	651,568	637,446	1,585	1,947	27,514	22,823	5.76	8.53
98	Bank of Hawaii, Honolulu	27,410	39,664	-30.89	2,382,795	2,056,916	459	372	37,510	31,676	1.22	1.17
99	Guardian State Bank & Trust Co., Alliance, Neb.	27,109	45,634	-40.59	39,723	62,527	6,564	2,991	6,629	3,320	99.02	90.09
100	BancOhio National Bank, Columbus	27,100	33,142	-18.23	3,085,485	2,808,614	2,735	3,990	61,724	80,247	4.43	4.97
	TOTALS FOR THE TOP 100	**8,238,448**	**9,053,602**	**-9.00**	**371,497,564**	**351,886,283**	**1,341,599**	**779,657**	**18,952,788**	**10,016,035**	**7.08**	**7.78**

The top 100 banks listed in order of domestic agricultural loans outstanding on 3/31/87. The banks were drawn from the universe of all insured commercial banks in the U.S. **Data Source:** The federal regulatory report of condition for all insured commercial banks. These data were provided to American Banker by **ADP's Data Services Division, New York.** Please note that 1986 data are restated for mergers occurring in 1987. **Total Agricultural Loans** are the sum of loans secured by farmland plus loans to finance agricultural production and other loans to farmers. (Schedule RC-C, Column B—Domestic Offices, items 1.b. and 3, respectively. **Loans secured by farmland** include loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. **Loans to finance agricultural production and other loans to farmers** are loans for the purpose of financing agricultural production. Included are both secured (by other than real estate) and unsecured loans made to farm and ranch owners and operators (including tenants) or to nonfarmers. **Total Loans** are total loans and leases net of unearned income that are booked in a bank's domestic offices only. (Schedule RC-C, item 12, Column B). **Bad farm loans** are domestic farm loans to finance agricultural production that are past due 90 days or more and still accruing plus nonaccruing loans. (Schedule RC-N, item 2, Columns B and C). **Total bad loans** are loans made to domestic customers that are past due 90 days or more and still accruing plus nonaccruing loans. (Schedule N, item 7, Columns B and C) minus (Schedule N, items 1b, 3b, and 6b, Columns B and C). **Bad Farm Loan Ratio** is calculated by dividing bad farm loans by total (domestic) bad loans, expressed as a percent. **N.A.**— Not available.

Top 100 Banks in Agricultural Loans

Income from Farm Loans, Total Interest Income, Chargeoffs on Farm Loans, and Chargeoffs on All Loans First Quarter of 1987, Compared with First Quarter of 1986 (Thousands of Dollars)

Compiled by American Banker Copyright 1987

Rank 3/87		Interest Income from Farm Loans			Total Interest Income			Chargeoffs on Farm Loans			Chargeoffs on All Loans		
		Q1-87	Q1-86	% Chg.	Q1-87	Q1-86	% Chg.	Q1-87	Q1-86	% Chg.	Q1-87	Q1-86	% Chg.
1	**Bank of America NT & SA, San Francisco**	14,000	24,000	-41.67	1,741,000	2,434,000	-28.47	49,000	15,000	226.67	265,000	244,000	8.61
2	**Wells Fargo Bank NA, San Francisco**	14,302	18,007	-20.58	832,927	1,035,625	-19.57	18,129	6,359	185.09	68,825	73,452	-6.30
3	**Security Pacific National Bank, Los Angeles**	8,186	12,768	-35.89	907,751	959,432	-5.39	1,580	9,483	-83.34	50,889	76,981	-33.89
4	**Valley National Bank of Arizona, Phoenix**	5,669	7,393	-23.32	195,701	218,278	-10.34	-6	79	-107.59	12,684	14,782	-14.19
5	**Rainier National Bank, Seattle**	5,385	6,948	-22.50	154,109	165,101	-6.66	282	222	27.03	4,706	6,564	-28.31
6	**First Interstate Bank of Arizona NA, Phoenix**	4,062	0	...	133,892	146,845	-8.82	0	0	...	7,104	7,308	-2.79
7	**Idaho First National Bank, Boise**	4,282	5,826	-26.50	55,230	66,060	-16.39	973	3,379	-71.20	3,767	7,596	-50.41
8	**Seattle-First National Bank**	3,058	4,102	-25.45	205,623	230,036	-10.61	117	876	-86.64	17,694	10,219	73.15
9	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	643	997	-35.51	192,577	200,374	-3.89	-6	355	-101.69	5,067	1,754	188.88
10	**Sanwa Bank California, San Francisco**	2,603	1,098	137.07	100,135	105,736	-5.30	0	170	-100.00	2,457	5,944	-58.66
11	**Norwest Bank South Dakota NA, Sioux Flls**	2,992	4,584	-34.73	33,686	35,148	-4.16	740	2,292	-67.71	1,009	3,793	-73.40
12	**First National Bank, Amarillo, Tex.**	3,151	3,343	-5.74	15,274	18,430	-17.12	2,789	44	6,238.64	7,032	2	351,500
13	**First Interstate Bank of California, Los Angeles**	2,227	3,231	-31.07	401,004	461,020	-13.02	-50	0	...	33,091	38,835	-14.79
14	**United States National Bank, Portland, Ore.**	2,719	4,235	-35.80	154,334	162,749	-5.17	1,511	0	...	9,006	9,905	-9.08
15	**Chemical Bank, New York**	2,000	3,604	-44.51	1,038,000	1,145,844	-9.41	0	0	...	84,000	59,895	40.25
16	**Peoples National Bank of Washington, Seattle**	1,382	3,258	-57.58	44,010	49,717	-11.48	-1,189	961	-223.73	276	7,556	-96.35
17	**NCNB National Bank of Florida, Tampa**	1,417	440	222.05	174,179	158,328	10.01	0	0	...	3,841	5,609	-31.52
18	**Dominion Bank of Shenandoah Valley NA, Harrisonburg, Va.**	2,238	2,102	6.47	10,938	11,471	-4.65	12	38	-68.42	327	254	28.74
19	**Old National Bank of Washington, Spokane**	1,125	1,525	-26.23	33,609	36,323	-7.47	200	882	-77.32	1,729	2,380	-27.35
20	**Branch Banking & Trust Co., Wilson, N.C.**	674	859	-21.54	68,037	66,376	2.50	83	29	186.21	1,323	1,922	-31.17
21	**NCNB National Bank of North Carolina, Charlotte**	785	1,570	-50.00	272,631	284,586	-4.20	20	153	-86.93	8,418	9,564	-11.98
22	**InterFirst Bank Austin NA, Tex.**	21	23	-8.70	30,364	40,959	-25.87	0	0	...	3,554	1,916	85.49
23	**Valley Bank, Idaho Falls, Idaho**	1,744	2,006	-13.06	5,219	6,386	-18.27	103	167	-38.32	195	706	-72.38
24	**FirsTier Bank NA, Omaha, Neb.**	1,700	2,195	-22.55	18,922	24,400	-22.45	121	1,590	-92.39	3,574	2,119	68.66
25	**First Interstate Bank of Oregon NA, Portland**	1,742	2,430	-28.31	100,055	113,194	-11.61	181	-180	200.56	3,712	3,804	-2.42
26	**Texas American Bank Fort Worth NA, Tex.**	1,390	1,767	-21.34	47,088	61,795	-23.80	-1	2,200	-100.05	3,130	4,989	-37.26
27	**First Bank South Dakota NA, Sioux Falls**	1,354	3,789	-64.26	24,727	31,494	-21.49	453	9,436	-95.20	2,147	11,344	-81.07
28	**Hamilton Bank, Lancaster, Pa.**	307	533	-42.40	54,695	58,607	-6.67	-5	-113	95.58	676	709	-4.65
29	**First Security Bank Idaho NA, Boise**	1,390	2,039	-31.83	38,385	42,110	-8.85	428	1,874	-77.16	2,709	5,618	-51.78
30	**Meridian Bank, Reading, Pa.**	1,099	1,373	-19.96	129,994	143,442	-9.38	96	82	17.07	3,757	2,051	83.18
31	**Norwest Bank Nebraska NA, Omaha**	1,044	2,027	-48.50	26,012	30,511	-14.75	-68	2,389	-102.85	556	4,557	-87.80
32	**Southeast Bank NA, Miami**	973	827	17.65	226,917	247,273	-8.23	0	0	...	10,913	13,721	-20.46
33	**Citibank NA, New York**	1,000	2,000	-50.00	3,927,000	3,756,000	4.55	0	0	...	145,000	111,000	30.63
34	**First Security Bank of Utah NA, Ogden**	702	1,071	-34.45	54,595	61,105	-10.65	0	0	...	1,680	9,823	-82.90
35	**First National Bank of Holdrege, Neb.**	1,157	1,419	-18.46	2,772	3,142	-11.78	17	57	-70.18	56	196	-71.43
36	**First Union National Bank of North Carolina, Charlotte**	712	850	-16.24	301,341	292,610	2.98	9	23	-60.87	1,930	2,039	-5.35
37	**Sun Burst Bank, Grenada, Miss.**	911	1,109	-17.85	25,167	27,151	-7.31	61	390	-84.36	771	2,599	-70.33
38	**Amarillo National Bank, Tex.**	846	1,496	-43.45	11,131	12,309	-9.57	259	319	-18.81	1,319	2,558	-48.44
39	**Lebanon Valley National Bank, Lebanon, Pa,**	858	907	-5.40	7,285	7,449	-2.20	0	0	...	74	56	32.14
40	**Monticello State Bank, Iowa**	1,039	1,402	-25.89	3,971	4,080	-2.67	788	41	1,821.95	787	39	1,917.95
41	**Sun Bank NA, Orlando, Fla.**	266	73	264.38	65,755	66,715	-1.44	0	0	...	4,364	5,057	-13.70
42	**First Security National Bank & Trust Co., Lexington, Ky.**	91	46	97.83	23,898	24,614	-2.91	0	0	...	466	471	-1.06
43	**First Interstate Bank of Washington NA, Seattle**	1,020	1,070	-4.67	67,349	70,269	-4.16	30	0	...	7,250	2,207	228.50
44	**Deposit Guaranty National Bank, Jackson, Miss.**	460	563	-18.29	65,040	72,306	-10.05	0	-25	100.00	2,608	1,930	35.13
45	**First Alabama Bank, Montgomery**	1,217	1,038	17.24	76,515	84,591	-9.55	0	0	...	973	1,753	-44.50
46	**interFirst Bank Dallas NA**	150	1,102	-86.39	142,286	209,540	-32.10	140	0	...	13,079	17,195	-23.94
47	**First Victoria National Bank, Tex.**	963	1,080	-10.83	8,472	8,803	-3.76	897	108	730.56	879	71	1,138.03
48	**MBank Dallas NA**	397	245	62.04	127,073	154,712	-17.86	-474	28	-1,792.86	12,159	25,996	-53.23
49	**Bank of California NA, San Francisco**	961	982	-2.14	73,305	77,209	-5.06	0	0	...	110	1,599	-93.12
50	**Key Bank of Oregon, Portland**	1,994	1,369	45.65	21,524	23,140	-6.98	71	147	-51.70	1,053	973	8.22
51	**Adams Bank & Trust Co., Ogallala, Neb.**	995	1,698	-41.40	2,588	3,060	-15.42	137	38	260.53	266	61	336.07
52	**FirsTier Bank NA, Lincoln, Neb.**	912	1,094	-16.64	18,881	23,936	-21.12	508	148	243.24	4,063	832	388.34
53	**Bank of Oklahoma Tulsa NA**	0	646	-100.00	37,184	50,238	-25.98	192	-27	811.11	17,420	10,768	61.78
54	**Idaho Bank & Trust Co., Pocatello**	1,106	925	19.57	12,128	12,904	-6.01	-1	75	-101.33	254	102	149.02
55	**Bank of Stockton, Calif.**	687	950	-27.68	11,830	11,674	1.34	-118	1,225	-109.63	885	1,688	-47.57
56	**Key Bank of Northern NY NA, Watertown, N.Y.**	897	898	-0.11	13,755	14,250	-3.47	-7	10	-170.00	238	40	495.00
57	**Sun Bank of Ocala, Fla.**	434	1,216	-64.31	6,936	7,279	-4.71	673	652	3.22	745	773	-3.62
58	**BankWest, Inc., Pi...e, S.D.**	1,029	1,563	-34.17	2,918	3,800	-23.21	990	-97	1,120.62	1,200	-5	24,100.00
59	**Marine Midland Bank NA, Buffalo, N.Y.**	845	914	-7.55	422,435	541,321	-21.96	0	-1	100.00	12,091	58,486	-79.33
60	**Union Bank, Los Angeles**	1,256	386	225.39	169,897	175,577	-3.24	0	0	...	10,314	6,420	60.65
61	**Sovran Bank NA, Richmond, Va.**	576	619	-6.95	212,901	227,045	-6.23	68	35	94.29	7,809	3,888	100.85
62	**Citizens & Southern National Bank, Atlanta**	247	414	-40.34	203,343	208,739	-2.59	46	4	1,050.00	7,125	3,908	82.32
63	**Key Bank NA, Albany, N.Y.**	766	1,100	-30.36	44,319	40,706	8.88	0	0	...	2,277	3,964	-42.56
64	**Colorado National Bank, Denver**	469	705	-33.48	26,283	29,604	-11.22	631	2,603	-75.76	7,314	12,611	-42.00
65	**United Carolina Bank, Whitevlle, N.C.**	288	382	-24.61	36,725	36,906	-0.49	119	110	8.18	595	420	41.67
66	**Barnett Bank of Highlands County, Sebring, Fla.**	0	0	...	7,220	7,030	2.70	0	0	...	142	84	69.05
67	**Banco Popular de Puerto Rico, San Juan**	318	249	27.71	93,923	88,794	5.78	0	0	...	2,345	4,672	-49.81
68	**Norstar Bank of Upstate NY, Albany**	1,161	957	21.32	59,741	56,661	5.44	0	0	...	1,087	425	155.76
69	**First National Bank & Trust Co., Columbus, Neb.**	306	863	-64.54	4,394	4,642	-5.34	51	57	-10.53	70	214	-67.29
70	**Fidelity State Bank, Garden City, Kansas**	660	N.A.	...	2,377	N.A.	...	0	N.A.	...	22	N.A.	...
71	**Farmers & Merchants State Bank, Archbold, Ohio**	618	696	-11.21	4,486	4,164	7.73	3	-32	109.38	-56	-108	48.15
72	**Florida National Bank, Jacksonville**	340	281	21.00	135,174	137,794	-1.90	0	0	...	19,147	4,451	330.17
73	**Arizona Bank, Phoenix**	589	634	-7.10	90,578	88,261	2.63	0	0	...	2,063	1,509	36.71
74	**Toledo Trust Co., Ohio**	570	444	28.38	57,234	47,516	20.45	0	0	...	2,970	3,842	-22.70
75	**Citizens Bank & Trust Co., Belzoni, Miss.**	988	1,196	-17.39	2,253	2,712	-16.92	21	518	-95.95	51	1,697	-96.99
76	**First National Bank, York, Neb.**	713	894	-20.25	2,642	2,845	-7.14	47	233	-79.83	71	247	-71.26
77	**First National Bank, Great Falls, Mont.**	0	281	-100.00	4,995	5,977	-16.43	-50	0	...	241	29	731.03
78	**Sunwest Bank of Albuquerque NA, N.M.**	581	670	-13.28	33,775	35,901	-5.92	355	26	1,265.38	1,012	570	77.54
79	**First Interstate Bank Oklahoma NA, Oklahoma City**	886	0	...	17,686	2,253	685.00	0	0	...	5	8	-37.50
80	**United Bank of Denver NA**	549	632	-13.13	44,828	52,299	-14.29	0	0	...	5,472	4,516	21.17
81	**Farmers Bank, Frankfort, Ind.**	532	519	2.50	3,179	3,323	-4.33	0	164	-100.00	30	661	-95.46
82	**Huntington National Bank, Columbus, Ohio**	617	633	-2.53	135,033	142,110	-4.98	0	0	...	5,219	768	579.56
83	**First National Bank, Hereford, Tex.**	664	1,026	-35.28	1,700	2,277	-25.34	-42	374	-111.23	-65	416	-115.63
84	**Twin Falls Bank & Trust Co., Idaho**	749	745	0.54	3,590	3,884	-7.57	0	65	-100.00	11	122	-90.98
85	**First Interstate Bank of Idaho NA, Boise**	657	997	-34.10	17,040	19,447	-12.38	259	572	-54.72	1,275	1,562	-18.37
86	**Central Fidelity Bank, Richmond, Va.**	28	52	-46.15	81,445	82,413	-1.17	0	0	...	8,994	2,720	230.66
87	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	302	414	-27.05	60,234	65,480	-8.01	-14	29	-148.28	482	185	160.54
88	**Sunwest Bank of Clovis NA, N.M.**	629	1,619	-61.15	3,138	3,580	-12.35	267	0	...	306	27	1,033.33
89	**Citizens First National Bank, Princeton, Ill.**	760	885	-14.12	3,828	4,206	-8.99	271	487	-44.35	447	522	-14.37
90	**McCook National Bank, Neb.**	513	698	-26.50	2,206	2,366	-6.76	311	-15	2,173.33	524	-63	931.75
91	**First Tennessee Bank NA, Memphis**	253	228	10.96	99,474	106,978	-7.01	50	0	...	5,161	6,071	-14.99
92	**AmSouth Bank Birmingham NA, Ala.**	159	219	-27.40	111,459	106,364	4.79	0	0	...	4,016	3,647	10.12
93	**Trustmark National Bank, Jackson, Miss.**	376	486	-22.63	47,060	50,219	-6.29	19	0	...	1,419	916	54.91
94	**Union Bank & Trust Co., Lincoln, Neb.**	687	430	59.77	2,766	2,988	-7.43	-15	0	...	-28	37	-175.68
95	**Thumb National Bank & Trust Co., Pigeon, Mich.**	727	861	-15.56	2,005	2,040	-1.72	0	0	...	20	0	...
96	**Williamson County Bank, Franklin, Tenn.**	411	427	-3.75	7,763	7,627	1.78	0	0	...	695	55	1,163.64
97	**First National Bank, Shreveport, La.**	476	550	-13.45	24,176	25,620	-5.64	-146	1,753	-108.33	1,385	3,424	-59.55
98	**Bank of Hawaii, Honolulu**	483	516	-6.40	91,398	94,987	-3.78	13	36	-63.89	2,753	664	314.61
99	**Guardian State Bank & Trust Co., Alliance, Neb.**	632	1,142	-44.66	1,767	2,173	-18.68	-111	17	-752.94	-239	15	-1,693.33
100	**BancOhio National Bank, Columbus**	357	804	-55.60	107,031	109,767	-2.49	-37	211	-117.54	11,199	8,259	35.60
	TOTALS FOR THE TOP 100	**139,206**	**181,279**	**-23.21**	**15,061,225**	**16,509,132**	**-8.77**	**81,781**	**68,125**	**+20.05**	**968,568**	**981,531**	**1.32**

The top 100 banks in domestic agricultural loans outstanding on 3/31/87, listed in order of agricultural loans outstanding on 3/31/87. (See page xx.) **Data Source:** The federal regulatory report of income from **ADP's Data Services Division, New York.** Please note that 1986 data are restated for mergers occurring in 1987. **Interest income from farm loans** is gross interest and fee income on loans to finance agricultural production, booked in domestic offices. Data are for the first quarter of 1987 and 1986, respectively, and are from Schedule RI-Report of Income, item 1.a.(1):(c). **Total interest income** is total gross interest income for the bank from all of its operations both domestic and foreign. It is taken from Schedule RI, item 1.g. **Charge-offs on Farm Loans** are net charge-offs (charge-offs minus recoveries) on loans to finance agricultural production. These data are for the first quarter of 1987 and 1986, respectively, and are from Schedule RI-B, item 3. **Charge-offs on all loans** are net charge-offs (charge-offs minus recoveries) on all loans both domestic and foreign. These data are for the first quarter of 1987 and 1986, respectively, and are from Schedule RI-B, item 9. **N.A.**— Not available.

Top 100 Agricultural Banks

Based on Domestic Agricultural Loans Outstanding March 31, 1987, Compared with March 31, 1986
For Banks with 25% or More of Loans in Agriculture (Thousands of Dollars)

Compiled by American Banker Copyright 1987

Rank 3/87		Total Agricultural Loans			Farm Loans As % of Total Loans		Bad Farm Loans		Bad Farm Loans As % of Equity	
		3/31/87	3/31/86	% Chg.	3/31/87	3/31/86	3/31/87	3/31/86	3/31/87	3/31/86
1	Valley Bank, Idaho Falls, Idaho	75,257	72,343	4.03	44.30	40.56	9,310	8,412	67.20	55.90
2	First National Bank, Holdrege, Neb.	53,163	56,824	-6.44	75.21	75.02	3,625	3,117	34.35	28.01
3	Monticello State Bank, Iowa	47,940	51,459	-6.84	76.22	76.67	515	479	2.21	2.24
4	Adams Bank & Trust Co., Ogallala, Neb.	43,789	42,980	1.88	57.71	56.23	5,335	2,024	62.33	23.78
5	BankWest Inc., Pierre, S.D.	39,804	48,309	-17.61	52.81	53.91	6,801	6,229	124.77	64.78
6	First National Bank & Trust Co., Columbus, Neb.	34,564	37,053	-6.72	42.90	41.90	209	347	1.34	2.31
7	Fidelity State Bank, Garden City, Kan.	34,414	N.A.	...	55.52	N.A.	45	N.A.	0.39	N.A.
8	Farmers & Merchants State Bank, Archbold, Ohio	34,357	31,919	7.64	27.94	32.89	893	134	5.81	0.99
9	Citizens Bank & Trust Co., Belzoni, Miss.	32,348	33,506	-3.46	48.53	45.59	657	3,238	12.46	59.08
10	First National Bank, York, Neb.	32,055	32,797	-2.26	50.53	51.75	1,566	1,622	15.08	16.09
11	Farmers Bank, Frankfort, Ind.	31,257	26,601	17.50	40.06	35.67	1,159	936	8.28	7.11
12	First National Bank, Hereford, Tex.	30,717	36,930	-16.82	59.85	59.34	3,398	1,754	39.85	17.26
13	Twin Falls Bank & Trust Co., Idaho	30,084	29,357	2.48	34.15	34.70	348	2,158	2.00	13.36
14	Sunwest Bank of Clovis NA, N.M.	29,171	31,339	-6.92	33.18	37.22	2,976	1,116	30.39	11.62
15	Citizens First National Bank, Princeton, Ill.	29,141	32,604	-10.62	33.69	33.15	665	1,686	4.35	11.00
16	McCook National Bank, Neb.	29,134	29,153	-0.07	66.20	61.98	3,547	287	37.08	3.04
17	Union Bank & Trust Co., Lincoln, Neb.	27,933	19,938	40.10	37.40	30.05	435	749	3.83	7.62
18	Thumb National Bank & Trust Co., Pigeon, Mich.	27,886	27,848	0.14	47.90	49.31	907	26	15.82	0.49
19	Guardian State Bank & Trust Co., Alliance, Neb.	27,109	45,634	-40.59	68.25	72.98	6,564	2,991	123.69	45.52
20	First National Bank, Tulia, Tex.	26,791	34,434	-22.20	69.51	66.64	7,434	792	124.48	7.68
21	Citizens Commercial Bank & Trust Co., Celina, Ohio	26,670	23,497	13.50	32.26	31.69	955	1,098	7.52	9.43
22	Farmers National Bank, Cordell, Okla.	26,444	24,314	8.76	57.17	51.88	3,907	1,313	-127.76	32.11
23	Texas Commerce Bank, Amarillo, Tex.	26,236	24,447	7.32	37.69	31.75	946	1,588	13.05	22.43
24	Security State Bank, Scott City, Kan.	25,948	26,261	-1.19	74.02	70.32	596	1,072	9.04	16.65
25	First State Bank, Uvalde, Tex.	25,873	27,215	-4.93	29.48	30.21	0	172	0.00	1.28
26	Hardin County Savings Bank, Eldora, Iowa	25,553	24,268	5.30	63.64	63.58	178	0	2.35	0.00
27	Gentry County Bank, Albany, Mo.	25,364	25,976	-2.36	61.23	59.00	2,598	1,748	64.58	32.20
28	Lamesa National Bank, Tex.	25,211	37,957	-33.58	62.34	74.66	657	169	5.64	1.40
29	American State Bank, Sioux Center, Iowa	24,759	23,461	5.53	56.37	55.03	742	424	11.47	7.13
30	First National Bank & Trust Co., Dodge City, Kan.	24,415	24,422	-0.03	46.15	48.18	250	710	3.01	9.04
31	City National Bank, Kankakee, Ill.	24,226	21,280	13.84	26.64	25.58	0	364	0.00	2.60
32	Second National Bank, Greenville, Ohio	24,029	22,259	7.95	35.28	38.87	1,200	592	12.74	6.54
33	Scottsbluff National Bank & Trust Co., Neb.	23,996	20,579	16.60	30.94	32.09	1,012	1,581	6.47	11.16
34	Farmers & Merchants Bank & Trust Co., Aberdeen, S.D.	23,523	22,339	5.30	52.61	51.17	3,851	3,663	80.16	80.72
35	First National Bank, Wray, Colo.	23,514	26,468	-11.16	74.17	73.07	2,916	2,779	47.17	45.67
36	First National Bank, Gordon, Neb.	23,332	28,525	-18.21	62.03	67.97	837	2,517	22.61	66.46
37	First National Bank, Brookings, S.D.	23,274	22,793	2.11	30.65	33.35	1,209	765	11.34	7.65
38	Citizens First National Bank, Storm Lake, Iowa	23,132	20,023	15.53	48.31	38.89	252	1,320	1.58	9.09
39	Security State Bank, Cheyenne, Okla.	23,032	23,423	-1.67	64.54	62.22	809	342	11.30	4.88
40	Guaranty Bank & Trust Co., Belzoni, Miss.	22,873	25,620	-10.72	57.94	54.75	1,150	768	28.26	22.79
41	First National Bank & Trust Co., Frederick, Okla.	22,871	18,967	20.58	51.33	51.55	323	287	7.32	6.31
42	First Trust & Savings Bank, Taylorville, Ill.	22,744	20,985	8.38	33.80	30.34	632	129	7.17	1.45
43	Peoples National Bank, Kingfisher, Okla.	22,288	24,911	-10.53	45.96	45.71	1,181	411	21.81	5.31
44	Security Bank of Washington, Ephrata	22,213	N.A.	...	32.85	N.A.	1,812	N.A.	24.25	N.A.
45	Hale County State Bank, Plainview, Tex.	22,116	19,960	10.80	34.74	42.73	110	202	1.68	3.04
46	*De Lay First National Bank & Trust Co., Norfolk, Neb.*	21,974	20,515	7.11	31.51	29.09	110	142	0.83	1.12
47	Commercial Bank, Sterling, Colo.	21,769	23,314	-6.63	52.02	52.77	1,984	1,193	33.84	20.96
48	Citizens State Bank, Dalhart, Tex.	21,191	15,858	33.63	58.89	47.39	0	1	0.00	0.01
49	Geneva State Bank, Neb.	21,185	24,076	-12.01	76.10	75.09	3,340	2,906	50.61	45.10
50	Elston Bank & Trust Co., Crawfordsville, Ind.	20,890	21,896	-4.59	34.17	36.75	3,279	1,134	24.98	8.93
51	Citizens State Bank & Trust Co., Hiawatha, Kan.	20,713	25,427	-18.54	75.79	79.97	1,493	6,525	46.67	167.26
52	Herkimer County Trust Co., Little Falls, N.Y.	20,671	21,930	-5.74	33.83	41.25	950	523	8.07	4.83
53	First National Bank, Scott City, Kan.	20,355	22,531	-9.66	80.40	79.71	1,152	1,402	17.20	21.40
54	Ida County State Bank, Ida Grove, Iowa	20,177	30,180	-33.14	61.09	70.90	2,206	3,651	51.89	74.60
55	First National Bank, Philip, S.D.	20,123	19,676	2.27	69.90	67.96	592	446	10.12	7.90
56	First Security Bank & Trust Co., Miles City, Mont.	20,102	24,636	-18.40	37.65	47.26	1,401	2,640	19.31	36.54
57	First American National Bank, Crookston, Minn.	20,097	21,752	-7.61	31.95	35.00	838	1,004	6.59	8.15
58	Farmers National Bank, Geneseo, Ill.	20,039	22,709	-11.76	35.58	37.42	2,576	4,387	50.51	107.10
59	Pilot Grove Savings Bank, Iowa	19,836	18,456	7.48	55.97	57.69	155	505	3.73	12.68
60	Decorah State Bank, Iowa	19,779	21,570	-8.30	38.12	43.35	189	1,082	2.03	11.17
61	First Fidelity Bank, Burke, S.D.	19,709	24,328	-18.99	63.42	67.86	1,204	3,086	11.76	32.69
62	Bank of Commerce, Idaho Falls, Idaho	19,617	19,468	0.77	35.47	34.43	98	99	0.67	0.77
63	First National Bank, Anthony, Kan.	19,488	17,426	11.83	76.48	67.45	1,100	439	26.99	11.66
64	Sulphur Springs State Bank, Tex.	19,487	18,170	7.25	33.75	32.74	0	139	0.00	1.38
65	Clinton County Bank & Trust Co., Frankfort, Ind.	19,386	21,853	-11.29	37.92	36.92	1,228	441	11.76	4.17
66	State Bank of Alcester, S.D.	19,365	21,052	-8.01	66.68	67.07	1,847	1,590	42.99	35.82
67	New Farmers National Bank, Glasgow, Ky.	19,317	19,638	-1.63	37.55	35.10	1,252	1,090	12.89	12.16
68	First National Bank, Lamar, Colo.	19,139	17,390	10.06	52.17	49.38	2,270	1,449	54.70	26.91
69	First State Bank, Dimmitt, Tex.	19,109	17,532	8.99	67.86	60.39	170	1,083	3.98	25.51
70	First National Bank & Trust Co., Larned, Kan.	19,091	22,410	-14.81	54.09	54.75	1,031	145	22.75	2.94
71	Peoples State Bank, Lynden, Wash.	18,860	16,706	12.89	35.80	33.23	44	697	0.79	13.74
72	Stockgrowers State Bank, Ashland, Kan.	18,659	16,059	16.19	85.36	84.01	0	165	0.00	3.44
73	York State Bank & Trust Co., Neb.	18,408	14,980	22.88	39.66	39.44	228	208	4.26	3.18
74	Peoples Bank, Pratt, Kan.	18,404	19,592	-6.06	46.24	43.02	878	710	8.36	6.96
75	Minden Exchange Bank & Trust Co., Neb.	18,360	17,420	5.40	61.03	57.61	150	167	2.16	2.55
76	Gothenburg State Bank & Trust Co., Neb.	18,301	18,344	-0.23	66.94	66.01	25	719	0.62	18.79
77	Maquoketa State Bank, Iowa	18,276	17,591	3.89	37.39	37.86	541	709	6.03	8.32
78	First National Bank, Perryton, Tex.	18,276	18,973	-3.67	36.22	39.76	149	451	1.45	4.82
79	Farmers & Merchants Bank & Trust Co., Watertown, S.D.	18,261	19,174	-4.76	32.18	39.73	194	19	2.91	0.29
80	Bourbon-Agricultural Deposit B&T Co., Paris, Ky.	18,149	17,490	3.77	32.78	30.96	366	363	3.78	4.00
81	First American Bank, Amery, Wis.	18,144	25,212	-28.03	35.80	44.22	1,057	2,097	21.51	39.04
82	Greeley National Bank, Colo.	18,143	24,644	-26.38	29.32	32.73	4,230	9,478	61.76	100.86
83	First National Bank, Goodland, Kan.	18,143	17,345	4.60	50.87	47.82	1,110	233	19.56	4.09
84	Nodaway Valley Bank, Maryville, Mo.	17,995	15,469	16.33	37.87	36.01	286	138	3.56	1.86
85	Central National Bank, Alva, Okla.	17,979	21,257	-15.42	69.58	68.44	2,070	941	13.53	6.70
86	Holstein State Bank, Iowa	17,947	14,240	26.03	71.98	58.34	322	452	12.32	17.82
87	Union City National Bank, Liberty, Ind.	17,907	19,245	-6.95	49.48	51.56	477	476	6.92	7.24
88	Bank One Crawfordville NA, Ind.	17,859	18,322	-2.53	30.22	31.21	101	216	0.66	1.58
89	Citizens State Bank, Maryville, Mo.	17,842	14,556	22.57	35.66	34.30	131	104	2.46	1.99
90	Bay City Bank & Trust Co., Tex.	17,733	18,146	-2.28	29.43	30.45	539	820	5.36	8.64
91	Idaho State Bank, Glenns Ferry	17,617	18,887	-6.72	54.36	56.79	4,843	1,196	82.73	21.22
92	First National Bank, McCook, Neb.	17,574	21,880	-19.68	44.39	45.57	2,544	2,672	32.45	35.49
93	Farmers State Bank, Winner, S.D.	17,495	18,080	-3.24	50.84	49.64	1,103	117	14.32	1.63
94	Denmark State Bank, Wis.	17,478	14,636	19.42	28.99	27.94	546	755	6.31	9.72
95	Smith Trust & Savings Bank, Morrison, Ill.	17,348	16,223	6.93	44.85	43.93	453	93	5.83	1.31
96	Security National Bank, Sidney, Neb.	17,340	16,419	5.61	64.46	62.95	652	395	15.77	8.41
97	First Bank, Berne, Ind.	17,326	14,794	17.12	29.05	26.89	302	173	2.54	1.68
98	IntraWest Bank, Sterling, Colo.	17,222	24,018	-28.30	40.43	46.90	1,243	3,396	16.75	42.93
99	Farmers State Bank, Marion, Iowa	17,211	18,149	-5.17	30.39	30.48	739	678	7.57	6.84
100	Farmers National Bank, Webster City, Iowa	17,190	32,571	-47.22	50.97	63.22	1,807	5,781	37.11	89.89
	TOTALS FOR THE TOP 100 AGRICULTURAL BANKS	**2,360,606**	**2,395,193**	**-1.44**			**142,107**	**133,632**	**18.23%**	**17.30%**

Agricultural banks are banks with 25% or more of their loans in agricultural lending. **Data Source:** All data were taken from the federal regulatory report of condition for all insured commercial banks from **ADP's Data Services Division, New York.** Please note that 1986 data are restated for mergers occurring in 1967. **Total Agricultural Loans** are domestically-booked: (1) loans secured by farmland plus (2) loans to finance agricultural production and other loans to farmers. (Schedule RC-C, Column B—Domestic Offices, items 1.b. and 3, respectively.) **Farm Loans as a % of Total Loans** is the ratio of total agricultural loans to total domestic loans, expressed as a percentage. **Bad farm loans** are domestic farm loans to finance agricultural production that are past due 90 days or more and still accruing plus non-accruing loans. (Schedule RC-N, item 2, Columns B and C). **Bad Farm Loans as a % of Equity** is the ratio of bad farm loans to total equity capital (Schedule RC-Balance Sheet item 28), expressed as a percentage. **N.A.**— Not available.

Top 10 Agricultural Banks In Leading Farm States

Banks with 25% or More of Their Loans in Agriculture
Listed Geographically by Order of Size within States

(Thousands of Dollars)

Colorado

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**First National Bank, Wray**	23,514	74.17	47.17
2	**Commercial Bank, Sterling**	21,769	52.02	33.84
3	**First National Bank, Lamar**	19,139	52.17	54.70
4	**Greeley National Bank**	18,143	29.32	61.76
5	**IntraWest Bank, Sterling**	17,222	40.43	16.75
6	**Eastern Colorado Bank, Cheyenne Wells**	16,047	75.84	3.43
7	**Valley State Bank, Lamar**	14,843	40.47	25.23
8	**First National Bank, Hugo**	14,696	71.33	6.69
9	**Farmers State Bank, Yuma**	14,482	54.90	39.98
10	**Colorado Bank & Trust Co., La Junta**	14,373	46.28	61.39

Illinois

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Citizens First National Bank, Princeton**	29,141	33.69	4.35
2	**City National Bank, Kankakee**	24,226	26.64	0.00
3	**First Trust & Savings Bank, Taylorville**	22,744	33.80	7.17
4	**Farmers National Bank, Geneseo**	20,039	35.58	50.51
5	**Smith Trust & Savings Bank, Morrison**	17,348	44.85	5.83
6	**Farmers National Bank, Prophetstown**	16,603	60.11	11.33
7	**Olney Trust Bank**	16,353	44.98	6.25
8	**McLean County Bank, Bloomington**	15,969	31.55	24.31
9	**First National Bank & Trust Co., Rochelle**	15,880	37.93	33.17
10	**First National Bank, Oblong**	15,685	43.25	8.39

Iowa

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Monticello State Bank**	47,940	76.22	2.21
2	**Hardin County Savings Bank, Eldora**	25,553	63.64	2.35
3	**American State Bank, Sioux Center**	24,759	56.37	11.47
4	**Citizens First National Bank, Storm Lake**	23,132	48.31	1.58
5	**Ida County State Bank, Ida Grove**	20,177	61.09	51.89
6	**Pilot Grove Savings Bank**	19,836	55.97	3.73
7	**Decorah State Bank**	19,779	38.12	2.03
8	**Maquoketa State Bank**	18,276	37.39	6.03
9	**Holstein State Bank**	17,947	71.98	12.32
10	**Farmers State Bank, Marion**	17,211	30.39	7.57

Kansas

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Fidelity State Bank, Garden City**	34,414	55.52	0.39
2	**Security State Bank, Scott City**	25,948	74.02	9.04
3	**First National Bank & Trust Co., Dodge City**	24,415	46.15	3.01
4	**Citizens State Bank & Trust Co., Hiawatha**	20,713	75.79	46.67
5	**First National Bank, Scott City**	20,355	80.40	17.20
6	**First National Bank, Anthony**	19,488	76.48	26.99
7	**First National Bank & Trust Co., Larned**	19,091	54.09	22.75
8	**Stockgrowers State Bank, Ashland**	18,659	85.36	0.00
9	**Peoples Bank, Pratt**	18,404	46.24	8.36
10	**First National Bank, Goodland**	18,143	50.87	19.56

Michigan

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Thumb National Bank & Trust Co., Pigeon**	27,886	47.90	15.82
2	**First American Bank-Thumb Area, Bad Axe**	13,297	30.94	152.59
3	**Farmers State Bank, Breckenridge**	10,572	35.60	63.11
4	**Independent Bank-South Michigan, Leslie**	9,525	28.59	8.55
5	**Sanilac County Bank, Deckerville**	6,824	32.87	64.45
6	**Exchange State Bank, Carsonville**	6,523	32.13	7.11
7	**Jipson Carter State Bank, Blissfield**	5,492	40.57	7.29
8	**Ruth State Bank**	4,676	58.09	7.10
9	**Akron State Bank**	4,532	48.14	37.66
10	**First of America Bank-Huron, Harbor Beach**	3,869	25.24	17.46

Minnesota

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**First American National Bank, Crookston**	20,097	31.95	6.59
2	**Norwest Bank Moorhead NA**	16,440	25.61	6.26
3	**Farmers & Merchants Bank, Preston**	15,731	61.14	224.98
4	**Farmers & Merchants State Bank, Springfield**	14,877	67.41	5.77
5	**First National Bank, Plainview**	14,575	48.04	16.63
6	**Wanda State Bank**	14,331	75.15	13.50
7	**Windom State Bank**	13,985	64.78	3.00
8	**State Bank of Springfield**	13,631	42.37	25.35
9	**First National Bank, Jackson**	13,308	59.97	11.55
10	**Martin County National Bank, Fairmont**	12,124	47.34	24.29

Missouri

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Gentry County Bank, Albany**	25,364	61.23	64.53
2	**Nodaway Valley Bank, Maryville**	17,995	37.87	3.56
3	**Citizens State Bank, Maryville**	17,842	35.66	2.46
4	**Shelbina Mercantile Bank**	15,581	54.91	5.47
5	**Wood & Huston Bank, Marshall**	14,425	31.91	14.20
6	**Farmers Bank, Unionville**	14,422	58.84	4.64
7	**Citizens Bank, Edina**	13,506	58.51	59.46
8	**American Bank of North Central Mo., Trenton**	13,337	43.59	14.97
9	**Mercantile Bank, Memphis**	11,966	54.02	34.95
10	**Boatmens Bank, Marshall**	11,928	41.81	20.00

Nebraska

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**First National Bank, Holdrege**	53,163	75.21	34.35
2	**Adams Bank & Trust Co., Ogallala**	43,789	57.71	62.33
3	**First National Bank & Trust Co., Columbus**	34,564	42.90	1.34
4	**First National Bank, York**	32,055	50.53	15.08
5	**McCook National Bank**	29,134	66.20	37.08
6	**Union Bank & Trust Co., Lincoln**	27,933	37.40	3.83
7	**Guardian State Bank & Trust Co., Alliance**	27,109	68.25	123.69
8	**Scottsbluff National Bank & Trust Co.**	23,996	30.94	6.47
9	**First National Bank, Gordon**	23,332	62.03	22.61
10	**De Lay First National Bank & Trust Co., Norfolk**	21,974	31.51	0.83

North Dakota

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**First American Bank & Trust Co., Grafton**	15,392	38.20	7.35
2	**First National Bank, Bowman**	14,009	60.03	24.71
3	**Norwest Bank Grafton NA**	13,854	54.25	33.64
4	**Farmers & Merchants Bank, Beach**	13,562	56.02	25.26
5	**Norwest Bank Wahpeton NA**	13,121	40.10	23.76
6	**Citizens State Bank of Pembina County, Cavalier**	12,186	51.57	5.44
7	**First American Bank & Trust Co., Carrington**	11,182	50.57	56.34
8	**Farmers State Bank, Carrington**	10,935	80.68	45.27
9	**First National Bank & Trust Co., Ellendale**	10,372	66.36	17.47
10	**McIntosh County Bank, Ashley**	10,167	71.55	2.36

Oklahoma

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Farmers National Bank, Cordell**	26,444	57.17	-127.76
2	**Security State Bank, Cheyenne**	23,032	64.54	11.30
3	**First National Bank & Trust Co., Frederick**	22,871	51.33	7.32
4	**Peoples National Bank, Kingfisher**	22,288	45.96	21.81
5	**Central National Bank, Alva**	17,979	69.58	13.53
6	**First American Bank & Trust Co., Purcell**	16,678	34.07	9.42
7	**Kingfisher Bank & Trust Co.**	13,831	44.30	0.34
8	**Alva State Bank & Trust Co.**	13,319	68.65	9.68
9	**First National Bank & Trust Co., Perry**	12,223	50.51	0.00
10	**First National Bank, Hennessey**	12,040	44.31	47.13

South Dakota

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**Bankwest Inc., Pierre**	39,804	52.81	124.77
2	**Farmers & Merchants Bank & Trust Co., Aberdeen**	23,523	52.61	80.16
3	**First National Bank, Brookings**	23,274	30.65	11.34
4	**First National Bank, Philip**	20,123	69.90	10.12
5	**First Fidelity Bank, Burke**	19,709	63.42	11.76
6	**State Bank, Alcester**	19,365	66.68	42.99
7	**Farmers & Merchants Bank & Trust Co., Watertown**	18,261	32.18	2.91
8	**Farmers State Bank, Winner**	17,495	50.84	14.32
9	**Commercial State Bank, Wagner**	16,791	70.93	18.09
10	**Tri County State Bank, Chamberlain**	16,714	54.73	0.00

Texas

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**First National Bank, Hereford**	30,717	59.85	39.85
2	**First National Bank, Tulia**	26,791	69.51	124.48
3	**Texas Commerce Bank, Amarillo**	26,236	37.69	13.05
4	**First State Bank, Uvalde**	25,873	29.48	0.00
5	**Lamesa National Bank**	25,211	62.34	5.64
6	**Hale County State Bank, Plainview**	22,116	34.74	1.68
7	**Citizens State Bank, Dalhart**	21,191	58.89	0.00
8	**Sulphur Springs State Bank**	19,487	33.75	0.00
9	**First State Bank, Dimmitt**	19,109	67.86	3.98
10	**First National Bank, Perryton**	18,276	36.22	1.45

Wisconsin

Rank		Agricultural Loans	Agr. Loans As % of All Loans	Bad Agr. Loans as % Of Equity
1	**First American Bank, Amery**	18,144	35.80	21.51
2	**Denmark State Bank**	17,478	28.99	6.31
3	**First National Bank, Monroe**	15,995	32.69	53.72
4	**Citizens National Bank, Darlington**	15,597	55.61	59.67
5	**Abbotsford State Bank**	15,437	43.74	8.28
6	**State National Bank, Platteville**	14,419	60.65	48.74
7	**Security National Bank, Durand**	14,202	47.91	0.00
8	**United Bank, Osseo**	14,110	41.36	8.14
9	**Farmers & Merchants State Bank, Stanley**	13,745	55.46	28.07
10	**Lancaster State Bank**	13,262	51.15	5.74

An American Banker Special Report

Five Farm Banks that Stayed in Clover

Leading Agricultural Lenders Say They Know Their Customers and the Industry

➛ Continued from Page 1

Banker listing published today had no bad farm loans at the end of the first quarter of 1987.

Those institutions, in addition to City National, are three Texas banks — Sulphur Springs State Bank, Sulphur Springs; Citizens State Bank, Dalhart; and First State Bank, Uvalde — and Stockgrowers State Bank, Ashland, Kan. (Tables on farm lending begin on page 20.)

The five banks share some traits that their executives say contribute to a healthy farm-loan portfolio: a lengthy history of agricultural lending; lending to a specialized segment of the industry; a board of directors that includes farmers or individuals who work in the industry; board review of loan decisions; and a personal knowledge of each customer that enables the bank to assess a borrower's "character."

Character is an intangible quality, but it is no less important a consideration in a loan review than a borrower's cash flow and balance sheet. "It takes all kinds of information to make a good credit decision," said Bill Williams, executive vice president at Sulphur Springs State Bank.

Most of City National's farm lending goes to finance production, the planting of another year's crop. It is among the riskier types of farm lending because a variety of noncredit factors, notably the weather, can turn what was thought to be a good loan into a bad loan. That is one of the reasons why assessing the character of a borrower is important, the bankers said.

Mr. Blanke and his bank have managed to overcome the risks, he said, because of "our level of expertise, our time in the business, and the quality of our customers."

Top Farm Lenders
Page 20

Kankakee, which is about 100 miles south of Chicago, is in a grain belt that stretches through the Midwest. City National has been making farm loans there since it was founded in 1890. The bank's farm loans at the end of March had increased almost $3 million from the same time last year, accounting for 25.58% of all loans.

By the end of the first quarter, most farmers typically have arranged loan commitments for another year of planting. Many analysts say City National's increase in lending indicates mounting confidence among farm banks in a borrower's ability to repay.

There is a concensus among farmers, lenders, and analysts that the farm economy is on a rebound from the previous six years, when many farmers and their lenders were forced out of business.

City National also shows that farm banks are attractive acquisition candidates. The $170 million-asset bank, which forecasts earnings of at least $2.2 million next year, was acquired in June by First of America Bank Corp., Kalamazoo, Mich. (Earnings for this year will be distorted because of the merger.)

Small Size an Advantage

Clark County, located in south central Kansas, is the fourth-least-populated county in the state. That plays to the advantage of Stockgrowers State Bank in Ashland, the county seat.

"We enjoy a luxury that most city bankers don't have," said John T. Fellers, the bank's president. "We know all of our customers.

"We know where they live. Our customers don't get lost in the crowds and in the numbers."

This affinity with borrowers, Mr. Fetters said, is one reason Stockgrowers managed to have no bad loans in its farm portfolio at the end of the first quarter.

The quality of Stockgrowers' farm-loan portfolio is evident even though the bank had the highest percentage of farm loans to total loans of the top 100 agricultural banks. At the end of the first quarter, 85.35% of the bank's loans were agricultural. The bank's farm loans of $18.6 million, ranked 72d in total farm loans.

Stockgrowers specializes in livestock loans, mainly cattle. It is one of the safer kinds of agricultural lending, Mr. Fellers said, because the collateral — livestock — can be counted. Livestock farming is also less capital-intensive than planting crops.

The farm financial crisis, though, has forced banks — including the 102-year-old Stockgrowers — to take new approaches to helping their borrowers and limiting losses.

Among the changes at Stockgrowers: obtaining tax returns of borrowers to get a measure of income; obtaining cash flow analyses of borrowers; biannual inspections of collateral; and working with borrowers to avoid lengthy and costly bankruptcy proceedings.

In Dalhart, Tex., farm loan officers at the $62 million-asset Citizens State Bank use computers to help construct cash flow statements for farm borrowers. The computers allow officers to "play 'what if?' with the farmers to determine the best business plan," Mr. Hambury said.

A solid business plan is essential in Dalhart. The town is located in the Texas Panhandle, where annual rainfall is about 17 inches. Crops must be irrigated from well water 300 feet to 500 feet underground. When the cost of irrigation is added to other expenses — buying seed, plowing and fertilizing the soil — farming can be considerably more expensive than in other parts of the country.

Mr. Hambury admits the bank is a conservative lender, but says the posture pays off handsomely. With its clean loan portfolio, the bank is not only profitable, but also one that regulators are looking to as a merger partner for a problem bank in the state, Mr. Hambury said. ■

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S&L Industry Now Talking of a Taxpayer Bailout

➛ Continued from Page 1

man Edwin Gray was exaggerating the woes of the industry to stampede Congress into enacting a bill, and that $5 billion would be sufficient to address the problems in the short run.

The League's tone changed at its New Orleans annual meeting this week. "Industry Balking on S&L Bailout," said a front-page headline Thursday in the *Dallas Morning News.* "Top thrift officials said they've done enough," the story stated.

The Washington Post ran with a smaller story on the same matter on Thursday, but placed it prominently in the Roundup column on the cover page of its business section.

On Capitol Hill, the reaction to Mr. Pitt and Mr. Levy was subdued. Staffers said Congress has known all along that the League wants "a handout" from the Treasury.

The Federal Home Loan Bank Board has the authority to borrow $4 billion from the Treasury.

A Treasury spokesman said his agency has always resisted the idea of any taxpayer bailout for the thrift industry.

"It was my recollection that the League wanted an even smaller recapitalization than the $10.8 billion voted by Congress," said a House Banking Committee staffer. "Their sentiment all along was that the taxpayers would eventually have to bail out the industry, so why should they pay more?"

"It's impolitic for them to say they need a bailout now, even if they do," said a staffer on the Senate Banking Committee.

He said he doubted, however, that many members of Congress would be focusing on the issue now, especially in light of the fact that the $10.8 billion had not been raised and spent.

"We're trying to get the members to focus on Glass-Steagall," he said, referring to the 1933 law that separates commercial and investment banking. "The FSLIC fund would be merged with the Federal Deposit Insurance Corp. fund before there was a taxpayer bailout anyway," he said.

Congressman Gerald D. Kleczka, D-Wis., already is working on legislation aimed at merging the two funds. So far he has garnered little support for the proposal, which is also unpopular among the commercial banking community and resisted by federal regulators. The congressman works on because he feels the merger is inevitable, said his spokesman, Brian Doherty.

> 'We have to make it abundantly clear to Congress that a lot of our problems were not created by us and that there has to be a sharing of responsibility.'
>
> — *Theo H. Pitt Jr.*
> *Chairman*
> *U.S. League*

Mr. Doherty said that Mr. Kleczka is laying the groundwork for the merger now "so there won't be a shotgun wedding at the last minute."

Under the legislation, the Federal Home Loan Bank Board first would be merged with the FDIC. Next, the FSLIC fund would be merged with the FDIC fund. And finally, there would be a reconciliation of the two agencies' regulations, he said.

M. Danny Wall, the Bank Board's current chairman, repeated last week what he and the League have agreed on all along: $10.8 billion is about all the money his agency can spend effectively during the next three years.

Mr. Pitt, who is also president of Pioneer Savings Bank, Rocky Mount, N.C., said Thursday that no one knows how big a problem will face the industry when the funds are exhausted.

If it is large enough, the healthy part of the industry would reach a point where it would be unable to contribute any more money to FSLIC, he said.

Mr. Pitt said that a League task force headed by Mr. Levy is attempting to estimate the industry's breaking point and that the study would continue for several months.

"The best minds in the country will be helping us," he said. ■

Fresno Bancorp Plans Common Stock Offering

WASHINGTON — Fresno Bancorp, Fresno, Calif., will sell up to 1.2 million common shares in an initial public offering worth as much as $6.9 million, according to a filing with the Securities and Exchange Commission.

The bank holding company will sell the shares through Sutro & Co. at $4.75 to $5.75 a share.

Fresno Bancorp said it will use the proceeds from the offering for general corporate purposes.

The company, which operates the Bank of Fresno, has $176.98 million in assets and $163.2 million in deposits. It had $4.8 million in interest income at the end of fiscal 1987 on Sept. 30. ■

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Today

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The U.S. trade deficit isn't only a U.S. problem, writes Robert J. Samuelson. ____4

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Quote

If it takes two years, it takes two years, but I'm pretty optimistic. This is the time to really go at it.

James P. Murphy of the New York State Bankers Association on the banks' push for insurance powers. [Page 1]

Unquote

Bank Groups in Crucial States To Renew Push on Insurance

By PHILIP T. SUDO

NEW YORK — If at first — make that second — you don't succeed . . .

"You just keep plugging away and keep coming at it," said Philip S. Corwin, senior federal legislative counsel for the American Bankers Association. "Sometimes you're going to win."

And so it is with dogged determination that banking groups in several key states say they will redouble their efforts for insurance powers in the coming legislative session. After years of getting nowhere, the state associations in New York, California, Illinois, Pennsylvania, and Florida have once again put underwriting and selling insurance at the top of their legislative agendas.

The focus has shifted to the states because on the federal level, the fight is dead — for now. The Treasury Department recently indicated it was abandoning five years of trying to get banks into insurance and real estate in order to concentrate on securities powers.

"We're basically in a defensive mode for this Congress," Mr. Corwin said.

On the state level, though, bankers may have reason to hope. Oregon

Bank Groups: Page 31 ➞

American Banker

THIRD ANNUAL CASH MANAGEMENT SURVEY

Top Concern: Profitability of Services

By YVETTE D. KANTROW

Last of Three Parts

Profitability once again is the most important issue facing bankers who sell cash management services, according to an *American Banker* survey.

As in previous surveys, profitability was ranked by most respondents ahead of such other concerns as payment-system risk and electronic data interchange.

Some bankers expressed particularly strong opinions on this topic.

"Bank profitability — not product development — derived from the sale and delivery of cash management services, will continue to be the most important issue," wrote one northeastern banker.

"The vast majority of service providers — banks — are still fairly timid about charging fairly for what they do," he said. This will be the case until

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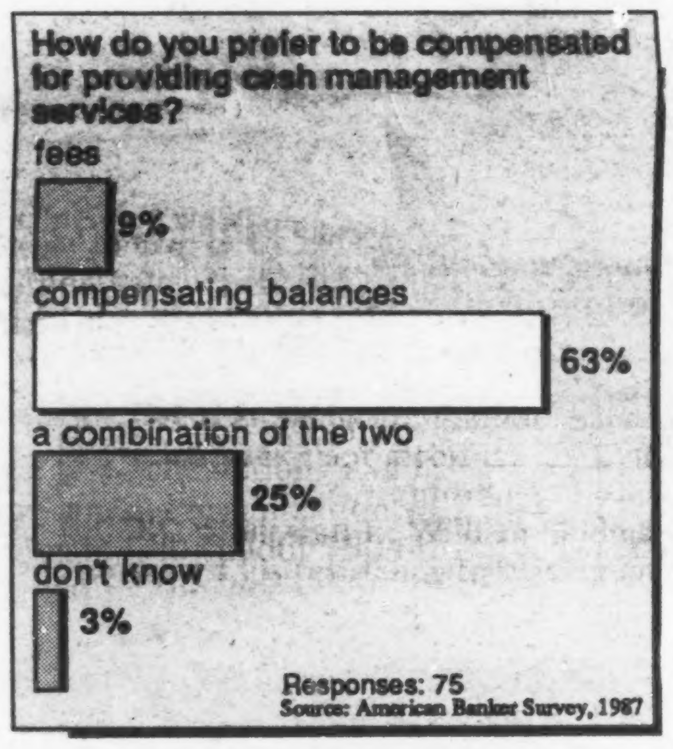

Source: American Banker Survey, 1987

Full Survey Results on Page 18

Citibank to Cut 1,000 Positions In NY Branches

1988 Restructuring Plan Will Not Close Offices

By JED HOROWITZ

NEW YORK — Citibank will eliminate about 1,000 jobs from its New York City branch system, about 10% of the bank's retail work force in the region, as part of a reorganization to be phased in by the end of 1988.

The cuts are a by-product of a plan to revise a 10-year-old branch system put in place by Citicorp chairman John S. Reed when he headed Citibank's retail sector. But unlike several major New York banks that recently announced retail staff reductions, Citicorp will not close any of its 253 Citibank branches in New York, said Susan Weeks, a bank spokeswoman.

Analysts applauded the Citicorp move while marveling at the numbers.

"It's sort of mind-blowing that they can take 1,000 jobs out of pure overhead just in the New York branch system," said Lawrence Cohn, a senior banking analyst with Merrill Lynch Capital Markets. "It obviously says there was room for tightening up."

Citibank's payroll includes 10,000 branch employees in New York City, Long Island, and Westchester County. Ms. Weeks estimated that about 300 jobs will be lost through attrition. The layoffs will range from vice presidents to assistant managers but will not include clerical staff, she added. The nation's largest banking organization will attempt to find jobs for about 700 other workers within the company, she said, but is making no guarantees.

The retail banking sector — dubbed the "individual bank" in Citicorp jargon — will restructure in New York along functional lines. Currently, New York City is divided into four regions

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MARKETING MANAGEMENT

Existing Customers Are 'Money in the Bank'

By LEONARD L. BERRY

FINANCIAL INSTITUTIONS can increase market share three ways. One way is to attract more new customers, another is to do more business with existing customers, and a third is to reduce the loss of customers.

The smart marketer pursues all three avenues aggressively. Attracting new customers is merely an intermediate step in the marketing cycle. The real challenge is to create true customers. An institution's true customers are those who are glad they have selected the institution, customers who feel they are receiving value and who feel valued. True customers are more satisfied than other customers and, as a result, are more likely to buy additional services from the institution and less likely to leave it for a competitor.

A rising trend in financial services marketing — one that will continue to build for years to come — is existing-customer marketing. Existing customers are, as the saying goes, money in the bank. They are already started with the institution, already familiar with its procedures and special quirks. To the extent that existing customers can be turned into true customers, they represent the very best opportunity to increase market share.

Existing-customer marketing is not a substitute phrase for relationship banking. Relationship banking can be done at various levels and in its purest form is a subset of existing-customer marketing. Pure relationship banking is pursued with carefully selected market segments and built on the foundations of core service packages, account representatives, and relationship pricing. "Client" is the essential watchword. Existing-customer marketing is a broader concept than relationship banking, one that can be applied to all customers. Among its key ideas are the following:

Berry Says:

To the extent that existing customers can be turned into true customers, they represent the very best opportunity to increase market share.

- Woo existing customers as though there were brand new prospects. All customers have had the disappointing experience of being wooed before the sale and then forgotten after they sign on the dotted line. Smart bankers will continue to woo customers after the sale. They will contact customers by telephone or letter soon after a new account is opened or a service purchased to thank them for the business. They will monitor — informally and formally — customer satisfaction levels with the service mix available and the quality of service provided. These bankers also will find ways to stay in touch with customers over time, periodically reselling the benefits of the relationship.
- Treat existing customers as family. They should enjoy the special status of family member. Big institutions will have larger families than smaller institutions, but the principles remain the same: information, communication, and loyalty.

Information about individual customers is needed to serve them as if they are family. Institutions that have not yet built customer information systems that provide relevant information to bankers, where and when they need it, are behind the marketing eight ball and had better get on with the job of eliminating such a serious handicap.

Good communication is also central in family life. Just as savvy retailers alert customers to upcoming sales or hold pre-sales just for them, bankers should send their customers advance notices of grand openings, new service introductions, policy shifts, and other meaningful developments. Bank newsletters, magazines, and seminars also can be used to efficiently convey information to customers, educate them, and in general, make them feel special. The telephone remains a marvelous method of reaching customers to inform them of an important new service tailored to their specific requirements, to tell them that their account is overdrawn but that quick action can avert a service charge, or to simply ask if there is any way the bank can be of additional service.

A third characteristic of strong families is that members stand by one another in times of need. Similarly, existing-customer marketing is bolstered to the extent that a financial institution's people always try to find a way to help customers within the confines of sound banking practice. Banks earn loyalty from customers by being loyal; by insisting on "you win, we win" rather than "you lose, we win" transactions; by helping customers find just the right financial solutions, even if that means not selling the local service; by pulling the plug on delinquent borrowers only after all other options have been tried.

It will always be so: a family's or a bank's long-term success is built on the fundamentals of commitment and integrity.

- Be great at problem resolution. The most important dimension of service quality is reliability, which means keeping the service promise. A reliable bank is one that does for customers what it said directly — or implied — it would do. Accuracy and meeting deadlines are important values in a reliable institution.

Bank managements should strive for totally reliable service. The No. 1 goal should always be zero defects. After all, anything other than zero defects by definition means that some customers are receiving a defective service.

Realistically, some bank customers will receive defective service even in the best managed institutions. Banks are human institutions, and human beings are imperfect. Thus, the No. 2 goal should be to respond to broken service promises — when they arise — with speed, competence, and courtesy. Banks that are great at problem resolution are far more likely to repair the damage done than are institutions that lack a sense of urgency about customer problems.

Coming through for customers when something goes awry can be very impressive because customers are so used to being treated as though they have a disease when they contact a company to get a problem solved. In effect, since customers are used to having problems, solving problems provides a rich opportunity to exceed their expectations.

Being great at problem resolution is simpler in concept than in execution. It requires educating the customer on what to do when a problem occurs. It requires having enough staff to handle the load and having special staff who are talented, resilient, and well trained. It requires pushing authority downward, so the problem can get fixed on the first contact with the customer. Greatness in problem resolution requires that management take the long view toward building a business, rather than the short view of maximizing profits next quarter.

Existing-customer marketing is a formal step. It requires research, creativity, planning, and execution — just as marketing to new customer prospects requires these elements.

Is existing-customer marketing expensive? It depends on one's perspective. If one thinks of marketing as an expense, the answer is yes. If one thinks of marketing as an investment in building tomorrow's business, the answer is no. I particularly like the way Alexander "Sandy" Berry of Signet Banking Corp. in Richmond, Va., answers the question. He states that excellent marketing to existing customers involves "heart, not things." Sandy Berry is a smart banker. He understands the simple essence of existing customer marketing: love your customers and they will love you back. ■

Dr. Berry is Foley's/Federated Professor of Retailing and Marketing Studies at Texas A&M University and director of the Center for Retailing Studies. He is a past president of the American Marketing Association.

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ECONOMIC PERSPECTIVE

Dollar's Drop Has Not Led to Import Decline

By ROBERT J. SAMUELSON

THE RHETORIC AND reality of the U.S. trade deficit are sharply at odds. Listen to the rhetoric, and the United States is slowly becoming an economic has-been.

Slipping technological prowess and a poor work force are making us an oversized Paraguay. Look at the reality, and another story emerges. The trade deficit doesn't reflect lack of competitiveness so much as the huge pulling power of the U.S. market. It's the world's richest, most accessible market: an enormous global bazaar where everyone wants to sell.

If the United States were so uncompetitive, then U.S. exports would be faring poorly in world markets. They aren't. Since late 1985, the volume of U.S. exports has risen by more than 20%. That's impressive, especially because economic growth abroad has been slow. Once the dollar began to depreciate from the extraordinary heights of the early 1980s, U.S. exports responded smartly. But imports are a different matter. The trade deficit persists because, despite the dollar's depreciation since early 1985, imports haven't declined.

Go to a well-stocked toy store, and you can see what's happening. There are jigsaw puzzles from Germany and Britain. The import surge doesn't stem only from foreign companies invading the United States. U.S. companies are also buying and manufacturing products abroad to defend their traditional markets. Fisher Price sells plastic roller skates made in Taiwan. Another U.S. firm offers a 24-piece tool set with tools made in Hong Kong and Poland.

Little wonder that everyone so covets the U.S. market. In 1985, consumer spending was three times higher in the United States than in Japan and 25% higher than in the European Community. Total investment spending was 86% higher in the United States than in Japan and 14% higher than in the European community. The U.S. market is also more open. Europe is a jumble of national markets with separate languages and customs; Japan has a cumbersome and closed distribution system. By contrast, the United States offers a genuine national market with a single language and an efficient distribution system.

The dollar's 60% appreciation between 1980 and 1985 was a competitive windfall for foreign exporters. They could either cut prices or fatten profit margins. They did a bit of both. Economist Richard Baldwin of Columbia University makes an important point: Fatter profit margins enabled many foreign firms to establish a beachhead in the U.S. market. The higher profit margins covered heavy start-up expenses for advertising and distribution networks. Strong U.S. economic growth further expanded the demand for imports.

Half a Theory

But the dollar's subsequent drop isn't quickly reversing the flood of imports, precisely because the U.S. market is so big and important. In theory, a depreciating dollar makes U.S. exports more competitive while imports be-

Perspective: Page 5 ➞

Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

TECHNOLOGY TODAY

Bankers Cast Their Votes on Cash Management Issues

Cash Management

Seventy-six of the nation's 100 largest banks responded to the *American Banker*'s third annual cash management survey, which was mailed in September. The tabular results are printed below.

Among the participants were 20 of the largest 25 institutions, based on deposits, and seven of the top 10. The respondents were instructed to include the value of bank-retained float and compensating balances in determining the profitability of services. Percentages do not always add up to 100% because of rounding.

The responses have been listed in several categories: overall (all respondents), top 25 banks, banks ranked 26 to 100, and regionally — Northeast (NE), Southeast (SE), Midwest (MW), and West (W).

Here is how the states are grouped:

Northeast: Connecticut, Massachusetts, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

Southeast: Alabama, Arkansas, Delaware, Florida, Georgia, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, and Washington, D.C.

Midwest: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, North Dakota, Nebraska, Ohio, Oklahoma, South Dakota, and Wisconsin.

West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, New Mexico, Nevada, Oregon, Texas, Utah, Washington, and Wyoming. ■

1. For accounting and reporting purposes, how is your cash management department regarded within the bank?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Cost center	48	35	53	42	64	50	33
Profit center	16	40	7	17	5	19	27
"Shadow" profit center	36	25	40	42	32	31	40
Sample	**76**	**20**	**56**	**24**	**21**	**16**	**15**

2. If run as a profit center, is the value of bank-retained float and compensating balances included in the department's profits?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	57	82	41	75	50	57	43
No	43	18	59	25	50	43	57
Sample	**28**	**11**	**17**	**8**	**6**	**7**	**7**

3. Over the past 12 months, have expenditures for cash management sales and marketing at your bank:

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Increased more than 20%	14	5	16	17	14	7	13
Increased from 10% to 20%	32	25	31	26	46	20	20
Increased by up to 9.9%	48	50	50	52	41	67	40
Decreased by up to 10%	3	5	2	0	0	0	13
Decreased more than 10%	3	5	2	0	0	7	7
Don't know	1	10	0	4	0	0	7
Sample	**75**	**20**	**55**	**23**	**22**	**15**	**15**

4. Does your bank's accounting system track the profitability of individual cash management services?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	68	95	59	70	64	75	67
No	32	5	41	30	37	25	33
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

5. Which cash management service had the highest gross profit margin at your bank over the past 12 months?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Account reconciliation	18	25	14	21	13	15	20
Balance reporting	4	10	0	5	0	0	10
Consulting	0	0	0	0	0	0	0
Controlled disbursement	29	30	27	5	33	54	30
Deposit concentration	0	0	0	0	0	0	0
Retail lockbox	2	5	0	0	0	0	10
Wholesale lockbox	5	0	8	11	7	0	0
Treasury workstation	0	0	0	0	0	0	0
Wire transfer	16	10	22	26	20	15	0
Zero-balance account	14	15	14	16	13	8	20
Corporate checking	7	5	8	16	0	0	10
Other	5	0	8	0	13	8	0
Sample	**57**	**20**	**37**	**19**	**13**	**14**	**11**

6. Which service generated the highest net profit over the past 12 months?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
ACH applications	2	5	0	0	0	8	0
Account reconciliation	16	25	10	29	8	0	30
Balance reporting	4	5	3	7	0	0	10
Consulting	0	0	0	0	0	0	0
Controlled disbursement	29	30	28	0	42	46	30
Deposit concentration	0	0	0	0	0	0	0
Retail lockbox	4	5	3	0	8	0	10
Wholesale lockbox	6	5	10	14	0	8	10
Treasury workstation	0	0	0	0	0	0	0
Wire transfer	22	15	28	36	17	31	0
Zero-balance account	4	5	3	7	0	8	0
Corporate checking	8	5	10	7	17	0	10
Other	2	0	3	0	8	0	0
Sample	**49**	**20**	**29**	**14**	**12**	**13**	**10**

7. Did the following services show a net profit in the last 12 months? (Some indicated service not offered.)

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
ACH applications							
Yes	58	53	61	56	57	42	80
No	41	47	39	44	43	59	20
Sample	**52**	**19**	**33**	**16**	**14**	**12**	**10**
Consulting							
Yes	10	11	9	0	23	8	10
No	30	42	22	25	38	33	20
Sample	**51**	**19**	**32**	**16**	**13**	**12**	**10**
Treasury workstation							
Yes	8	11	6	6	8	8	10
No	40	53	31	31	39	33	60
Sample	**51**	**19**	**32**	**16**	**13**	**12**	**10**
Wholesale lockbox							
Yes	88	90	88	81	93	100	80
No	12	11	12	19	7	0	20
Sample	**52**	**19**	**33**	**16**	**14**	**12**	**10**

8. How do you prefer to be compensated for providing cash management services?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Fees	9	15	7	9	0	6	27
Compensating balances	63	70	60	77	59	63	47
A combination of the two	25	15	29	14	36	25	27
Don't know	3	0	4	0	5	6	0
Sample	**75**	**20**	**55**	**22**	**22**	**16**	**15**

9. Does your bank own the computer system that provides balance information to your customers?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	44	75	34	57	36	31	53
No	56	25	66	44	64	69	47
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

10. If it does not, would you consider purchasing such a system over the next two years?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	88	60	92	80	93	91	86
No	7	20	5	0	7	9	14
Not sure	5	20	3	20	0	10	0
Sample	**43**	**5**	**38**	**10**	**15**	**11**	**7**

11. Daylight overdraft caps will force many banks to start charging customers for intraday account overdrafts within two years.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	5	5	5	9	9	0	0
Agree	39	37	41	39	32	47	47
Disagree	31	20	32	30	37	33	20
Disagree strongly	0	0	0	0	0	0	0
Not sure	24	32	21	22	23	20	33
Sample	**75**	**19**	**56**	**23**	**22**	**15**	**15**

12. Daylight overdraft caps will curb many banks' efforts to aggressively seek new wire transfer customers.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	1	5	0	0	0	6	0
Agree	24	45	18	35	18	25	20
Disagree	55	30	63	48	59	63	47
Disagree strongly	4	5	4	9	0	0	7
Not sure	16	15	16	9	23	6	27
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

13. In order to operate within their daylight overdraft caps, banks sometimes delay their customers' wire transfers.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	5	15	2	13	0	6	0
Agree	49	60	46	30	68	63	40
Disagree	27	20	29	35	18	6	47
Disagree strongly	7	0	9	9	5	13	0
Not sure	12	5	14	13	9	13	13
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

14. Banks that clear checks for corporate customers can incur large amounts of deposit float. Reserves have to be set aside and federal deposit insurance fees must be paid for items that have not yet cleared. In the next few years, many banks will start charging corporations for deposit float.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	16	20	14	17	14	6	27
Agree	51	60	50	61	59	50	33
Disagree	18	5	23	17	23	19	13
Disagree strongly	0	0	0	0	0	0	0
Not sure	15	15	13	4	5	25	27
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

15. Electronic data interchange automates the transmission of invoices, payments, and other business data between corporations and their suppliers. In the next few years, electronic data interchange will revolutionize the way companies do business with and pay each other.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	7	10	5	4	5	13	7
Agree	41	40	41	39	32	44	53
Disagree	40	25	45	35	54	44	20
Disagree strongly	1	0	2	4	0	0	0
Not sure	12	25	7	17	9	0	20
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

16. How would you describe corporate customer interest in electronic data interchange?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Strong	0	0	0	0	0	0	0
Moderate	49	75	41	48	36	69	53
Weak	47	25	54	52	55	31	40
No interest	3	0	4	0	9	0	0
Don't know	1	0	2	0	0	0	7
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

17. Has your bank made a significant financial investment toward researching and developing an electronic data interchange capability?

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Yes	26	55	16	35	9	44	20
No	30	30	48	48	46	31	47
No, but will within a year	43	15	36	17	0	25	33
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

18. In July, the U.S. Government began paying some of its bills by electronic transactions instead of checks. Dubbed Vendor Express, this program has the potential to replace some 77 million checks a year by 1990. Vendor Express will lead to the development of systems and standards that will smooth the way for widespread use of corporate EFT.

	Total (%)	Top 25 (%)	26-100 (%)	NE Reg (%)	SE Reg (%)	MW Reg (%)	W Reg (%)
Agree strongly	19	10	21	13	18	19	27
Agree	60	60	61	57	73	56	53
Disagree	13	20	11	22	5	13	13
Disagree strongly	0	0	0	0	0	0	0
Not sure	8	10	7	9	5	13	7
Sample	**76**	**20**	**56**	**23**	**22**	**16**	**15**

Profitability Is the Big Question In Evaluating Cash Management

→ Continued from Page 1

senior bank managers recognize that they have "a highly viable and potentially profitable group of products that is a source of continual, ongoing annuity-type income," he said.

This banker called cash management income the ideal offset for shrinking loan profits.

As foreign-bank competition, loan losses, and commercial paper continue to undercut interest profits, bankers have acknowledged the need to tap new sources of noninterest income. Many are looking to their cash management departments to fill the gap.

The *American Banker*'s third annual survey on cash management focused on profitability, as well as on emerging issues that can change the industry's future.

Questionnaires were mailed to the nation's 100 largest banks with cash management departments, and 76 banks responded. The respondents include 20 of the top 25 banks and 7 of the top 10. (Other results were published Monday and Tuesday. The full tabular results appear on page 18 today.)

68% Track Profits

Evidence that banks are trying to get a handle on costs and revenues comes from the survey finding that 68% have systems in place that track the profitability of individual cash management offerings, up slightly from 66% last year.

Among the top 25 banks, 95% track individual profitability — as was the case last year. For banks ranked 26 to 100, 59% track specific products, up from 55% last year.

While these banks track product revenue, trying to sell cash management services on a strict product-profitability basis can pose difficulties.

"Profitability came into play because of competition and a view that [cash

Profitability: Page 20 →

Is Ownership Worth the Cost?

Bankers consider ownership of balance-reporting systems to be a viable option for their cash management operations, according to an *American Banker* survey.

While most banks today do not own the computer systems that provide account balance information to their corporate customers, many would consider purchasing such a system over the next two years, the survey finds.

Balance-reporting systems are owned by 44% of the top 100 banks, while 56% use services such as Automatic Data Processing, GE Information Services Co., Bank-Link, and others to supply balance data.

But an overwhelming 88% of third-party users would consider purchasing their own systems over the next two years, the survey finds. Only 7% would not.

"Cost control is the real reason banks go in-house," says Stephen Holahan, a vice president at Connecticut National Bank, Hartford. "It also gives you more control over the products you offer as well as day-to-day reliability."

Connecticut National is now in the midst of transferring its cash management information and initiation services from an outside party to an in-house system.

The largest banks are more likely to own their balance-reporting systems, the survey finds: 75% of the top 25 already own these systems. Of those that do not, almost two-thirds will consider purchasing such a system over the next two years.

— Yvette D. Kantrow

Profit Centers

Which cash management service generated the highest net profit over the past 12 months at your bank?

	Top 100 now	Top 100 1986	Top 25 now	Top 25 1986
Controlled disbursement	29%	23%	30%	9%
Wire transfer	22	21	15	18
Account reconciliation	16	20	25	23
Lockbox	12	12	10	6
Coporate checking	8	N/A	5	N/A
Zero balance account	4	6	5	15
Balance reporting	4	12	5	12
Other	4	7	5	17
Sample	**49**	**43**	**20**	**20**

Source: *American Banker* Survey

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TECHNOLOGY TODAY

Profitability Is the Big Question In Evaluating Cash Management

Customers want to pay one price for everything. That's somewhat at odds with the way we want to sell.

➻ **Continued from Page 19**

management products] are both commodity-oriented and part of a customer relationship," explained Charles Stebbens, a vice president at Chemical Bank.

"We at Chemical are arranged on a product basis and we have to identify profits for each product. But customers want to pay one price for everything. That's somewhat at odds with the way we want to sell."

The less-than-stellar performance of treasury workstations exemplifies what can happen when banks overemphasize product profitability, he adds. When marketing the workstations, banks sought to profit directly from the product's revenues rather than from the bank transactions the workstations enabled corporations to initiate.

"We are reevaluating from the customer-access side the type of electronic products we give to our customers," he said. "We are now looking to profit from the underlying transaction — not the product itself." The bank is preparing to sell more application-specific microcomputer-based products, Mr. Stebbens added.

Once again, bankers at the top 100 have identified the same three cash management services as the most profitable.

Controlled disbursement generated the highest net profits at 29% of the banks, wire transfer at 22%, and account reconciliation at 16%. In the past two surveys, the same services headed the most profitable list.

This year, the *American Banker* also asked how banks prefer to be compensated for cash management services — through fees, compensating balances, or a combination of the two. Fees may be preferred by banks because they are direct and easily measurable.

If interest rates are low, compensating balances — keeping noninterest-bearing funds on deposit at the bank providing the service — may be preferable because net compensation is greater than with fees. Generally, it is believed that balances provide more compensation for banks.

The survey results backed this up: 63% of the top 100 preferred compensating balances, while only 9% preferred fees; 25% picked a combination of the two.

Fees were slightly more popular at the top 25 than they were overall: 15% of this group preferred fees, but 70% preferred compensating balances. Another 15% chose a combination of the two.

Charges for Deposit Float

Banks that clear checks for corporate customers may soon be compensated for the large amounts of deposit float they can incur. Reserves must be set aside and federal deposit insurance fees must be paid for items in the process of collection. As was the case last year, 51% of the respondents agreed that in the next few years, banks will start charging their customers for deposit float. This year 16% strongly agreed, up from 6% last year.

The survey also found that few institutions have changed their formal accounting structures. Almost half of the top 100 still run their cash management departments as cost centers, which focus on tracing and accumulating expenses, but not direct revenues. Last year, 54% were structured this

Profitability: Page 21 ➻

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* The 1986 Rome Reports

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The *American Banker* wants to make sure our annual cash management survey meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

____

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(2.) What did you like **best** about the survey?

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(3.) What did you like **least** about the survey?

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(4.) How do you use the survey in your work?

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Name (optional)____________

Title____________

Company____________

Address____________

____

Phone____________

EXECUTIVE CHANGES

Community Bank Elevates Helstrom

Richard Helstrom, corporate banking group administrator of **Community Bank,** Los Angeles, has been named executive vice president of the $1 billion-asset institution. Mr. Helstrom, founding president of the American Bank of Commerce (Las Vegas), was chief credit officer for the Oregon division of the Bank of California before joining Community Bank in 1985.

Richard Helstrom

BEACH FEDERAL SAVINGS & LOAN ASSOCIATION, Boynton Beach, Fla., has named **Lisa Williams** vice president and controller. **Susan Thomas** has been named vice president and treasurer.

CASS BANK & TRUST CO., St. Louis, has appointed **David C. Sorenson** vice president. His responsibilities include product management, marketing services, and data processing. He was vice president/group product manager.

CENTRUST SAVINGS BANK, Miami, has elected five new directors: **Lewis S. Ranieri,** independent investment banker; **Milton J. Wallace,** attorney, Wallace, Engels, Pertnoy and Martin; **Angel Cortina Jr.,** senior executive vice president and treasurer; **Walter D. Shealy 3d,** senior executive vice president-capital markets group; and **Alfred L. Teti,** senior executive vice president and chief operating officer-banking group.

CHASE BANK OF ARIZONA, Scottsdale, has named **Richard L. Vogel** vice president, commercial loans. **Michael T. Dillon** has joined the bank's commercial loan department as vice president, specializing in capital markets and investment banking. He was vice president and team leader for the Chase commercial sector in Los Angeles.

FIRST OF AMERICA BANK CORP., Kalamazoo, Mich., has named **Andrew D. Hiduke** as vice president-human resources. He was executive vice president of National Bancshares Corp., Austin, Tex., where his responsibilities included human resources.

HOGAN SYSTEMS INC., Dallas, has named its chief financial officer, **Richard C. Schwenk,** to the additional post of executive vice president. He is responsible for the company's financial, administrative, business management, and corporate counsel activities.

NORSTAR INVESTMENT ADVISORY SERVICES INC., Rochester, N.Y., a wholly owned subsidiary of Norstar Bancorp, Albany, said **Marshall Raucci Jr.,** has joined the company as vice president and marketing director.

TALMAN HOME INVESTMENT INC. Chicago, has named **Thomas Haracz** vice president of sales and marketing, insurance division. He was marketing sales manager for Allstate Insurance Co.

THE NATIONAL BANK & TRUST CO., Norwich, N.Y., said **John D. Roberts,** senior vice president, has been named to the additional post of group executive. His duties include supervision of administration and operations/data processing. He continues as head of the trust division. **James A. Hoy** was appointed senior vice president and group executive on Aug. 1, responsible for loans, branch administration, and marketing.

— **Franklin Smith**

Citicorp, Western Union Escalate War of the Wires

➸ Continued from Page 6

rassment, Citicorp said.

"By requiring that an independent outlet which wishes to offer Western Union's electronic message services must refrain from offering Citicorp's public money transfer service, Western Union is abusing its marketing power . . . to enhance and maintain its monopoly power in the public money transfer market," said the antitrust complaint.

The federal lawsuit filed in New Jersey does not specifically mention Citicorp's attempt to recruit Supermail, the largest Western Union money transfer agent in California, to act as a Citicorp agent.

On Oct. 30 Western Union obtained a restraining order from the U.S. District Court for the Northern District of California, San Francisco, preventing the defection of the Supermail agents. "We had a contract with Supermail, as we do with all of our agents, for the exclusive provision of our money transfer services," said Warren Bechtel, spokesman for Western Union. ■

Profitability . . .

➸ Continued from Page 20

way. For the top 25, 35% operated their departments as cost centers, as was the case last year.

Some banks organized as cost centers can track product profitability, however. "We manage our customer relationships in terms of customer profitability," explained Michael W. Paulette, a senior vice president at Sovran Bank in Richmond, Va.

"We can take that data and slice it to show individual products, and then we have a product profitability system. If relationship management is not paramount at your bank, I can see organizing into a profit center," he continued. "But the size we are, relationship management serves us well."

Only 16% of the top 100 banks run their cash management departments as profit centers, where direct profitability is a key goal and an important consideration in operating decisions. This is a slight decrease from last year's 17%.

Cash management profit centers are more popular at the top 25 banks: 40% of this group are structured as profit centers, up from 30% last year.

But one northeastern banker pointed out that this group does not necessarily do a better job tracking profitability. "Profit centers don't automatically imply that banks have a good handle on profitability," he said. "What you choose to call yourself just doesn't matter."

Another 35% of the top 100 banks do track their revenues and costs, but to a lesser degree than those set up as profit centers. These banks have organized their cash management departments into "shadow" profit centers — a hybrid category in which revenues and expenses are monitored, but only on a pro forma basis for illustrative purposes. Last year, 29% were organized this way. ■

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Today

THRIFTS & MORTGAGES

The British secondary mortgage market is still young, but a growing number of companies are looking to benefit from U.S. securitization techniques. 20

Baltimore Federal Financial is seeking badly needed capital after the Home Shopping Network canceled a takeover deal. 20

Uncertainty in the housing market after the stock market crash was a major contributor to a sharp downturn in mortgage-backed issues by financial services companies in October. 22

Independence One Mortgage Corp., Southfield, Mich., has introduced a mortgage rebate program. 22

INSIDE

The lending consortium for Western Union Corp. has refused to extend the company's loan commitments. 2

Legislation repealing key sections of the Glass-Steagall Act was introduced in the Senate, following a compromise between Senate Banking Committee Chairman William Proxmire and Sen. Jake Garn, the panel's senior Republican. 2

Foreign banks operating in the United States should examine incentive payments, consultants at a symposium advised. 2

If banks get more powers, the agencies that regulate them should get more people to combat fraud, House Banking Committee Chairman Fernand J. St Germain, D-R.I., told the House subcommittee on commerce, consumer, and monetary affairs. 2

The Bank Board advisory committee voted to accept — with strings attached — the Federal Reserve's proposal that bank holding companies be allowed to buy healthy thrifts. 3

The New York Cash Exchange has become the most used regional automated teller machine network in the country, a newsletter reported. 24

Major traders in the 24-hour global securities market cite international integration of their computer systems as a chief concern, a survey found. 25

COMMENT

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KEEPING CURRENT

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Quote

They're back on the golf course in no time.

Anton R. Valukas, United States Attorney for the Northern District of Illinois, on the need for stiffer sentencing guidelines for people convicted of bank fraud. [Page 2]

Unquote

'Less Volatile' Mortgage Gains in Popularity

California Lenders Pioneer Use of Adjustable Home Loan Tied to Longer Index

By PHIL ROOSEVELT

NEW YORK — A type of adjustable-rate mortgage that has swept California appears to be gaining favor with lenders in other parts of the country.

The loans, with interest rates tied to the Federal Home Loan Bank of San Francisco's cost of funds index, are touted as less volatile than other ARMs. They already account for an estimated 75% of all California ARMs.

The loans received a further boost earlier this week when the Federal National Mortgage Association, or Fannie Mae, began a program of purchasing the loans for its portfolio.

Citing that program, First Union Mortgage Co. said it will start originating the loans from its 32-state retail network next week. First Union, based in Charlotte, N.C., is one of the nation's largest mortgage companies.

"We're going to offer it nationally," said Larry M. Dew Jr., senior vice president of First Union's residential division. "It's mainly for our California market, but we're hoping it will catch on back East, too."

Some other eastern lenders have been considering offering the loan to meet competition from western-based lenders operating in their markets.

THRIFTS & MORTGAGES

"It's kind of a new animal in this area," said Robert J. Rocklein, senior vice president of production at Commonwealth Mortgage Co., Wellesley Hills, Mass. He added, however, that at least one California lender in New England "seems to be doing very well with it" and that Commonwealth is plotting a response.

The broadening interest in loans tied to the cost of funds index at the 11th Federal Home Loan Bank District comes as adjustable mortgages are overtaking fixed-rate loans in popularity. Some 54% of all new mortgages in September were ARMs, up from just 22% in March.

Most of the adjustable mortgages outside California, however, have been linked to indexes of U.S. Treasury securities.

The mortgage tied to the 11th district index, which was pioneered in 1981, features relatively stable interest rates, or less "payment shock"

Adjustable: Page 21 ➝

A VIEW FROM OUTSIDE

MARTIN MAYER

Exporting Money

THE MOST recent report from the Bank for International Settlements came to this country during the week the dollar teetered on the edge of the cliff. It made rather melancholy reading for those of us who believe that U.S. banks should to some degree serve American national interests — or at least not disserve them — in their international activities.

This is not the first time around for this problem. In the late 1970s, one very large U.S. bank — which I've left nameless before and will leave nameless again — added somewhat to its earnings by selling the dollar down in Hong Kong and Bahrain (there was no Tokyo market in those days), and then restoring the book to a more or less balanced condition in London and New York.

As the dollar was under pressure anyway, this daily drop at the opening tended to bring in additional sellers, so that the task of replenishment was easy.

The result, however, was a steady tendency for the dollar to close the day below the opening. Then as now, there were fools in the U.S. government who placed a higher value on flows than on stocks and thought well of a declining dollar.

But eventually even the regulators grew tired of this behavior. The Federal Reserve Board organized a couple of effective squeezes on some stretched shorts, and the Office of the Comptroller of the Currency outlined for the top management of this large New York bank just what it might mean for them over time to have the boss of the national bank examiners eager to find something wrong in their

View: Page 4 ➝

Citadel Attempts To Gain Control Of Valley Federal

By ROBERT LUKE

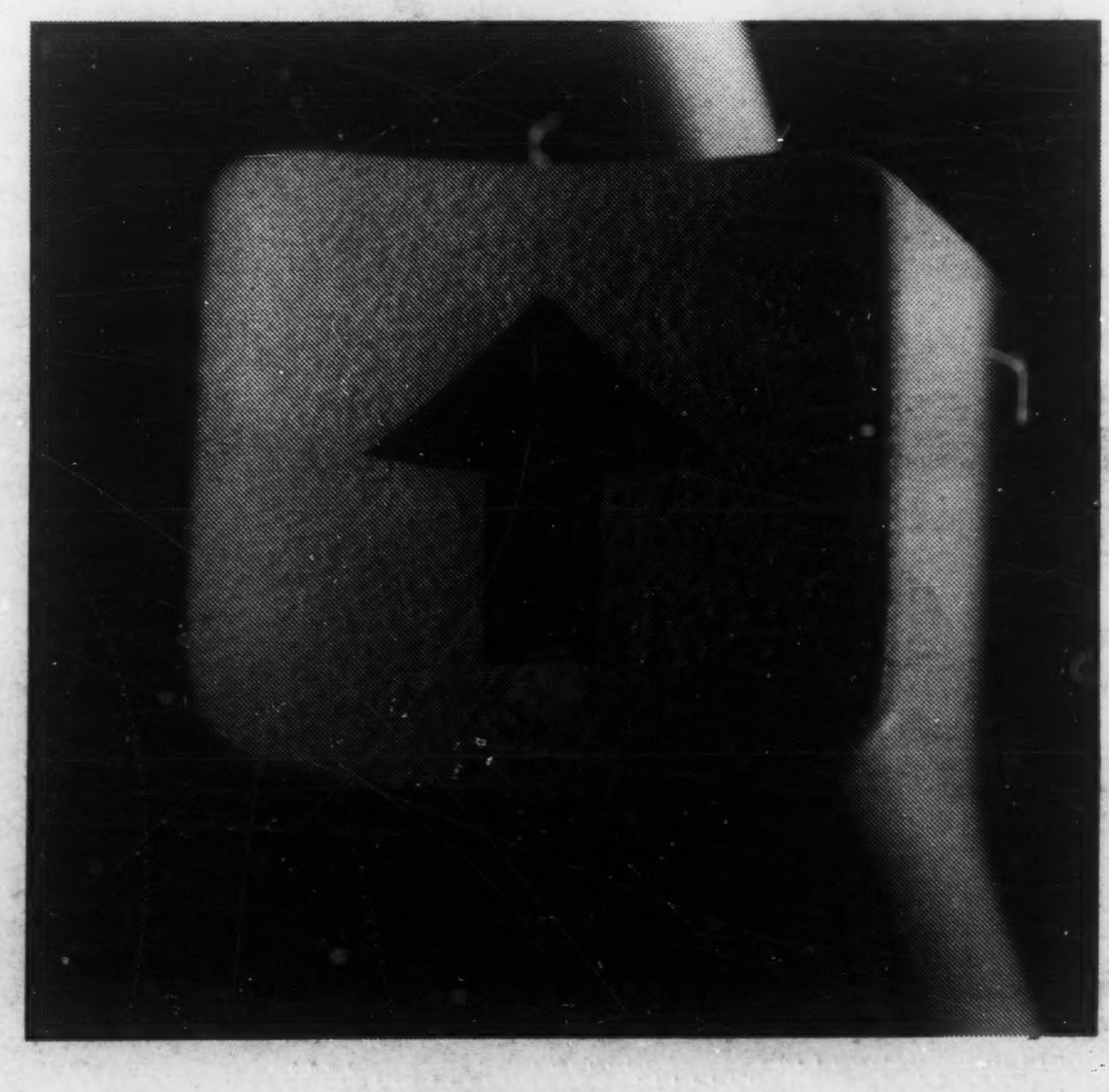
West Coast Bureau

LOS ANGELES — In an apparently hostile move, Citadel Holding Corp. said it intends to acquire 32% of Valley Federal Savings and Loan Association's common shares outstanding and seek control of the thrift, which is based in Van Nuys, Calif., and has assets of $3.1 billion.

Citadel, with assets of $3.7 billion, owns no shares of Valley Federal, which operates 50 offices, chiefly in the San Fernando Valley, where Citadel's thrift subsidiary, Fidelity Federal Savings and Loan Association, also is based.

Citadel said it obtained options and a commitment to acquire the stake in

Citadel: Page 30 ➝



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Key Senators Compromise On Bank Bill

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Legislation repealing key sections of the Glass-Steagall Act was introduced in the Senate on Thursday, following a compromise between Senate Banking Committee Chairman William Proxmire, D-Wis., and Sen. Jake Garn of Utah, the panel's ranking Republican.

Mr. Garn's willingness to cosponsor the measure was a key strategic victory for Mr. Proxmire, who appears to lack sufficient support among Democratic committee members to report out a bill. With Mr. Garn and other Republicans who would be expected to follow, Mr. Proxmire has moved a sizeable step closer to assembling the 11 votes he needs to bring the bill to the Senate floor.

"The fact that Senator Garn and Senator Proxmire have gotten together gives the bill real momentum going into early 1988," said J. Denis O'Toole, the American Bankers Association's senior Capitol Hill lobbyist. While Mr. Garn's support does not assure the bill's passage, it permits it to begin life as a bipartisan effort.

"It's too early to begin counting noses," said Karen Shaw, who follows banking legislation for the Institute for Strategy Development. "But this is now a realistic bill."

The Senate Banking Committee is expected to hold hearings Dec. 1, 2, 3, and again on Dec. 8 and 9 on the Proxmire-Garn compromise bill and others that have been introduced. The panel is not expected to begin a mark up, or vote, on the bill until next year.

While the legislation is being given reasonable odds of prevailing in the Senate, it is expected to run into a number of roadblocks on the House side. House Banking Committee Chairman Fernand J. St Germain, D-R.I., is generally thought to be hostile to a Glass-Steagall overhaul, as is Energy and Commerce Committee Chairman John D. Dingell, D-Mich.

Mr. St Germain has already begun hearings on financial services industry restructuring, as has Rep. Edward J. Markey, D-Mass., chairman of the Energy and Commerce subcommittee on telecommunications and finance.

Proxmire: Page 30 ➻

Corrections

A listing on Nov. 13 of the top 300 mortgage firms contained several errors.

California Mortgage Service, Santa Ana, understated its servicing business. The firm should have ranked as the 120th largest mortgage company, with $1.408 billion in mortgages serviced for investors on June 30, up 0.4% from a year earlier. The firm should not have been listed among those companies with the largest losses in servicing business.

Huntington Mortgage Co., Columbus, Ohio, was servicing $854.1 million for others as of June 30 and should have ranked as the 164th largest mortgage company in the nation. The company, an affiliate of Huntington Bancshares Inc., was inadvertently omitted from the listing.

BancOhio Mortgage Co., Columbus, had $721.1 million in servicing, which made it the 179th largest mortgage company at midyear. The company inadvertently omitted servicing for affiliate banks from its servicing total. This year's servicing is 7.7% higher than a year ago. Thus, the company should not have ranked among firms with the largest servicing losses. ■

CREDIT LINES

Western Union's Lenders Turn Off Spigot

By PHILIP T. SUDO

NEW YORK — The lending consortium for **Western Union Corp.** has refused to extend the company's loan commitments, citing the firm's precarious financial condition.

The commitments, which expired last week, involve a group of 31 banks, led by the Chase Manhattan Bank, Bank of America, and National Westminster Bank PLC.

The banks may now demand immediate repayment of all of Western Union's outstanding loans, approximately $227 million as of Sept. 30. Should the banks press for repayment, Western Union indicated it may file for protection under Chapter 11 of the bankruptcy code.

It was the first time the banks rejected Western Union, which has suffered losses since 1983. The expired commitment, originally an override agreement reached in January 1985, consisted of three lines of credit totaling $335 million, with an additional loan of $12 million. The agreements were regularly extended every three to five months, until Nov. 13, when the last one expired.

AN **American Banker**
WEEKLY FEATURE

Western Union, based in Upper Saddle River, N.J., is hopeful that the banks will accept, as part of its currently pending restructuring plan, a settlement of the debt at a substantial discount. The complex proposal calls for a merger of Western Union into its subsidiary, Western Union Telegraph Co. New York investor Bennett S. LeBow, who is seeking to acquire ITT World Communications Inc., would then fold ITT into Western Union Telegraph — if and when his acquisition is complet-

Credit Lines: Page 31 ➻

Analysts Say Foreign Banks Lag in Bonus Plans

Bank Executives at Conference Also Urged to Keep Eye on Legislative Activity

By JAMES R. KRAUS

NEW YORK — Foreign banks operating in the United States should examine incentive payments, developments in Washington, and changes in interstate banking if they want to develop a successful growth strategy, consultants advised foreign bankers at a symposium here.

Wednesday's event was organized by Peat Marwick Main & Co., the Big Eight accounting and consulting firm. Executives for the company noted that incentive payments are lagging at foreign banks and are hampering their efforts to recruit qualified personnel.

They predicted that modifications of the Glass-Steagall Act — which have now been introduced in the Senate — are likely to be limited. They warned that choosing the wrong state in which to obtain a banking charter could hamper foreign banks as interstate banking expands.

"New York's a tough place to find and retain talented people," said Daniel R. Gattis, a principal at Peat Marwick specializing in executive recruiting. The problem, said Edward R. Freher, another principal at the firm, is acute for foreign banks because their incentives lag behind those of U.S. banks. Opportunities they offer for professional advancement are also more limited.

Mr. Freher said special incentive plans are growing rapidly at U.S. banks as they expand, and these banks place a higher emphasis on profitability and cost control.

In contrast to U.S.-owned banks where estimated salary increases will average only 6.4% but incentive pay will increase, increases at foreign banks will average 7.2% but incentive pay will lag.

Peat Marwick conducted a survey on incentive pay last spring at 70 New York-based foreign banks. It indicated that only 54% of their chief lending officers were eligible for incentive pay,

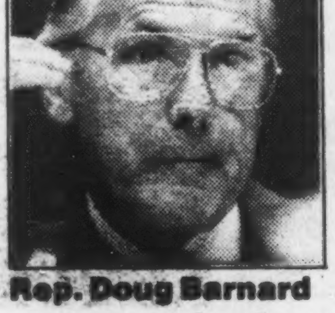
Foreign Banks: Page 31 ➻

St Germain Outlines Plan to Fight Insider Abuse

By JIM McTAGUE
Washington Bureau

WASHINGTON — If banks get more powers, the agencies that regulate them should get more people to combat fraud, House Banking Committee Chairman Fernand J. St Germain, D-R.I., testified Thursday.

Rep. St Germain also said that bank privacy rights have to give way to law enforcement when a breach of trust is strongly indicated.



Rep. Doug Barnard

The House Banking Committee will draft a bill addressing the problem of privacy and insider abuse, he said. Most likely, the proposal would facilitate the transfer of customer data between banks and law enforcement officials. Now, law enforcement agencies cannot obtain any bank records without first issuing subpoenas to customers.

Mr. St Germain was one of several witnesses who discussed bank fraud before the subcommittee on commerce, consumer, and monetary affairs of the House Government Operations Committee.

Regulators Downplay Problem

Subcommittee Chairman Doug Barnard Jr., D-Ga., says bank fraud has reached "epidemic proportions." But the heads of the major banking agencies strongly disputed his claim.

"The majority of banks fail the old-fashioned way, because of a combination of poor management and economic conditions," said Robert L. Clarke, comptroller of the currency.

"We should not lose sight of the fact that most national banks are free of insider abuse. To say that insider abuse at banks is widespread or of epidemic proportions is unfair to the vast majority of men and women who routinely perform their banking functions in a safe and lawful manner," Mr. Clarke stated.

H. Robert Heller, a member of the Board of Governors of the Federal Reserve System, said most cases of criminal conduct that are referred to the Justice Department "involved relatively small sums of money that did not, in any material manner, affect the safety and soundness of financial institutions."

He noted, however, that the incidence of such crimes seems to be growing and that fraud is playing a significant role in the failure of some state banks.

L. William Seidman, chairman of the Federal Deposit Insurance Corp., said the impact of fraud on his agency has declined somewhat since 1985.

Mr. Barnard said preliminary numbers point to at least a $4.5 billion price tag for fraud at the deposit insurance funds.

St Germain Cites Failures

And Mr. St Germain said that insider abuse has played a part in one-third of the bank failures and half the collapses of savings and loans. He said he could not accept the conclusion that these cases "do not pose a threat to the stability of the system."

Other suggestions likely to come out of the hearing:

- Increased use of outside audits by commercial banks. The banking agencies are close to an agreement that would regulate the use of annual independent audits for banks with assets from $100 million to $150 million.
- Greater responsibilities for outside auditors. Mr. St Germain said he will hold hearings on independent bank auditors to explore fraud and abuse by some of those professionals.
- Greater emphasis on exchanges of criminal-investigation information between the Justice Department, the Internal Revenue Service, and the banking agencies.
- More manpower for the Justice Department to combat financial fraud.
- More judges to hear the cases.
- More use of enforcement actions by the banking agencies. In 1985 and 1986, the number of enforcement actions declined at banking agencies with the exception of the Federal Home Loan Bank Board, the subcommittee said.
- Stiffer sentencing guidelines for those convicted of bank fraud. Law enforcement officials said the robber who holds up a bank for $1,500 is likely to draw considerably more prison time than the insider who steals $15 million.

"They're back on the golf course in no time," said Anton R. Valukas, United States Attorney for the Northern District of Illinois. ■

A VIEW FROM OUTSIDE

Continued from Page 1

operations.

Now, following some years of responsible behavior, the boys would seem to be at it again, en masse. After 1983, when our current account deficit began spiraling out of control, American banks became net takers of funds in the international markets. They helped the U.S. government pay the nation's bills much as the Brazilian banks helped Brazil finance its rapidly accumulating international debt until the markets closed on them in late fall 1982.

From mid-1986 to April 1987, for example, U.S. banks reduced their net creditor position — repatriated capital — by a total of $35 billion, which probably took care of a third of our current account deficit.

In the second quarter of 1987, however, American banks became again, as they had been in the dear departed years of our trade surplus, net suppliers of dollars to the world. They expanded their external assets by $8.2 billion more than the growth of their external liabilities.

This multiplied the quantity of dollars available to private parties for the purchase of marks, yen, and other foreign currencies, and thus added to the policy problems of the German, Japanese, and other central banks. In order to keep the dollar from falling through the floor in spring 1987, the central banks of Japan, the Common Market countries and, to a lesser extent, the new tigers of Asia, had to buy at least $70 billion of U.S. government paper and add it to what was already a heavy load of official holdings.

Paul Volcker's Fed had similar problems in the early 1980s, when foreign money was pouring into America. But we then refused to print new dollars and acquire instruments denominated in marks, yen, or pounds.

Instead, the Fed sterilized the inflow of funds from foreigners by reducing its own holdings of Treasury paper to hold down the money supply, keeping interest rates high enough to chloroform our inflation. After all, as the rest of the world remembers and we seem to have forgotten, we were creditors in those days, and when interest rates went up our current account improved.

It is still as true as it was in George Washington's day . . . that nations do not have permanent friends or enemies, only permanent interests.

IN THE SECOND quarter of 1987, the Germans and Japanese decided by contrast that they would permit the inflow of funds from America to enlarge their money supply, keeping their interest rates well below U.S rates, at least for the time being. By inflating their currencies, they made it possible for the Fed to hold down the growth of M-1 in the United States, which had been clearly excessive for the preceding year.

It is still as true as it was in George Washington's day, of course — especially in the economic sphere — that nations do not have permanent friends or enemies, only permanent interests. Our trading partners were giving us this assistance in large part because they were hooked on exporting to us, and we could not import unless they lent us the money to do so.

Still, they were being helpful, and they certainly deserved better thanks than the denunciation they got from Treasury Secretary James A. Baker 3d. He insisted that they had failed to live up to their obligations under the Louvre agreement because they were not stimulating their economies.

But most economic theories — including those espoused by the present chairman of the Council of Economic Advisors — argue that what our trading partners did with their money supply in the second quarter was highly, indeed dangerously stimulative of their own economies.

The last time these countries permitted the United States to cast them in the role of "locomotive," in 1978-79, we saw a worldwide inflation that was very painful to extinguish.

The Germans and Japanese are not necessarily wrong to remember experiences less than 10 years old, and we are not necessarily right to forget them. And we are certainly wrong to hector these people about the need to keep interest rates low only five years after our Federal Reserve drove the short-term rates the world pays on its debt to 14%-15%.

Such disputes have been with us a while, and it has not been entirely clear what brought them to a head this summer and early fall. The data from the Bank for International Settlements may provide an explanation.

LIKE WATER RUNNING uphill, private money in the second quarter moved from a high-interest-rate to a low-interest-rate environment. The activities of the U.S. banks turned up on the wrong side of the balance sheet.

Americans, unfortunately, still don't see that what they call "diversifying abroad" — when they do it — is indistinguishable from what they call "capital flight" — when it is done by people whose native language is not English.

Because they could see the proceeds of official loans to this country returning to their shores in the form of private acquisitions of their assets, Japan and the Common Market countries became increasingly reluctant to maintain the patterns of their lending to us. As they began to sterilize the inflow of funds, their interest rates began to rise. Ours had to follow, with the results we have seen.

Ways to handle this problem are not easy to find. Even if we wished to impose exchange controls, we couldn't make them work.

And what foreign exchange business our banks didn't do if we kept them from exporting money, other people's banks would pick up soon enough. Still, we will have to find some way to discourage the sort of thing that happened in 1978-79 and again in the second quarter of 1987.

Perhaps our old friend disclosure could help. Why not include in the call reports, and make the information publicly available, a quarterly statement of the net import or export of dollars by each bank?

Then customers who have reason to fear a whirlpool of decline in the dollar will be able to exert a little private-sector suasion on their banks. And the Treasury, which now has this jug-eared, toothy, what-me-worry look whenever anyone talks about the dollar, might learn what's going on. ■

Mr. Mayer is the author of "The Bankers" and "The Money Bazaars."

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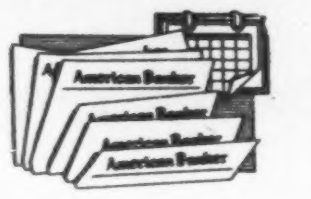
FLASHBACKS

What made news in the *American Banker* this week...



50 Years Ago

- A coin purported to be a 1913 Liberty Head nickel, found by a 13-year-old Texas boy, was called a probable forgery by coin experts. Although a die was cast for a 1913 Liberty Head nickel and several trial coins were later struck and sold to collectors, the Buffalo nickel was designed and distributed that year. Experts speculated the coin found in Texas was a forgery of a 1903 nickel, done by skilled engravers.
- J.P. Morgan returned to New York aboard the Queen Mary following his annual goose-hunting vacation at his lodge in Scotland. Upon his arrival, he declined to answer questions about the stock market, taxes, or politics. "I have nothing to say and I am going to say it," he told reporters.
- An adviser for the World's Fair in New York told New Jersey banks that the show would open, on schedule, on April 30, 1939. Kenneth M. Murchison, formerly the vice president of the Central Savings Bank of New York, said "a lot of visitors may not like the so-called functionalism of the architectural style and may sigh for the grandeur of Chicago's 1983 Columbian Exposition, but I am sure that New Yorkers are going to be proud of their 'World of Tomorrow.' "

20 Years Ago

- A tighter monetary policy was expected from the Federal Reserve Board after the weekend devaluation of the British pound. Eli Shapiro, professor of finance at Harvard University, said the Fed no longer had to worry about the effect a tighter monetary policy would have on the pound. "Instead," he told bankers in Chicago, "they are more concerned with protecting the dollar now that the pound has been devalued."

10 Years Ago

- New York State Lieutenant Gov. Mary Anne Krupsak told a Savings Bank Association conference, "If you're interest in getting more savings from people, you yourselves should start to pay women salaries equal to what you pay men for comparable work." Citing recent class-action suits, Ms. Krupsak said, "It will be cheaper for you to raise salaries and start training programs voluntarily."
- President Carter signed legislation extending for one year deposit rate ceilings that had been in effect since 1966. Regulation Q, as the statute was known, was due to expire Dec. 15. It was used by federal agencies to limit savings rate and to give thrifts a competitive advantage in attracting deposits.

5 Years Ago

- President Reagan became the first President to address the U.S. League of Savings Institutions. "Your industry faced chaos in 1980," he told thrift executives meeting in New Orleans, but said his economic program was "beginning to do exactly what it was intended to do. The sun is shining on thrifts again."
- In an unprecedented meeting held on short notice, officials of the International Monetary Fund urged representatives of 18 international banks to maintain or increase their lending to Mexico and Argentina to tide them over credit difficulties.
- C.T. Conover, the comptroller of the currency, told the American Bankers Association's conference of chief financial officers that country lending limits might be placed on banks in light of concern over loans to lesser-developed nations. He said that while his agency was not developing such limits, he expected Congress would act on the matter.

1 Year Ago

- United Oklahoma Bankshares Inc. applied for open-bank assistance from the Federal Deposit Insurance Corp. for its Oklahoma City subsidiary. The application sought assistance for the United Oklahoma Bank, Oklahoma City, according to the holding company's quarterly public disclosure report submitted to the Securities and Exchange Commission.

— Domenica Trevor

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TOP CORRESPONDENT BANKS — TABLES ON P. 23

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FEATURE SECTION

CORRESPONDENT BANKING: Mergers, competition from the Fed, and changes in the kinds of service needed by thrifts are all affecting correspondent banking. Overview on **Page 9.**

Today

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Chemical Bank has introduced a low-cost roster of basic banking services called Special Banking, which has no minimum balance requirement or minimum opening amount. The product is designed for the estimated 2.1 million households in the New York metropolitan area that do not use banking services. ______ 2

A publication produced by Ford and its First Nationwide Bank unit lists the advantages of financing new car loans through the manufacturer. ______ 6

Idea exchange is a new column being developed by the *American Banker* to highlight innovative approaches to marketing. The first topic will be sales training. ______ 6

Bankers Savings, a midsize savings bank based in Perth Amboy, N.J., has booked 500 home equity lines of credit in three months using an introductory rebate. ______ 8

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E.F. Hutton & Co. and Shearson Lehman Brothers Holdings said they will discuss a possible merger, which would result in Wall Street's largest capitalized firm and a sales force second only to Merrill Lynch, Pierce, Fenner & Smith. ______ 3

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The asset quality of U.S. banks is improving — particularly in the West — according to a report by Smith Barney, Harris Upham & Co. ______ 40

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Quote/Unquote

Banks are getting closer and closer to bailing out of the program.

Craig Ulrich, general counsel for the Consumer Bankers Association, on the guaranteed student loan program. [Page 1]

Random Thoughts

By SANFORD ROSE

The following consists of excerpts from a talk on the "Implications of Interest Rate Movements on Bank Profitability," delivered by the author at the fall executive seminar of Golembe Associates Inc. on Nov. 19, 1987.

Let us postulate a model of economic behavior that has prevailed in the past and may, unfortunately, continue to prevail in the future. Despite considerable tinkering, fiscal policy does not turn sufficiently restrictive to moderate overconsumption, and monetary policy is not equal to the task of taking up the slack. Monetary policy, attuned to the exigencies of election-time politics, stays easy.

Then the job of curbing overconsumption remains with the foreign sector. Foreigners continue to bid down the value of the dollar, which raises interest rates.

More precisely, as the fall in the value of the dollar pushes up the prices of imports and import substitutes, the real value of the public's cash balances declines. To rebuild the worth of their holdings, people add to their bank balances, even if that means reducing goods pur-

Random Thoughts: Page 4 ➔

Deficit Reduction Law Makes Loans To Students Less Profitable for Banks

By ROBERT M. GARSSON

Washington Bureau

WASHINGTON — The spending cuts ordered on Friday by President Reagan under the Gramm-Rudman-Hollings deficit reduction law make guaranteed student loans a little less profitable for banks.

Already, the spreads guaranteed banks had been reduced by 25 basis points, or a quarter of a percentage point, in last year's budget. Now, they have been cut again by a quarter point.

"Banks are getting closer and closer to bailing out of the program," said Craig Ulrich, general counsel for the Consumer Bankers Association, a trade group for banks and thrifts involved in retail lending. Now, the process is likely to accelerate.

"There's been some fallout already," he said. "Marine Midland has significantly reduced its marketing efforts by about 60% and transferred the savings to other departments."

The across-the-board Gramm-Rudman cuts, or sequestration, as it is known, would be rescinded if the deficit reduction package that congressional and White House negotiators agreed to on Friday is enacted.

But the student loan cuts, which took effect last month under guidelines issued by the Department of Education in anticipation of the sequestration order, are likely to be accepted in the deficit reduction package, Mr. Ulrich warned.

On Friday, the White House and congressional leadership agreed to a two-year, $76 billion package of tax hikes and spending cuts. Although a number of details were not spelled out, particularly on the revenue side, it is widely expected that any tax package Congress approves will contain a number of provisions affecting banks.

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S&L Deposits At US Banks Drop by 9%

Thrifts Increasingly Use Fees to Pay for Services

By L. MICHAEL CACACE

NEW YORK — Thrift correspondent balances at commercial banks — which grew by almost 60% from 1984 to 1986 — fell by 9% this year, according to a survey by the *American Banker*.

A major factor in the decline is that fees are rapidly taking the place of compensating balances as thrift's main form of payment for correspondent services.

Increased competition from regional Federal Home Loan banks is another factor in the decline. There has been growth in the check-clearing services that the regional Federal Home Loan banks provide to thrifts.

Another new provider of thrift correspondent services are thrifts themselves. Some of the larger thrifts have begun to develop their own networks to provide correspondent services to smaller thrifts.

Therefore, the decline in balances does not signal an end to the growth in correspondent services the thrift industry demands. Rather, the decline reflects the dynamic changes occurring

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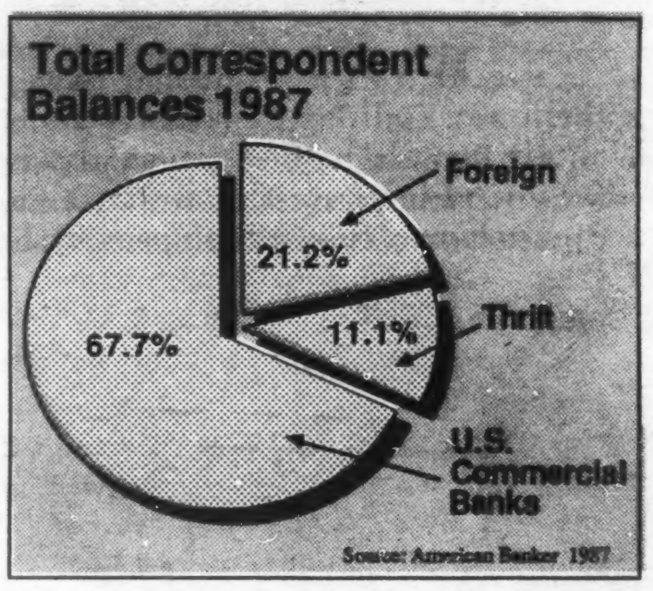

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RANDOM THOUGHTS

Continued from Page 1

chases or selling bonds, which raises interest rates. Thus the depreciation does its job and overconsumption is reduced.

If the Federal Reserve does nothing to blunt these effects, there need be no inflationary upsurge. Some prices — those of internationally traded goods — rise by more than the inflation rate, while the decline in effective demand causes other prices to rise by less than the inflation rate or leads to actual price declines. But if the Fed resists the rise in interest rates by providing excess reserves, the stage is set for an inflationary revival. Short rates may stay low temporarily, but soon begin moving up.

Given the assumption of higher interest rates and a pickup in inflation, what is the effect on bank profitability and especially on net interest earnings? Superficially, the answer would seem to depend on whether banks are asset sensitive or liability sensitive.

If the duration of the assets is less than that of the liabilities, rising rates will increase net interest earnings and declining rates will pinch them. This statement abstracts from changes in spread relationships — shifts in the basis. It is possible for institutions to be asset sensitive and still not benefit from rising rates because of a deteriorating spread relationship between asset and liability rates.

□ □ □

More importantly, it is not easy to determine whether one is asset or liability sensitive. Information derived from the cumulative or periodic gap is notoriously treacherous. Many institutions thought they were liability sensitive in 1986, but margins declined as rates fell.

One reason was that as rates fell, mortgage prepayments speeded up. An unforeseen bulge in cash inflows had to be reinvested in a declining rate environment. Otherwise put, mortgage prepayments pushed the duration of the assets below that of the funding liabilities.

Many institutions still report negative gaps, and some analysts argue that their postures are even more liability sensitive than is revealed by these untrustworthy gap numbers. The reason is that, in the desire for liquidity, banks have raised a lot of medium-term money. But, expecting declining rates, they promptly swapped out — that is, they did reverse interest swaps, agreeing to receive a fixed payment and make a floating one, which has the effect of reducing the liability duration and rendering the institution even more exposed to the threat of rising rates than is implied by the published numbers.

Nevertheless there is a large group of banks — particularly those with good loan demand and retail deposits — that are more likely to be asset than liability sensitive, regardless of the influence of swaps or what the gap numbers suggest. As far as I can gather, most banks put prime-based assets and MMDA deposits into the one-to-30-day gap bucket. Nominally, this is correct. Effectively, it is erroneous.

The prime is probably still around a 30-day rate. But the duration of the MMDA, theoretically very short, is in statistical reality quite a bit longer — outside of New York, that is. Indeed, its duration is probably several months, meaning that banks which fund prime-based assets with the MMDA are asset sensitive.

Since the prime-MMDA relationship tends to drive short-term earnings, I suspect that most regional, retail-oriented institutions benefit from a rise in rates. That is, their margins benefit. Whether overall earnings go up is another matter. If the institution depends heavily on, say, mortgage banking revenue, a rise in rates could severely weaken it by drying up originations, although the increasing value of free escrow funds might tend to cushion the shock.

□ □ □

If rates continue rising for a reasonable period of time, nearly all banks, even those that are liability sensitive in the short run, stand to benefit — that is, their net interest earnings will improve. The reason is that banks are naturally asset sensitive, in that they have more interest-bearing assets than interest-bearing liabilities. There is thus the potential of indexing more of the left side than the right side of the balance sheet.

Given time, bank assets tend to become more "real" — that is, they become inflation-adjusted claims on customers. Bank liabilities tend to remain more "nominal." That is especially true of demand deposits and capital, which do not pay any explicit interest, but which fund assets that are interest-bearing and whose rates can, in principle, be fully adjusted to the increased inflation.

True, when inflation heats up, the cost of servicing and compensating demand depositors also rises, adversely affecting the return on assets, though not necessarily the margin. But the adjustment to increasing rates tends to lag and be very incomplete.

Thus when rates move up for an extended period of time, the accounting earnings of banks increase. A recent study of the Federal Reserve Bank of New York pointed out that during the period 1977 to 1984, when rates were for the most part on the rise, the effect of the interest rate climate was to increase bank reported net interest margins by far more than the impact of deregulation and money fund competition weakened those margins.

If rates should rise for the next few years, the impact on net interest margins would likely be even more positive because deregulation is probably more or less complete, and demand deposits are now at an irreducibly low level.

□ □ □

If the foregoing is correct, why is it that the stock market has always bid down the price of bank equities whenever rates rose and inflation impended? The answer seems to be that although nominal earnings are increasing, real after-tax returns may be falling.

In inflationary environments, the required rate of return moves up, so banks must be sufficiently asset sensitive to raise nominal earnings by more than the rise in required returns. Otherwise their stock valuations will at best stagnate. The tax system, to the extent that it is not indexed, makes this quite difficult to accomplish.

Suppose a bank had $100 in interest-bearing assets, $90 in interest-bearing liabilities, and $10 in equity. Suppose further that inflation was zero, and asset yields were 6% while liability rates were 5%. Profits would be $1.50 ($6 on assets minus the $4.50 liability cost). The return on equity, both nominal and real, would be 15%.

Now assume 5% inflation, reflected immediately in both asset and liability rates. Asset yields go to 11% and liability rates to 10%.

Nominal profits rise from $1.50 to $2 because the bank is asset sensitive by the amount of its $10 equity and so reprices more assets than liabilities in a rising rate environment. The nominal return on equity rises to 20%. But the 5% inflation has eroded the value of the $10 equity by 50 cents. Hence the real return on equity is $2 minus 50 cents divided by the initial $10, or 15%.

So, assuming modest asset sensitivity, earnings rise but inflation wipes out that increase and just preserves the real return on equity. Now let's incorporate taxes which are levied on all earnings, whether nominal or real.

If the $2 in nominal bank earnings are taxed at 20%, after-tax profits are $1.60. The nominal return on equity falls from 20% to 16%, and the real after-tax return drops all the way to 11% — $1.60 minus 50 cents divided by the $10 equity. The interaction of inflation and taxes has effectively reduced bank returns.

□ □ □

If equity values are to be preserved in a period of rising rates, financial institutions must be very asset sensitive indeed. Thrifts can probably never attain this rate-sensitivity posture because they don't have demand deposits. Banks in theory can, provided they can maintain virtually complete indexation of their asset yields while simultaneously preventing the demand depositor from indexing his return.

However, even if banks can achieve this posture, there is much doubt that they would. For example, a major California bank, avowedly an asset-sensitive institution, has calculated the degree of increased asset sensitivity that would be necessary to insulate its stock price from inflationary pressures.

It finds that the increase would be very great. Since the bank is unwilling to expose itself so sharply to a decline in nominal earnings if rates fall, it will probably not attempt to alter its sensitivity posture to the degree required. Hence if rates resume their rise, nominal earnings will go up, but the stock price may still go down.

To recapitulate: Leaving aside its effects on credit quality, which are probably positive in the short run and negative in the long run, inflation raises the earnings of banks in an accounting sense because they have more interest-bearing assets than interest-bearing liabilities. Whether banks can benefit in real terms depends on the relationship between the volume of fully adjustable assets and liabilities

In order to raise nominal profits sufficiently to offset the effects of both higher required rates of return and augmented taxes, banks would have to materially increase the ratio of real assets to real liabilities.

Whether they can do so is problematic, given the existence of potentially capped or incompletely indexed asset yields. And even if they could do so, they might not choose to because of the threat of falling nominal profits if inflation and interest rates change course and decline. ■

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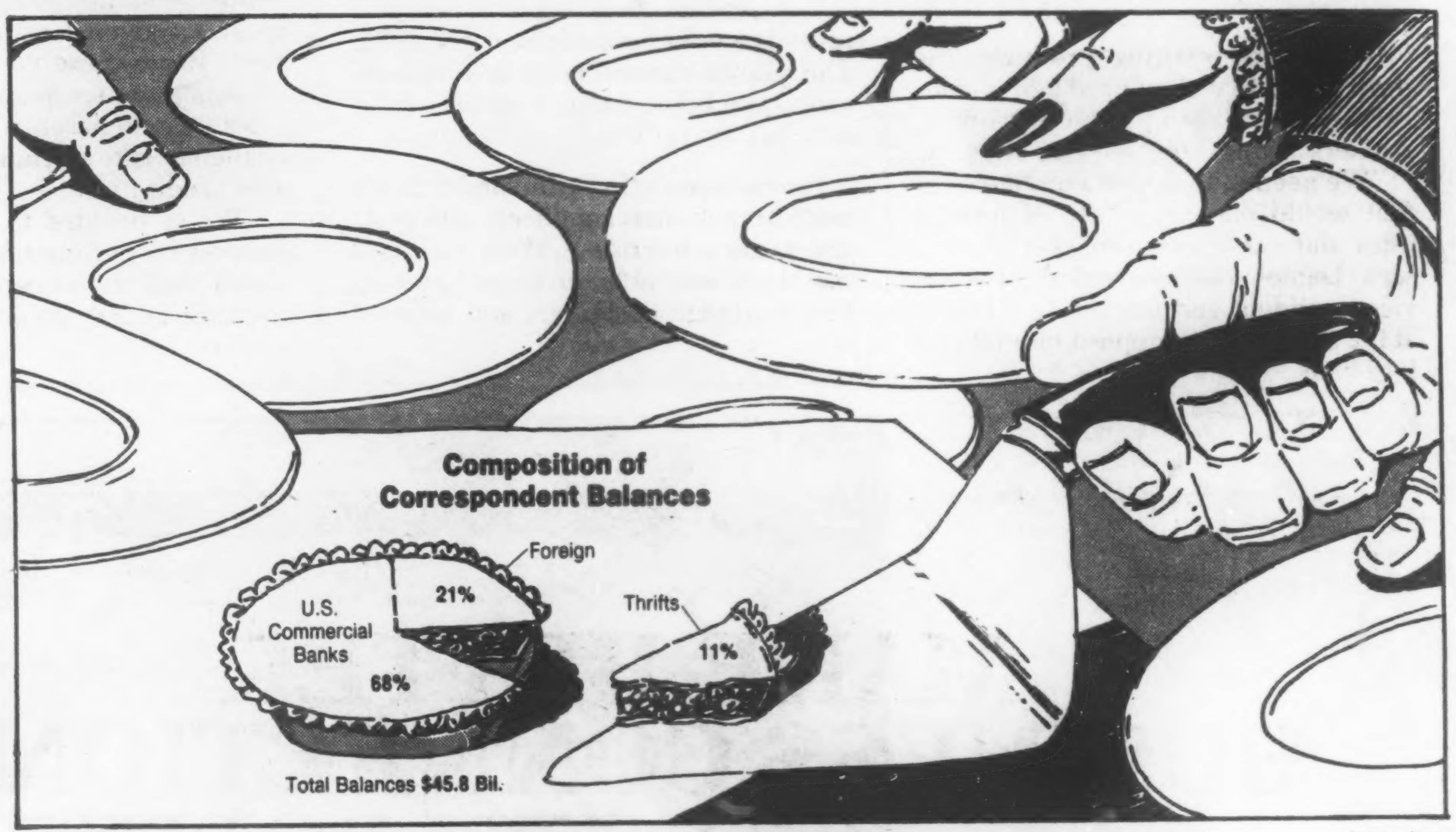
Composition of Correspondent Balances
Foreign
21%
U.S. Commercial Banks
68%
Thrifts
11%
Total Balances $45.8 Bil.

James Jones

CORRESPONDENT BANKING

Not Enough To Go Around

By Suzanne Christy

WHEN ONE OF THE MOST INFLUential banking associations in the nation decides to change the name of its correspondent banking committee, it should serve as a clue that the once-sacred correspondent cow is undergoing a metamorphosis.

The transformation is particularly apparent to the American Bankers Association executive members, who once served on the former correspondent banking committee and now meet under the name of financial institutions division. Yet, points out an ABA spokesperson, "All the members are really correspondent bankers."

These renamed correspondents are not exactly feasting in a thriving market. While the emergence of superregional institutions is creating some large and hungry departments, increasing mergers also mean fewer medium-sized banks — typically the largest users of correspondent services. At the same time the upstream players are growing fatter, the respondent market is shrinking and doling out thinner slices of the budget for correspondents.

Adding fuel to the fire, correspondent departments have not escaped unscathed in this period of constriction, when companies across the board are trying to stem the flow of red ink. In many cases, U.S. correspondents are discovering that a foreign bank will process the big deals, such as providing letters of credit for imports, through its own subsidiaries. That leaves only the tiny — and less profitable — transactions for U.S.-based correspondents to handle.

This trend picks up speed, say analysts, as banks continue to manage their balances even more vigorously, in the process seeking more concrete cost-benefit performance. In a story starting on page 12, consultants at Greenwich Research Associates explain how foreign banks are now tempted to "make rather than buy" various services.

Diminishing markets are not confined to foreign shores, points out Dorothy Hinchliff in her article on page 20. Once considered the fastest growing segment of the market, thrift executives are reassessing services. The electronic transfer of funds, to cite but one development, and the greatly improved communications network available to bankers and nonbankers alike have unquestionably reduced the dependence of respondents — not only on the traditional correspondent relationship, but on the usual products.

And though by no means newsbreaking, "the hysteria surrounding the Federal Reserve's ingress into the check-clearing marketplace is not letting up," says one analyst.

The shakeout that began with the Monetary Control Act of 1980, which allows the Fed to charge for check processing services it formerly offered for free, is not only continuing but spurring sharper competition and more dynamic products. In an article beginning on page 17, reporter Rob Wright examines how the federal government competes with approximately 150 private corporations, making the check processing marketplace somewhat of a national oddity.

OVERVIEW

The shuffle has reshaped more than mere departments and methods. The evolution has touched upon the actual participants themselves, many of whom face a slew of new demands. "The correspondent banker of old who shook hands, slapped backs, and bought drinks is gone," says Peter D. Crist, managing director at Russell Reynolds. "He's a dinosaur."

Account representatives and other insiders tell how they fight off extinction in Merri Rosenberg's article on page 16. Many see it as an opportunity to grow beyond their traditional markets. Newly hatched niches range from "treasury cluster" services to investment and merchant banking.

But not all old demands have been buried. In fact, some bankers claim the dollar volume of loan participations has exploded. Sales have been fueled by the flexibility the participations provide for banks that want to either increase or decrease their outstanding credits, coupled with such trends as megabuck leveraged buy-out financing.

Advice on what banks should consider before lending to other banks is offered in the American Bankers Association and Robert Morris Associates' white paper on loan guidelines. "The handshake is still the basis for relationships," explains one of the guideline's founders, "but now you have to document it."

Though faced with complex obstacles, correspondent banking is hardly obsolete. One analyst sums it up by explaining, "The zebra has just changed its stripes a bit." ■

Suzanne Christy is an assistant feature editor at the American Banker.

Superregionals Alter Way Banks Sell

Fewer customers means further turmoil in a jumbled market.

David Satterfield is a business writer for the Miami Herald.

By David Satterfield

THE WORLD OF CORRESPONDENT banking, which has already undergone dramatic changes on its own in the past decade, is being further reshaped as regional banks develop into giant interstate institutions.

The emergence of superregional banking companies is rapidly changing the nation's overall financial scene, from the new signs on street-corner branches to increased competition for big corporate customers.

The transformation goes directly to the root of the industry. The creation of superregional banks is changing the way bankers serve their colleagues.

From the Southeast to Northwest, giant banking companies have recently formed as states lift barriers to interstate mergers. And analysts expect the trend to continue, with the industry consolidating even further.

In many ways, this is not good news for the traditional correspondent banking business.

More mergers mean fewer medium-size banks, which are those in the $1 billion to $10 billion asset range — the most typical users of correspondent services. This decline trickles down to mean fewer sizable customers for correspondent banking operations — further turmoil in an already jumbled

Continued on Next Page

Continued from Previous Page

market.

The industry's consolidation is coming at the same time the Federal Reserve Bank has moved aggressively into correspondent banking, thereby compounding the challenges. On top of these factors, many thrifts and foreign banks are turning to in-house departments to handle services that were formerly farmed out.

It's Not Bleak House

But there are positive results as well. As the giant banks form, they are creating new opportunities, as well as new needs, for correspondents.

"There's no doubt the business is changing just because of shrinkage in the market," says Robert Aiken, vice president and manager of the financial institutions group for Pittsburgh National Bank, the largest bank owned by Pittsburgh-based PNC Corp. "In this business, we can't think the way we did four or five years ago, or we'll be out of it."

The way in which superregional mergers are constructed often affects the way in which correspondent departments are structured. In some situations, there are few changes after the merger; in others, there are dramatic modifications.

Banks are using various strategies in creating superregional companies. Some, such as Charlotte, N.C.-based NCNB Corp., are acquiring banks and consolidating them into the parent. Others, such as PNC and Los Angeles-based First Interstate Bancorp, are giving their affiliate banks more autonomy.

Big and Small Benefits

Bankers, however, generally agree that superregional status has had an industrywide impact on correspondent banking.

Large banks are reaping benefits called "intangibles." Simply because of the larger size and strength of superregionals, officials say it becomes easier to sell services to banks looking for a stable supplier. Likewise, small-bank executives like to be affiliated with strong, growing upstream correspondents.

"What it gives us is an intangible," explains William J. Penn, senior vice president at Providence, R.I.-based Fleet National Bank. The strategy at Fleet is to target smaller regional banks and community banks under 1.5 billion in assets. Mr. Penn says, "Bankers like to deal with other bankers who are successful. With our size and strength, we have the proven ability to do things right."

Likewise, larger size means more employees, and thus more ideas for new products, services, and marketing techniques.

"We're finding some ideas are being generated that we wouldn't have had otherwise," says George Campbell, senior vice president at NCNB Corp.

Superregionals are gaining economies-of-scale that did not exist among smaller institutions, particularly in services that rely on volume for profitability, such as check clearing. When mergers occur, bankers point out, correspondent executives attempt to find particular niches where the company can best compete.

> ***"What it gives us is an intangible. Bankers like to deal with other bankers who are successful. With our size and strength, we have the proven ability to do things right."***

Mergers also are giving correspondent bankers the opportunity to expand beyond traditional markets. By merging or acquiring more banks, correspondent bankers immediately gain new customers. And if the institutions developed are of sufficient size, some bankers are choosing to expand beyond their region.

Niches Are Necessary

Likewise, bankers are trying to develop expertise in particular areas of correspondent banking. They say they must target a certain "niche" of the market and earn a reputation as a quality provider of those specialized products or services.

The merger of Winston-Salem, N.C.-based Wachovia Corp. and First Atlanta Corp. into First Wachovia Corp. joined two banks with ambitious correspondent operations. But each bank gained the other's expertise in particular fields, and that savvy is being marketed nationwide, says William Farr, executive vice president of First Wachovia Corporate Services, a subsidiary of the holding company, which oversees the correspondent banking of both banks.

Superregionals

From the Southeast to Northwest, a sampling of the giant interstate banks that are changing the nature of correspondent banking.

	Total Corresp. Deposits ($ Mil.)
First National Bank, Boston	$530M
Sun Trust Banks Inc., Atlanta	314
Banc One Corp., Columbus	250
Bank of New England, Boston	190
National Bank, Pittsburgh	148
First Union Corp., Charlotte	104

Correspondent demand deposits on 6/30/87, including subsidiaries.

Source: American Banker

Before the merger, Wachovia had an active correspondent consulting department, while First Atlanta had a more sophisticated check-clearing operation. Today, the consulting business is used companywide and most check clearing is done through the Atlanta operation.

"We almost automatically became a bigger force," Mr. Farr says. "It was a made-in-heaven deal."

Through acquisitions, superregionals also immediately gain more customers for correspondent operations.

First Interstate Bank of California, for instance, uses its correspondent department to supply loans and investments to its affiliates throughout the West, even though most of those affiliates have their own correspondent

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> **"*There's no doubt the business is changing just because of shrinkage in the market. In this business, we can't think the way we did four or five years ago, or we'll be out of it.*"**

operations.

"We create a lot of loans that are handed off to affiliates," says Armando Gonzalez, vice president at First Interstate.

Downstreams Seek Upstreams

Formation of superregionals is not just changing the way banks are providing products and services. It also is affecting the demands of superregionals on their upstream correspondents — which typically are money center banks headquartered in New York.

Some insiders at the money centers, such as Chase Manhattan Bank, are prepared to turn the situation around. "While [superregionals] provide more competition, they also provide opportunities," says Daniel Kane, vice president in the domestic banking division at Chase.

Mr. Kane says the flurry of large bank mergers has created a need for acquisition financing as well as merger and acquisition consulting.

"That's something that wouldn't have happened three years ago," he explains.

As superregionals have grown, some institutions have developed the need for better access to capital markets, particularly overseas markets. New York banks are gaining new customers looking for that access, Mr. Kane says.

Fleet's Mr. Penn agrees.

"The emergence of superregionals has changed the products money-center banks offer," he says, adding that though it acts as a correspondent itself, Fleet relies on its upstream banks for access to capital markets as well as back-up credit facilities.

For some banks, however, superregional status brings a degree of freedom from their upstream correspondents. Because of their larger size, some superregional bankers find it economical to develop their own capital markets operations. Not only can these operations support the bank's own needs, but they can also be marketed to smaller customers through the correspondent department.

"That's been a benefit to us and our correspondents," says Mr. Campbell at NCNB.

Correspondent banking executives at superregional institutions are eager for further deregulation of the banking industry.

If banks gain securities, real estate, or insurance powers, bankers say they will be able to increase the number of products offered to smaller banks. Because of their size and proximity to local markets, superregional executives say, further deregulation could be a boon to the correspondent business.

"With those services, the smaller banks will look to someone," says NCNB's Mr. Campbell. "And they'll look to their upstream bank." ■

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Europeans Rely Less on U.S., Turning to In-House Units

Foreign banks begin to create their own subsidiaries as high technology and cost-cutting trends reshape field.

By Thomas N. Troxell Jr.

THE STEADY CONSOLIDATION that has been taking place among U.S. correspondents who provide services to banks in Europe is not only continuing, but is actually accelerating. Moreover, most signs point to a continuation of this trend over the next few years, perhaps even to the point where the existence of international correspondent banks will be the exception, and not — as they have been for so many years — the rule.

Thomas N. Troxell Jr. is a New Jersey-based financial writer.

A potpourri of factors — from an increasing emphasis on cost efficiency to technological advancements — have contributed to a decline in the number of U.S. correspondents used by European banks.

The electronic transfer of funds, to cite but one development, and the greatly improved communications network available to bankers and nonbankers alike, have unquestionably reduced the dependence of U.S. and European banks on the traditional correspondent relationship.

When one adds this factor to the decreasing profitability of the relationship and the growing emphasis on increased earnings at most U.S. banks, it is easy to understand why the whole concept of relying on correspondent banks to handle certain aspects of business is becoming not only less popular, but actually outmoded in many respects.

In fact, European banks are coming to rely more and more on their own branches and affiliates in the United States for correspondent services.

"European Correspondent Banking 1986," a study published by the Connecticut-based market and research firm, Greenwich Associates, shows that whereas in 1984 only 21% of the European banks used their U.S. units for one or more of the key correspondent services, such as check collection, by 1986 some 34% of those same banks were using such units either exclusively or to a greater extent than their correspondents.

The consolidation movement picked up speed as banks began to manage their balances more vigorously, in the process seeking more concrete cost-benefit performance. They have become more tempted to "make rather than buy" various correspondent services, according to the Greenwich study.

All of this, in turn, stems from stockholders' increasing cries for top-level management teams. Alan Abelson, a *Barron's* columnist, points out that "it's much more difficult being a banker these days than it used to be in the 'good old days,' when all you had to do was get up in the morning, put on your dark blue suit, and practice saying 'No' a few times in front of your mirror before you left for work." Now, bankers are subject to far more criticism and outside scrutiny.

Inevitable by-products of these evolving outside pressures have been improved earnings and a significantly greater return on assets. But a closer examination of the books has also revealed that for many, correspondent banking has been an expensive — and in many respects, relatively unprofitable — segment of banking in recent years.

The growing emphasis on "make rather than buy," which has characterized the correspondent banking business in recent years, is plainly and simply a matter of costs — and, of course, ultimately, profits. The growing tendency on the part of major American banking institutions to buy quality services and avoid credit risks has been directly responsible for the steady but modest decline that has taken place in principal relationships in the last five years, reports the Greenwich study.

At the same time, active correspondent accounts have decreased almost 20% in the last five years, with more than three-quarters of this decline taking place since 1984.

The study reveals that in recent years there has been a rapid rise in the stricter use of foreign currency balances: Dollar sight balances — bal-

European Banks' Use of U.S. Correspondents

	1981	1986
Active Accounts	10.1%	8.2%
Principal Relationships	6.0%	5.6%

Bank's Asset Size	% Gain	% Loss	Net Change
More than $10 Bil.	20	42	-22
$5.1 to $10 Bil.	21	51	-30
$2.1 to $5 Bil.	19	47	-28
$1.0 to $2 Bil.	16	43	-27
Less than $1 Bil.	24	47	-23
Country			
Netherlands	7	71	-64
Italy	10	50	-40
Switzerland	13	46	-33
United Kingdom	15	48	-33
France	15	43	-28
Sweden	27	55	-28
Norway	18	45	-27
Germany	19	42	-23
Spain	30	43	-13
Belgium	38	44	- 6
Total Banks	20	45	-25

Source: Greenwich Associates

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ances payable upon demand — in the United States have remained flat over the past couple of years, despite the greatly increased demand for this currency. Sterling balances have faced a similar situation.

In both the United Kingdom and the United States, the larger the European correspondent customer, the more substantial the negative change in balances has been.

Free Ride Is Over

Inevitably, the fundamental changes in the nature of the correspondent business have led to various reactions on the part of some of the other players in this game, and how they do business.

Pricing in the United States, for example, has become much more explicit, with fees as well as balance compensation not only encouraged, but actively pursued. Surprisingly enough, the growing emphasis on explicit fee payment has met with little, if any, opposition among the European banks that are being asked to pay these fees. Maybe, as one observer has mentioned, "They — the Europeans — know they've been getting what amounts to a free ride for many of their services for a long, long time."

There is a debate in the industry on the effect the Japanese are having on the field. And while the consensus seems to be that the impact is minimal, given the incredibly fast pace at which Japan is emerging as a world banking power, it would seem to be only a matter of time before the Japanese begin to exert their influence.

What exact form this move will take, however, and just how quickly it will come about, are questions still unanswered. As one industry source puts it, though, "It's only a matter of time; if the Japanese see any opportunity to make money in this area or to otherwise extend their influence over the international banking scene, you can be sure they'll move in a really big way."

Meltdown Abroad

The slow but steady decline of the importance of U.S. correspondent banks has had a somewhat mixed impact on their European clients.

By and large, reveals the Greenwich study, the effect varies according to the size of the European bank involved: 20% of the European banks over $10 billion in size report their number of active accounts increased during the 1984-86 period, while 42% say they have decreased their total number of accounts; this represents a fairly significant net decrease of some 22%.

In terms of countries, by far the largest decline during that period came in the Netherlands, where the banks surveyed report a net decrease of 64% in the total number of their active U.S. accounts. This was the largest decrease of any country included in the survey; Italy was second, with a decrease of 40%, followed by Switzerland and the United Kingdom, each with 33% declines. At the other end of the scale, the two countries experiencing the smallest declines were Belgium and Spain.

As the Greenwich study reports, changes in sight balances are closely related to the size of banks' assets, with the largest banks reporting the greatest declines. (Only 20% of banks with more than $10 billion in assets reported growth in their balances with their U.S. correspondents, well below the mean from countries other than the U.S.)

While the move away from correspondent banking is nowhere near as evident in the United Kingdom as it is in other parts of Europe, both U.K. and other European banks are fostering the rapid growth in the United States of branches and subsidiaries that can handle their transactions.

Especially in the case of European banks, these offices are increasingly providing all necessary correspondent services. In fact, a number of those outlets are not only servicing home offices, but actively recruiting business from other foreign banks that operate in such financial centers as New York, Chicago, and London.

The number of European banks using their own offices as correspondents has doubled since 1984. This is an unmistakable sign of change in this area. Quite clearly, the growing popularity of practices such as these indicates that it is not only easier, but potentially more efficient and profitable, for a European bank to set up a subsidiary or branch than to maintain an existing correspondent banking relationship, much less establish a new relationship from the ground up.

Clearing and treasury services currently rate as the key requirements of the Europeans. In the last couple of years, the so-called "treasury cluster" services — such as foreign exchange swaps, financial futures, and money markets — have grown most in importance to the European banks.

Just how great an influence the nature of the needs has had on the growing tendency of these same institutions

Continued on Next Page

Which Services Foreign Banks Buy

Reason	Total Banks	Assets Over $10B	Assets $5.1-$10B	Assets $2.1-$5B	Assets $1.0-$2B	Assets Under $1B
Operations Capabilities	71%	77%	84%	70%	66%	64%
Clearing Services	70	72	74	71	74	64
Historical Relationship	70	70	81	72	77	62
Competitive Pricing	46	51	56	49	48	33
Worldwide Branch Network	42	41	56	39	45	38
Bank's Financial Strength	34	42	42	35	25	27
Reciprocity	34	51	40	33	31	25
High-Caliber Officers	31	34	47	29	26	31
Treasury Services	30	34	35	34	24	27
Communications/Reporting Capabilities	29	35	33	26	26	28
Capital Markets/Services	26	39	37	24	18	22
Generous Credit	20	19	21	23	18	19

Source: Greenwich Associates

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Continued from Previous Page

to rely more and more on subsidiaries or branches and less on correspondents is hard to say with any exactitude.

And given the fact that there are so many different elements making up the entire correspondent banking picture, it is impossible to say just where this business is heading.

But it is clearly a two-way street. Not only are Europeans cutting back on the total number of correspondents in this country, but the U.S. correspondents themselves are, at least in some cases, having second thoughts.

If there is one overall conclusion that experts draw, it is that banks — whether in this country or abroad — are going to follow the path of maximum profitability with far more diligence and passion than ever before. And if, over a period of time, it can be demonstrated that doing all this business through their own subsidiaries or branches is more profitable than carrying on the same functions via correspondents, then that inevitably is what will happen. ■

Loan Manual Aims to Curb Penn Square-Type Busts

A good reputation is not enough of a credit backing anymore; even correspondents could turn into potential defaulters.

By Pamela S. Leven

IF CORRESPONDENT BANKers could turn back the clock, they'd probably return to 1979, when Penn Square, the notorious Oklahoma City shopping-center bank, feverishly began its upstream sales of $2 billion in energy loans. In this fantasy, concerned bankers would wave red flags at correspondents, preventing them from later losing over a billion dollars and becoming embroiled in years of legal disputes.

They would also hand out copies of the American Bankers Association/Robert Morris Associates industry guidelines on loan participation agreements — the document released earlier this month to each of the nation's 14,900 commercial banks.

"I'm not so sure the Penn Square situation could have been averted because of the fraud involved. After all, they did manufacture loans. But I am sure the legal hassles could have been significantly minimized if their loan participation guidelines had been drafted in accordance with our guidelines," insists William J. Penn, outgoing chairman of the ABA's financial institutions executive committee, which drafted the 19-point guidelines. Mr. Penn is also senior vice president of Fleet National Bank in Providence, R.I.

Penn Square is the most litigated bank failure in the history of the Federal Deposit Insurance Corp.

The effects of the bust in the oil market and sloppy documentation between Penn Square and its correspondents was disastrous.

It led to the the 1982 sale of one of its correspondents, Seafirst Corp. to BankAmerica Corp. after the loss of nearly $100 million by its subsidiary Seattle-First National. The virtual collapse of Continental Illinois Bank and Trust Company of Chicago after a 1984 loss of more than $1 billion was also instigated by the Penn Square affair. Chase Manhattan Bank, Michigan National Bank, and Northern Trust Co. also lost millions.

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Mr. Penn reports that his committee's 1985 decision to draft a loan participation "learning manual" for correspondent bankers was a direct outgrowth of Penn Square and other bank failures "where participants found themselves not as lenders to underlying companies, but to the originating bank."

Because of the flexibility they provide for banks that want to either increase or decrease their outstanding credits, loan sales have become increasingly popular. This is a common practice among many of the large banks in the money centers, which maintain account balances with interior banks that are given an investment outlet for their available funds in time and demand loans. Small correspondent banks use this method of investing temporarily idle funds as a substitute for commercial paper.

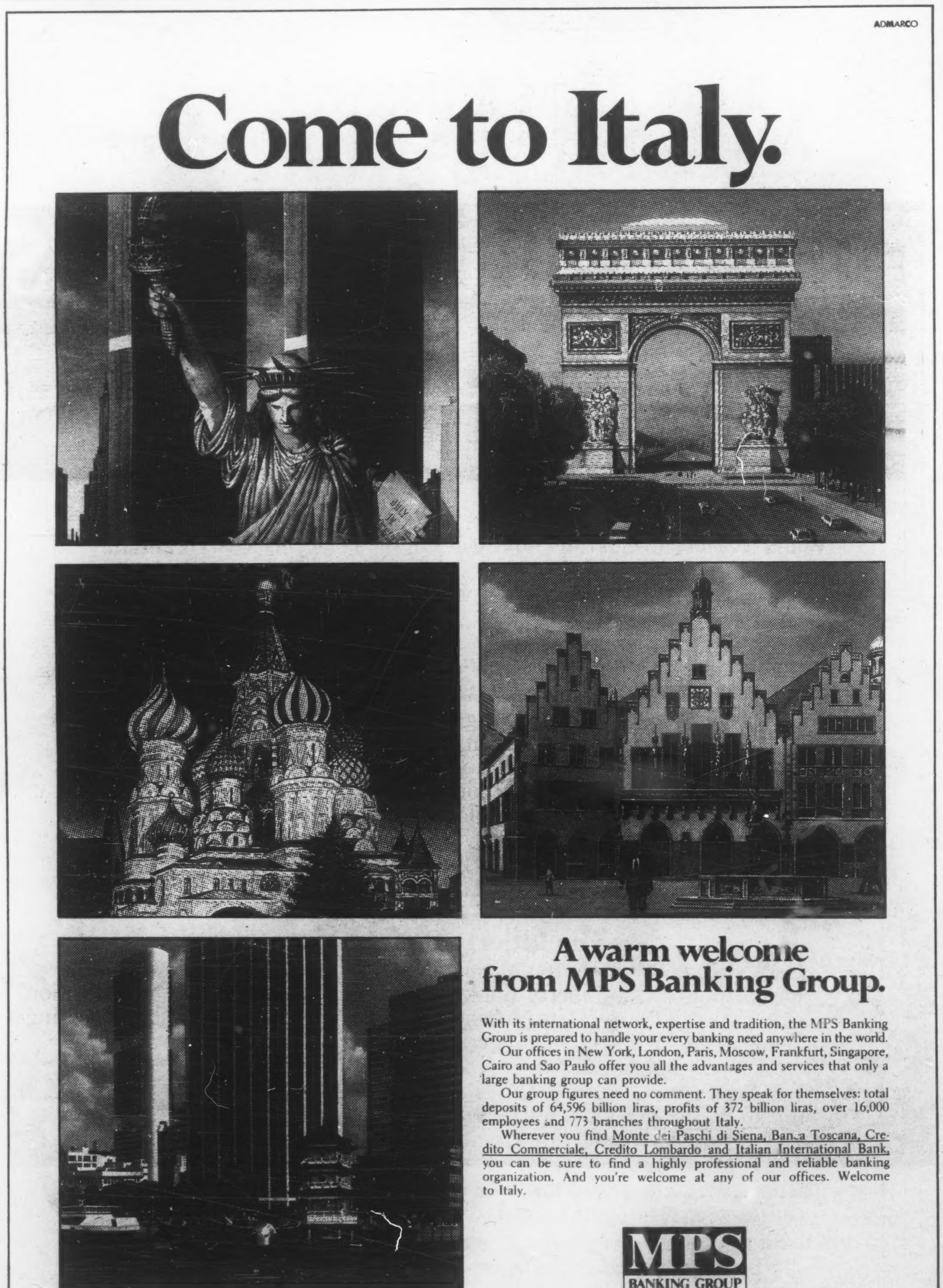
Spelling out Responsibilities

Eighteen months ago the ABA committee linked with RMA, an organization composed of bank credit and lending officers, to write a set of rules that they hope will eventually become part of member banks' working loan policies. Fleet National Bank has a formal loan participation policy that formed the basis of the ABA/RMA guide. Manufacturers Hanover Trust Co. policies were also used to develop the guide.

David O. Nordby, chairman of the RMA policy council and an executive vice president at Continental Illinois, notes that his group would have issued its own guidelines if the ABA had not proposed the project.

The purpose of the joint document, according to Mr. Penn, is to delineate the responsibilities of loan buyers and sellers "in a fair and equitable manner." Originating banks must provide proper financial information about borrowers; participants must make inde-

Pamela S. Leven is a Los Angeles-based writer specializing in business and financial topics.



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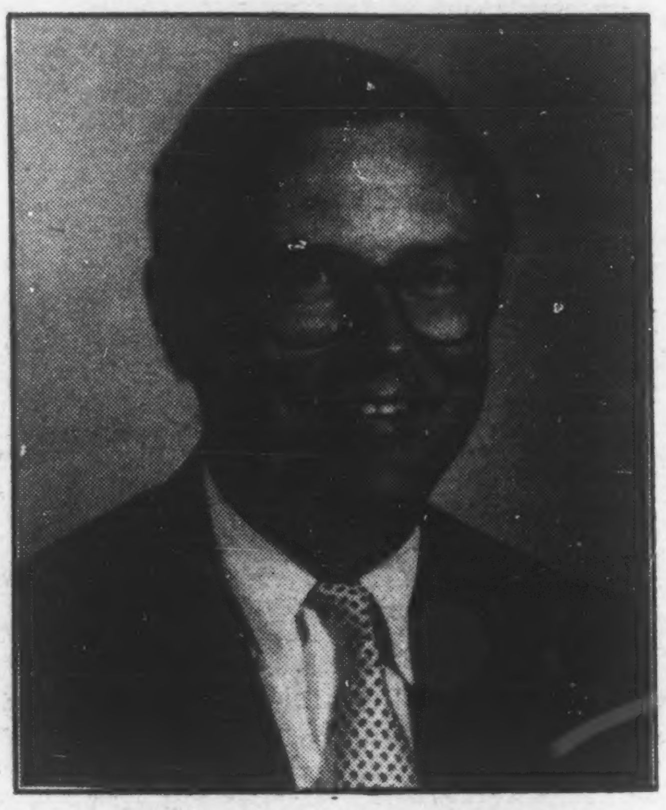

The mover behind loan guidelines:
William J. Penn of Fleet National Bank

pendent credit analyses of the underlying documentation before entering deals. The parties must also establish remedial plans in the event that borrowers default on payments or if originator or participant banks fail.

These tips may seem simplistic, but according to the guidelines, loan buyers do not always "obtain copies of all relevant underlying documentation including loan agreements, security agreements and filings, appraisals, guarantees, mortgages, notes, etc.," and have it all reviewed by counsel. And originating banks clearly have to be reminded to check with their loan partners before changing term agreements with their borrowers.

"The handshake is still the basis for relationships, but now you have to document it," Mr. Penn observes.

Lyle E. Lawrence, group vice president at Shawmut Bank in Boston and an ABA financial institutions executive committee member, points out that the money centers and regional banks want assurances that their downstream buyers perform independent due diligence on loan purchases. Shawmut, for example, asks for certification to that effect.

The reason, Ms. Lawrence notes, is not a question of whether an originating bank can be trusted to qualify its borrower. Rather, she says, participating banks must show they are certain the purchased loans suit internal policies and market strategies.

"To rely on a name or a reputation [of the originating bank] and say, 'They make good loans,' is foolish," Ms. Lawrence says.

Dollar Volume Jumps

Mr. Penn likens the growing complexities of the loan participation market to those of mortgage lenders and their borrowers. Against the backdrop of a higher rate of personal bankruptcy cases and the growing complexity of loan transactions, "the amount of paper for mortgages has increased exponentially."

Since the Penn Square debacle, the dollar volume of loan participations has "exploded," says Mr. Penn. The activity is fueled by such trends as megabuck leveraged buy-out financing and the market entry of savings and loans and foreign banks, which lack the infrastructure to generate their own loans throughout the country.

At a time when banks are being more prudent in their risk management, participants help originating banks increase credit to borrowers beyond regulatory limits — another contributor to the growing volume.

The Fleet banker believes that without industry education of the loan market, regulators would have stepped in with "Thou shalt do this" demands. Since 1984, regulators have required that banks disclose quarterly the amount of loans sold to other banks. Earlier this year, buyers had to begin reporting their loan purchases.

In fact, regulators actually had a hand in the formulation of the guidelines. Mr. Penn reports that the document was reviewed by the Comptroller of the Currency, the Federal Deposit Insurance Corp., and the Federal Reserve Board.

> **"They didn't come back and give their blessings and stamps of approval, but they did say these were the kinds of issues they feel are appropriate."**

"They didn't come back and give their blessings and stamps of approval, but they did say that within their own review process, these were the kinds of issues they feel are appropriate," says Mr. Penn.

The ABA and RMA committees sought and won approval from their own members. Literally hundreds of bankers reviewed the document. Within the ABA, 14 members of the financial institutions executive committee wrote the guidelines and 90 managers reviewed their work at a correspondent banking conference earlier this year. It also passed through a series of reviews by RMA credit and lending officers at their programs throughout the year.

"I'm pleased that so many bankers around the country participated in the project," Mr. Penn says. "It really came home to me that a lot of people are practicing prudent loan participations."

The ABA/RMA Industry Guidelines are not likely to increase the velocity of the loan participation volume, but the document will make participations easier, Mr. Penn asserts.

"I think it will also serve as a mechanism for banks that are not generally in the participation market. They have a document that spells out the terms and conditions to include in their agreements," he says. "They don't have to reinvent the wheel with each deal." ■

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Dinosaurs to Quarterbacks

To avoid extinction, yesterday's relationship managers tackle field with sales savvy, knowledge of complex products.

By Merri Rosenberg

IT MAY NOT HAVE UNDERgone a metamorphosis large enough to send bankers back to boot camp yet, but new recruits to the correspondent banking field are finding it a far cry from the party it used to be. For in the wake of major regional mergers and consolidations, increased competition from thrifts and other institutions, as well as internal shifts within the major money center banks themselves, the role of the correspondent banker has changed considerably.

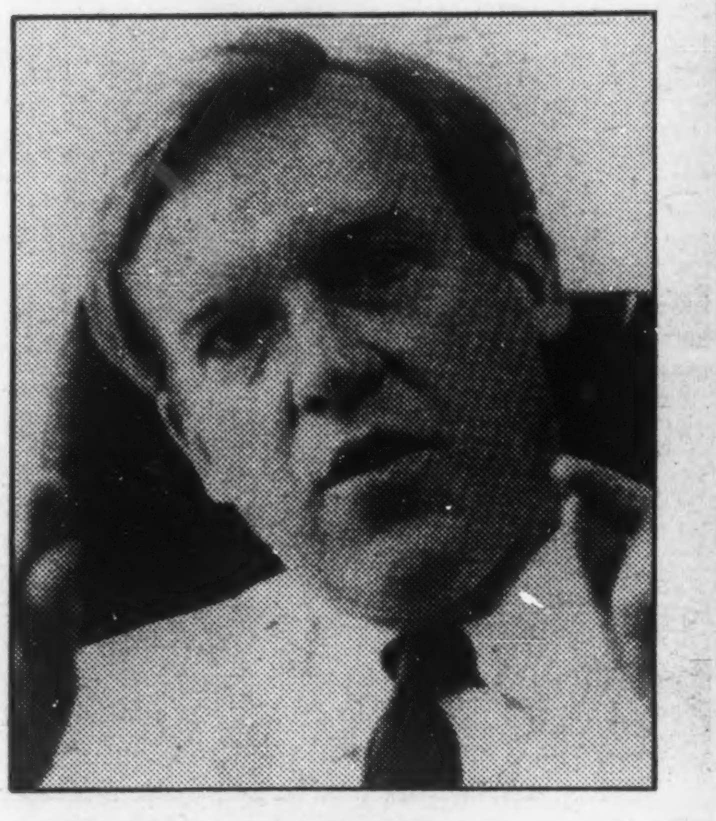
Not too long ago, according to popular wisdom, correspondent bankers were just as likely to drum up business on golf courses and at banking conventions as they were at the office. In fact, some say they used to perceive correspondent banking as a dumping ground for old-timers prior to retirement.

"The correspondent banker of old who shook hands, slapped backs, and bought drinks is gone," says Peter D. Crist, managing director of financial services practice/Midwest region at Russell Reynolds, a Chicago-based head-hunting firm. "He's a dinosaur."

If today's new breed of correspondent bankers wants to escape that same fate of extinction, they need to adapt to the changing marketplace, assert industry observers.

In the past correspondents were more likely "to understand a little about a lot of things," says Dennis Barnette, who had been a corporate and correspondent banker and is now a partner for Midwestern financial services at Korn/Ferry International, a national executive search firm. "They were the funnel for the smaller bank that channeled into the resources of the larger bank."

Yet as the respondent banks that were in need of services have merged with each other to form new, larger financial institutions, the role of the correspondent banker has had to shift. "Now when a correspondent banker goes calling on banks, he has to know a lot about a few things," adds Mr. Barnette.



Sophisticated needs drive
account officers, says former
correspondent, Dennis Barnette

"Today the audience is more sophisticated," he points out. "Smaller banks aren't truly small anymore. As the banks are grouping together, they're able to pass loans around among themselves. . . . There's a tendency among the regionals to do more operations themselves."

As regionals become larger, they don't need the same kind of services. "The new correspondent banker of today is far more oriented to a syndication role, and less inclined to the old dumping ground of loans," says Mr. Crist of Russell Reynolds.

Breeding a Different Class

So if traditional correspondent banking functions, such as check-clearing and loan management, have now been assumed by the respondent banks themselves, where does that leave the correspondent banker?

According to Mr. Barnette, who echoes the views of other industry insiders, "The smaller banks are really medium-sized, and are looking for more sophisticated products, especially in the capital markets area."

Which means, in turn, that the new breed of correspondent bankers is now apt to be specialists rather than generalists, and as adept in sophisticated financial instruments as they once were in social skills.

In fact, head-hunters and bankers paint a portrait of the successful correspondent banker that reveals an individual who has more in common with the fact-laden investment banker than with the suave salesmanship expected of a lending officer or account representative.

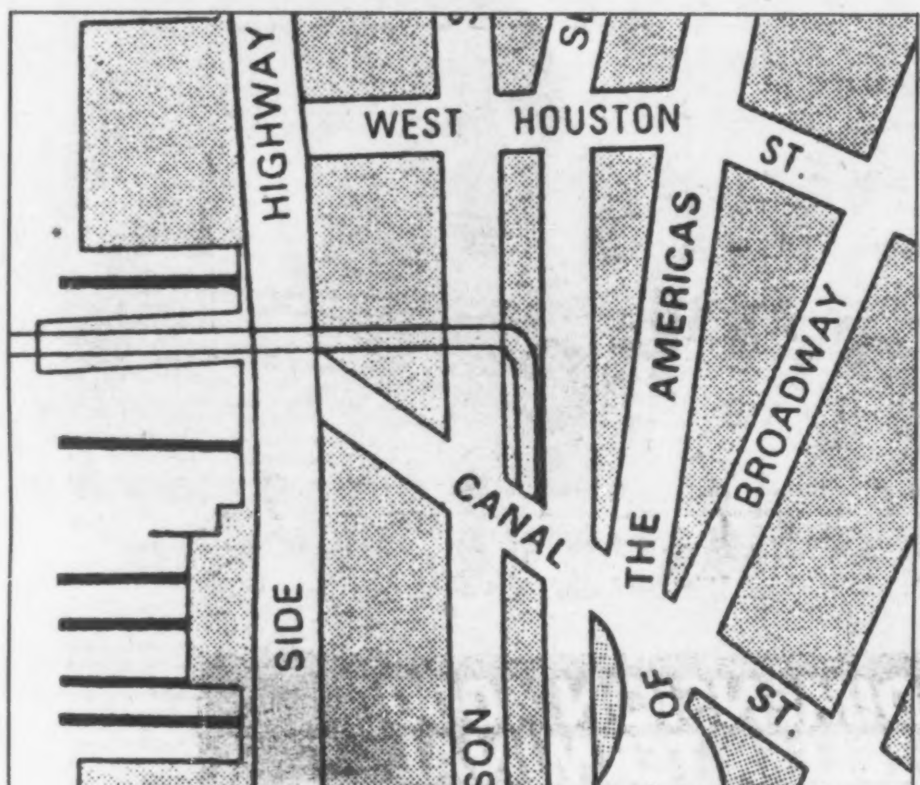
Social skills, in fact, have taken a decided backseat to mastery of technical financial products and services — and the subsequent ability to sell them to clients.

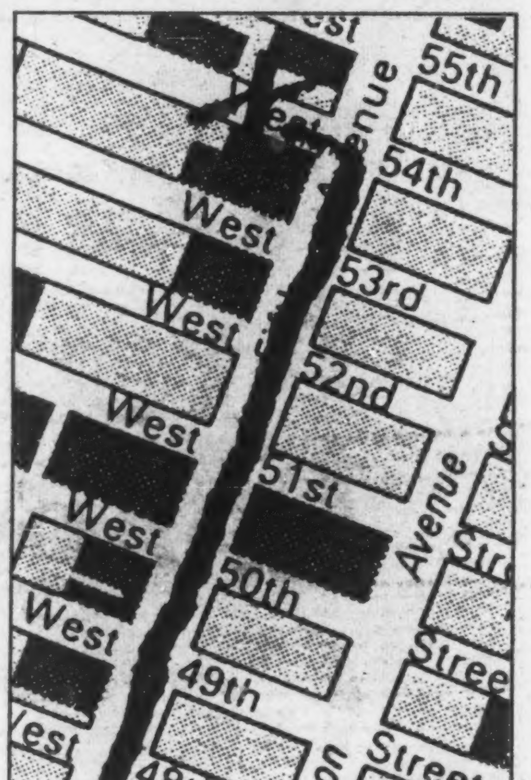
"If you can't count on a 30-year relationship, then there's much more reliance on sales skills," says John P. Rudy, a partner at Greenwich Associates in Connecticut, a consulting and market research firm that studies correspondent banking trends. "The ability of managers to rely on personal factors for profits is severely compromised. My conviction is that the key people in this field are increasingly business-oriented rather than people/relationship managers. They're more likely to be production-line oriented rather than tailored-product oriented."

New Routes Up the Ladder

While correspondent banking is no longer the capstone of a career, the new demands for aggressive salesmanship coupled with technical knowledge call for bankers who are well versed in a variety of functions within their own institutions — especially lending, ac-

Merri Rosenberg is a New York-based writer specializing in business and financial topics.





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The key to success is understanding the client, says George S. Kobus, a senior vice president at Chicago's Exchange National Bank.

counting, and capital markets areas. With their mandate to serve clients, and to tie together different specialists within the bank, correspondent bankers are frequently compared to "quarterbacks," according to John Pezzutti, senior vice president and international institutional executive at Chase Manhattan Bank, New York.

Successful correspondent bankers generally have between 5 and 10 years experience at their institutions before stepping into this role, most experts agree. According to Mr. Barnette of Korn/Ferry, the correspondent banker "should be in the middle of his career to have sufficient credibility" with clients.

For while age is not a factor, "most of the 'Young Turks' out of B-school haven't been refined," says Emanuel Monogenis, partner in charge of the financial services practice for the headhunting firm of Heidrick & Struggles in Manhattan. "They may not have enough judgment and skill — plus they may not know enough of the decision-makers and doers to deliver to the respondent bank for service. They should also be secure enough to pull in technical people when they need to."

Efficiency and speed are also desirable attributes. Since the current generation can no longer rely solely on recruiting clients at ABA conventions or through the "old boy network," cost plays an increasingly significant role in lining up new business. Now that personal relationships are no longer the primary factor in acquiring new clients, delivering services for less money has become increasingly important.

"Your willingness to move quickly is key," says Gregory S. Kobus, a senior vice president and manager of financial institutions at Chicago's Exchange National Bank, which provides correspondent services. "In many cases, you're one of several candidates. The key to [being] a successful correspondent banker is not to just say 'Yes' or 'No' to a loan, but to understand the client."

One of the prime roles that the new model of correspondent banker has come to assume is as a "mergers and acquisitions monitor," says Mr. Monogenis. Experts believe that correspondent bankers can fulfill a senior management role within their own banks by acting as internal consultants on likely takeover targets.

The ability of correspondent bankers to adapt and address the newly sophisticated needs of their clients will have direct bearing on the future survival of the field.

"With the final acts of consolidation, there will be fewer banks around,' says Mr. Crist of Russell Reynolds. "And then correspondent banking will be diminished."

Meanwhile, there is no doubt that the ball game has changed irrevocably — and the rules make it tougher for correspondent bankers.

"Apparently I missed all the fun and excitement of correspondent banking," laughs Mr. Kobus of Chicago's Exchange National Bank. Now, "it's strictly business." ■

Debate Rages On Fed's Role In Check Clearing Market

Bankers still feel the heat of heightened competition, as a more aggressive Reserve modernizes processing.

By Rob Wright

AMERICANS WRITE 45 billion checks a year, according to the best estimates of those who keep track of such things.

But turning that many scraps of paper into financial transactions is only possible with the help of Uncle Sam and the nation's largest commercial banks.

This makes the check processing marketplace somewhat of a national oddity, with the federal government competing with approximately 150 private corporations for customers. Organized nationally as 12 district banks, the Fed holds the distinct advantage of being the only truly nationwide correspondent.

Six years ago the Federal Reserve changed correspondent banking by charging for check processing services it formerly offered for free. Whether that has been good for the industry depends entirely on who you talk to.

Many in correspondent banking feel the move, mandated by the Monetary Control Act of 1980, has led to a more efficient marketplace by increasing competition. A more aggressive Fed, they say, has made banks that offer check processing sharpen their operations, and has taken some less efficient players off the scene. And few doubt

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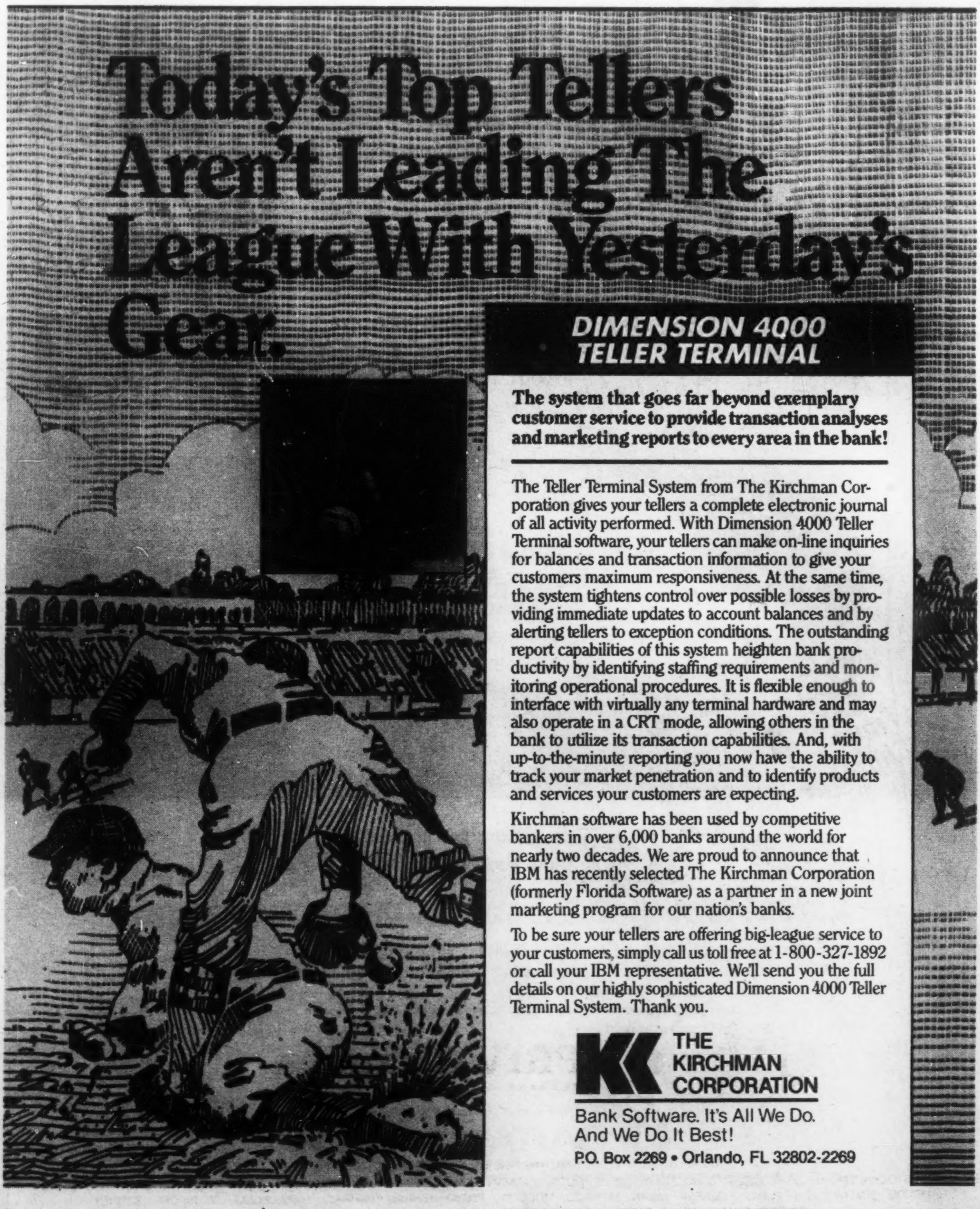
Rob Wright is a Washington, D.C.-based correspondent for States News Service.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Continued from Previous Page

the Fed has, in fact, helped its client banks by modernizing processing.

"We hope that some of the measures we've taken have stimulated more effective competition," says Paul Connelly of the Fed's Boston office, who coordinates the national check processing operation. "We think they have, but we realize there are conflicting opinions."

Fed statistics show that the number of financial institutions that use the agency for check processing is now up to 5,500 — almost twice as many as before the Monetary Control Act. Still, the vast majority of the nation's banks and thrifts go elsewhere for the service.

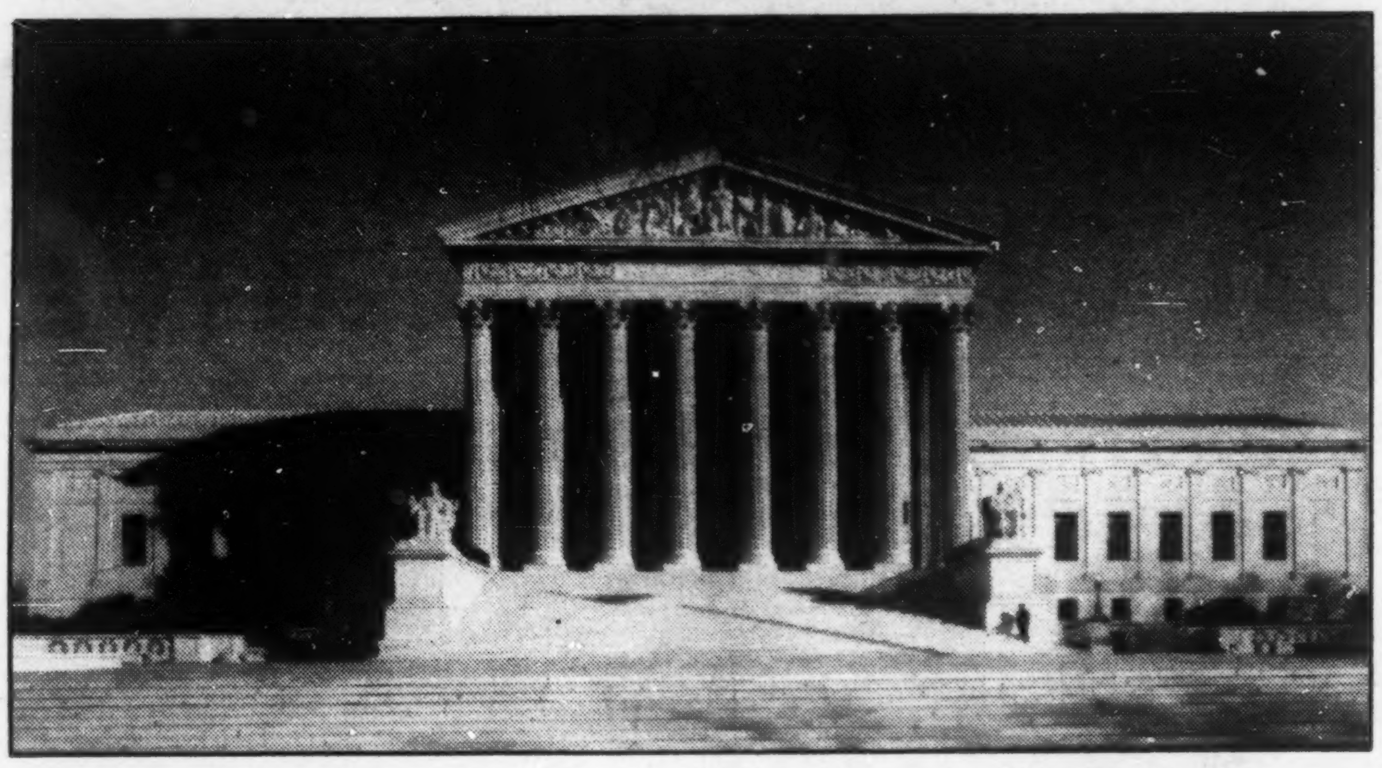
"We think the check collection system in this country works well because there are options," Mr. Connelly points out. "There's competition, and that's a healthy system."

Fed Processing Less

However, Federal Reserve Board of Governors check processing specialist Elliott McEntee notes that the percentage of the nation's checks that the Fed processes has actually dropped since the act passed. Latest estimates give the Fed a 36% market share compared to 42% in 1980, he says. So, in effect, though the number of banks using Fed services have increased, the growth is not in proportion to the percentage of banks that have entered the marketplace.

But to many in the industry, it is not raw numbers or percentages that matter so much as the more sophisticated quality that the Fed is now able to offer in check processing.

"The Fed has stepped in and provided a whole range of services that are competitive on a price base," says William J. Penn, a senior vice president of Fleet National Bank in Providence, R.I., and until recently the chairman of the American Bankers Association's correspondent banking committee. "They've become very aggressive."



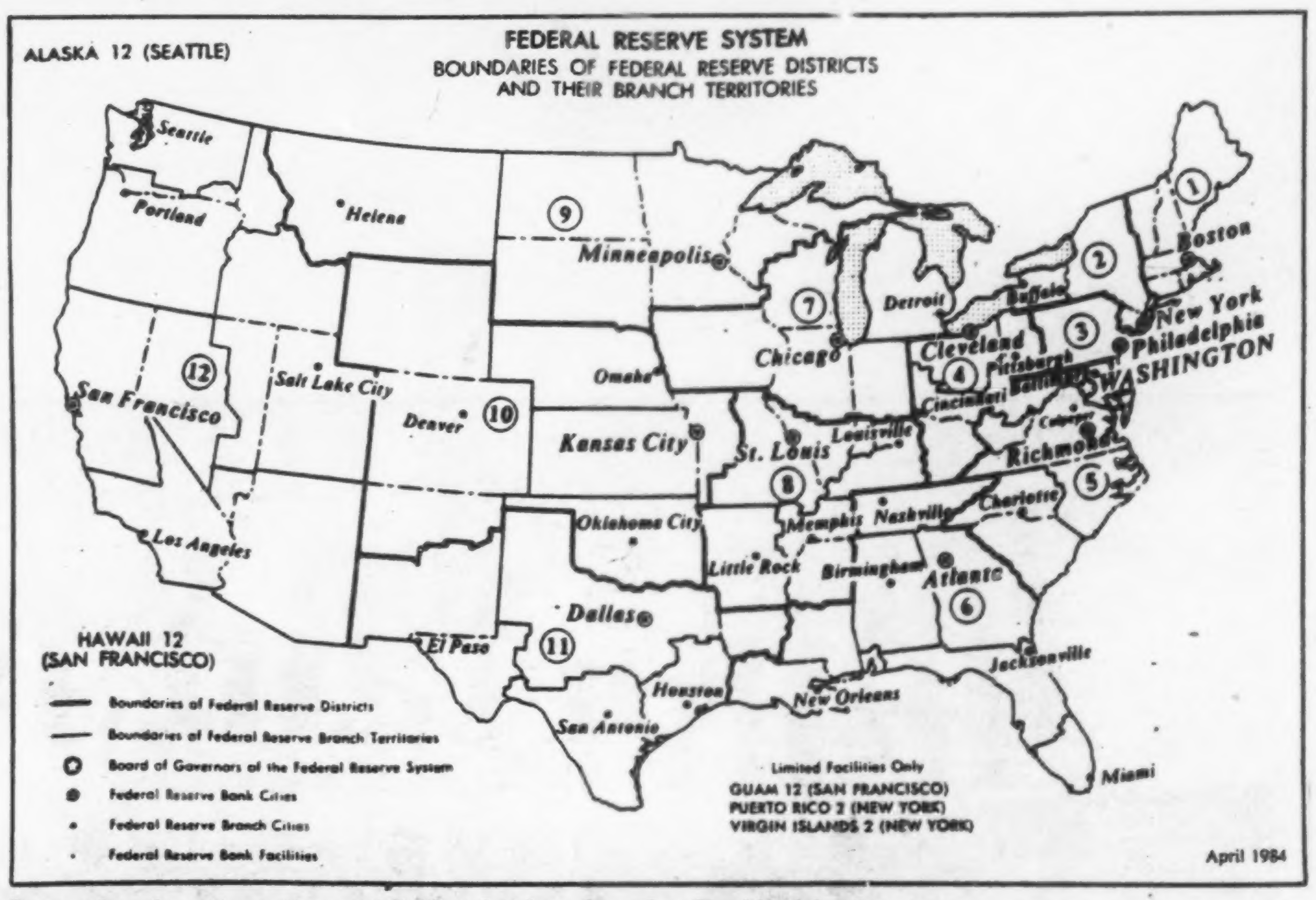
At the root of the controversy is the Federal Reserve's entry into the market.

Mr. Penn says the changes have led the banks that offer check processing services to change their thinking. "Now the approach is, 'Let's beat the Fed at its own game,' " he says. "It's very good for the industry. It's done away with a lot of inefficiency."

Ned Miltko of the Philadelphia consulting firm of Littlewood, Shain & Co. points out other changes. "The upshot is that the commercial banks have learned to be much creative in competing with the Fed in clearing other financial institutions' checks."

But one check processing manager at a leading correspondent bank, Peter Sposito of Connecticut National Bank in Hartford, is not as wild about the developments.

"I don't know of another federal agency that competes with the industry it regulates," Mr. Sposito says. He stresses that no single commercial bank holds more than 1% of the check processing market share compared to the Fed's nearly 40% — a situation, he says, the Federal Trade Commission might not allow under other circumstances.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Organized nationally as 12 district banks, the Fed holds the distinct advantage of being the only truly nationwide correspondent.

Federal Reserve involvement in a business in which banks are active has been the central issue since discussions began on the Monetary Control Act in the 1970s.

"I don't mind competing with another major market-share holder with the same cost structure and profit motives," says Mr. Sposito, "but not when it's a government regulator. I think that's unfair."

Mr. Sposito says his bank, one of the major correspondents in New England, is "feeling more and more competition as time goes on from the Fed itself.

"I would say we're holding on by bobbing and weaving and carving out niches. But I tell you, we do feel the heat," he says. Yet he admits, "Their [Federal Reserve] availability schedule has gotten much better."

Mr. Sposito stresses that the Fed has four natural advantages over commercial banks in offering check processing services.

The Fed is not charged a presentation fee by receiving banks, nor does it have a realistic possibility of ever failing, he says. At the same time, it is the only U.S. financial institution with truly national capabilities, and has accounts with most of the nation's approximately 14,900 banks.

"I'm not proposing that the Fed get out of the business," says Mr. Sposito. "I'm proposing that they offer a more competitive price schedule. Systemwide, on a per-item basis, I think they're charging too little for their private sector competitors [to ever compete]."

They've Earned Their Stripes

Fed spokespeople, however, feel that they have earned their improved reputation in check processing.

Mr. McEntee of the Board of Governors staff responds that any progress the Fed has made is due to its emergence as "a very, very efficient operator in check collection." He emphasizes the effect of its Interdistrict Transportation System, a hub-and-spoke air transit network introduced in 1983 that gives respondent banks about two hours more a day than they had in 1981 to get checks to the Fed.

Mr. Connelly of the Boston Fed stresses the importance of the "high dollar group sort" program, which has allowed large bank branches outside of major cities to speed up their processing of checks. That program, he adds, compliments the noon presentment system, which is aimed at giving branches in large cities access to their checks two hours earlier each day.

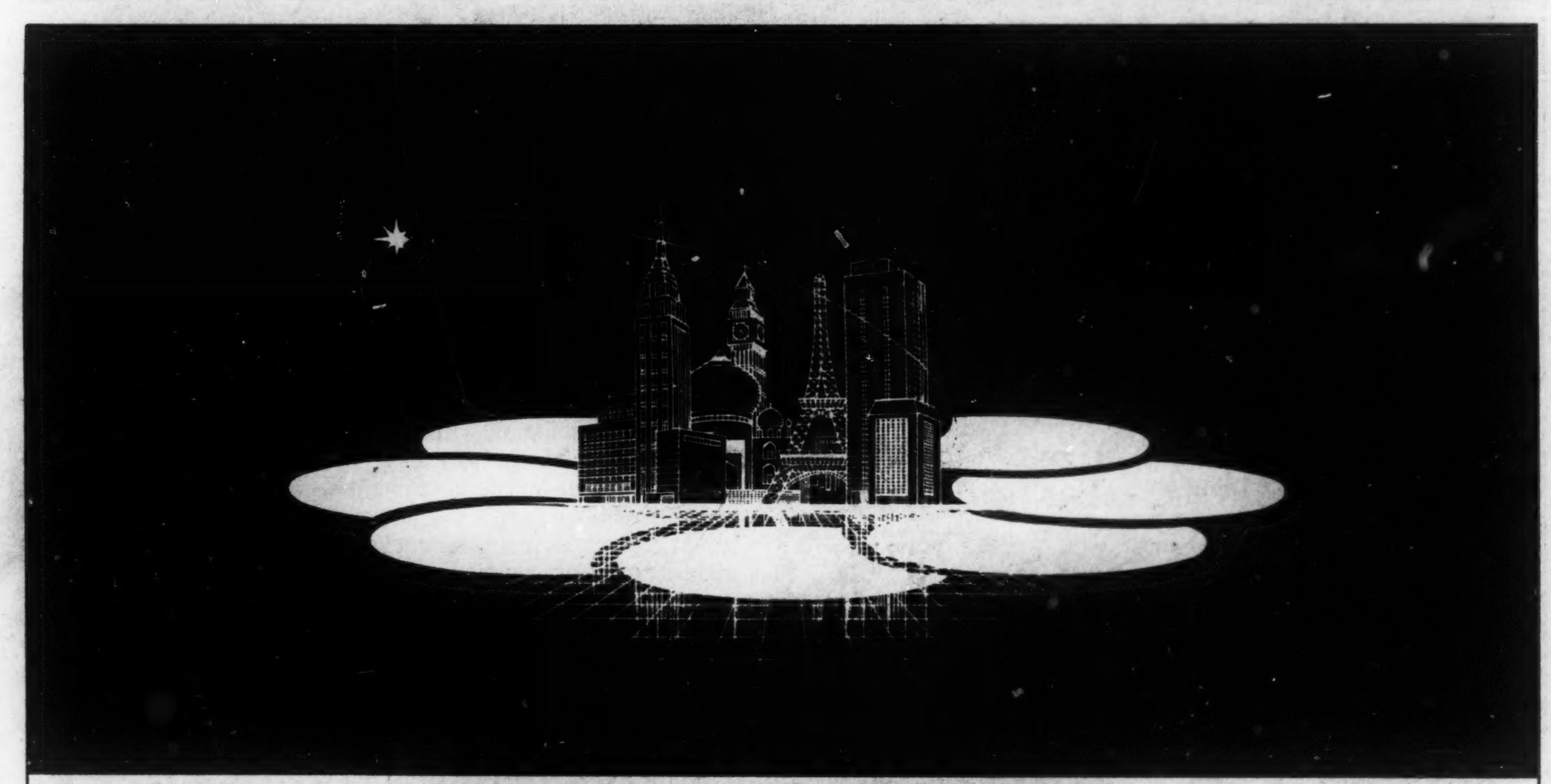
"It speeds up the system," Mr. Connelly says. "As you do things like that, we hope we're having a beneficial effect on the payment system."

To Mr. Penn at Fleet National Bank, such moves have given the Fed "significant savings," and thus motivated all the other check processing providers to improve service.

"If we can reduce the cost of that service, it benefits the customer as well as us," he says.

Denny Carreker, president of J.D. Carreker and Associates, a Dallas consulting firm, says that the most important issue in the debate is that the check processing market is a "very dynamic one," with rates changing frequently and small banks going back and forth between the Fed and commercial correspondents for the crucial service. The choice "depends entirely on their own needs," he stresses.

"They actually carried off something many people didn't think they would," Mr. Carreker says of the Fed's new sophistication. "In all, the industry and the country have benefited from this." ■



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How Banks Channel Payments Through Wholesale System

Economic and strategic implications from high-tech changes are shifting focus of competition among financial institutions.

The impact of technology on correspondent banking continues to carry economic and strategic implications, particularly on the way banks transfer services. The following is an excerpt on the wholesale payment system from "Technology and Banking: The Implications of Strategic Expenditures," a joint report by Salomon Brothers Inc. and McKinsey & Co.

THE WHOLESALE PAYMENTS system is the means by which corporations, financial institutions, and governmental units disburse and receive funds and obtain information about funds movement. The three major groups of services that banks provide in wholesale payments are funds transfer, transactional processing services, and customer interface.

Funds transfer services: Banks provide access to the major channels for funds movement. One conversion currently taking place, from paper check to automated clearinghouse "electronic check," has economic and strategic implications for financial institutions ranging from who should bear the costs of the new electronic systems to the impact of the loss of transaction float.

Transactional processing services: These services, often referred to as "cash management products," include lockbox, controlled disbursement, account reconcilement, and automatic investment. Many of them were originally designed to take advantage of inefficiencies in the paper-based payments system. Most of these systems will remain important, and investments in enhanced systems will continue because of the large volume of checks that will be written through the end of the century.

However, with the rate of increase in check writing diminishing and the applicable technology maturing, cash management processing systems no longer represent the cutting edge of competition: Banks are finding it difficult to differentiate themselves solely on the basis of a state-of-the-art processing system.

Customer interface services: Banks inform customers about funds movements (disbursements and collections) and account balances, and permit customers to initiate action based on the information. The interface has become increasingly electronic (and is in fact becoming known as the "electronic window") and is replacing transaction processing systems as the major focus of competition.

Wholesale Funds Transfers

The wholesale funds transfer system is the means by which payments between corporations, financial institutions, and governments are moved and monitored. The two major channels through which corporations direct their payments are the large payments channel, which operates mainly through electronic wire services to meet critical value dates, and the small payments channel, which is affected by paper checks and automated clearinghouse electronic checks.

Banks can direct corporate payments through three electronic funds settlement systems. These systems are used primarily for high-value transactions (average values are $2 million for Fed Wire and CHIPS) and offer a high level of security and (except for SWIFT) rapid settlement.

Fed Wire is a nationwide network operated by the Federal Reserve System through the reserve and clearing accounts held by the 8,000 depository financial institutions that access the network. Fed Wire transfers funds from one account to another on the books of the Federal Reserve. Settlement is immediate, and the transfers are irrevocable.

CHIPS, the Clearinghouse Interbank Payments System, is a private New York City-based network specializing in funds transfers and financial messages resulting from international trade and the foreign currency activities of its 120 member financial institutions. Settlement of net positions takes place at the Federal Reserve at the close of business on a same-day basis.

SWIFT, the Society for Worldwide Interbank Financial Telecommunication, is a bank-owned, transnational cooperative data processing and telecommunication system that conveys financial transaction instructions and other financial information between member banks in an automated and highly secure environment. Settlement is left to local or national networks such as CHIPS or Fed Wire in the United States.

In 1984, Fed Wire and CHIPS carried 87 million transactions — less than 1% of total wholesale transfers, but representing more than 85% of the total wholesale value.

The automation of internal processing began several years ago with electronic connection to the payment and message networks. This connection was followed by the automation of the transaction processing function, which eliminated much of the paper. The current advanced stage of development has been accompanied by a decline in prices, which has caused many participants to operate at or below their break-even points.

We believe that the necessity of continued investment in software and hardware, coupled with difficult economics, will cause all but the participants with significant market shares to either terminate their activities as direct service providers or incur increas-

Continued on Page 22

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Thrifts Pare Down Use Of Upstream Relationships

As well as replacing service links for typical products, S&Ls are looking to correspondents to fill changing needs.

By Dorothy Hinchcliff

AS THE POTENTIAL TO save hundreds of thousands of dollars on correspondent services soars, thrifts — which some industry observers say account for one-third of the market — are turning more often to in-house departments to handle traditional roles, and looking to correspondents for more complicated capital market needs.

And though the thrift industry continues to represent thriving opportunities for commercial banks' correspondent sectors, several factors are changing the rules of the game.

Increasing competition from sources like the Federal Home Loan Bank is one. Many thrifts are now using FHLB to provide such traditional correspondent banking services as check clearing and other back-office processing, which they formerly sought from commercial banks.

In addition, as thrifts become larger, they tend to provide some services in-house that they previously farmed out to large correspondents.

"I don't think [the thrift business] is growing as fast as it has in the past. You now have the larger savings and loans that are more self-sufficient, that have installed their own computers and on-line systems," says Frances Guthrie, vice president of investment management for Central Bank of the South, Birmingham, Ala., which has correspondent banking relationships with more than 100 thrifts.

Moreover, the total number of thrift customers in the market has dropped, meaning that many banks have to work harder to develop new relationships and expand existing ones.

"I think that because of the diversity of businesses thrifts are in, the products we're able to offer has grown. But certainly the number of thrifts hasn't increased," says Barbara Z. Parker, vice president of the financial institutions group for Midlantic Corp., a bank holding company based in Edison, N.J. "I think our share in terms of additional products, not in terms of the number of thrifts, has grown."

Analysts agree that measuring just how much correspondent business banks are actually doing with thrifts is difficult.

Many believe monitoring compensating balances does not provide an accurate reflection of activity, because many consultant and investment banking services are charged on a fee basis.

"The balances are traditionally the yardstick — but an increasingly less reliable yardstick — given the growth of new products and the trend away from balances to fees," points out Merrill O. Burns, executive vice president of global financial institutions at Manufacturers Hanover Trust Co., New York, and chairman of financial institutions for the American Bankers Association.

The Kitchen's Getting Hot

Some banks are finding the business too tough.

In fact, says Mr. Burns, "All banks are paying increased attention to their profitability, and what we're all doing is concentrating on those products and market segment areas that afford higher than average returns. Logically, that's leading to some people exiting the business, others maintaining their businesses, and others growing."

David Voss, senior vice president of financial institutions for Union Bank, Los Angeles, agrees that the overall number of thrift customers is declining. To increase business, Union Bank has had to provide products of higher quality.

"We've stuck with it in hard times as well as good times," says Mr. Voss. "It's still a relationship business. Many customers can go to the Federal Reserve and the Federal Home Loan Bank for a cheaper amount. We are not the cheapest, but we give good, high-quality service."

Still, many bankers, including Mr. Burns, say their correspondent banking business with thrifts has been rising significantly. The thrift industry accounts for about one-third of the correspondent banking market today, Mr. Burns says.

Walt Gerstenberg, vice president of savings and loans for First Interest Bancorp, Los Angeles, says First's thrift business in California has grown 10% to 15% annually over the last few years. He adds that this rate is slightly faster than the rate of the bank's growth in correspondent banking overall.

Most of the new business opportunities from thrifts have developed primarily because they are now more diversified. Thrifts are looking to commercial banks to provide them with correspondent banking services — particularly in investment and merchant banking — that are more sophisticated than the ones they sought in the past.

While California Federal Savings and Loan Association, the fourth largest thrift in the nation, does its own check processing and other routine functions that smaller thrifts might turn to commercial banks for, it still needs a correspondent.

The services it does seek out are primarily on the credit side, says Thomas H. Dooley, senior vice president and treasurer of CalFed Inc., the thrift's

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Dorothy Hinchcliff is a reporter for the Asbury Park Press in New Jersey.

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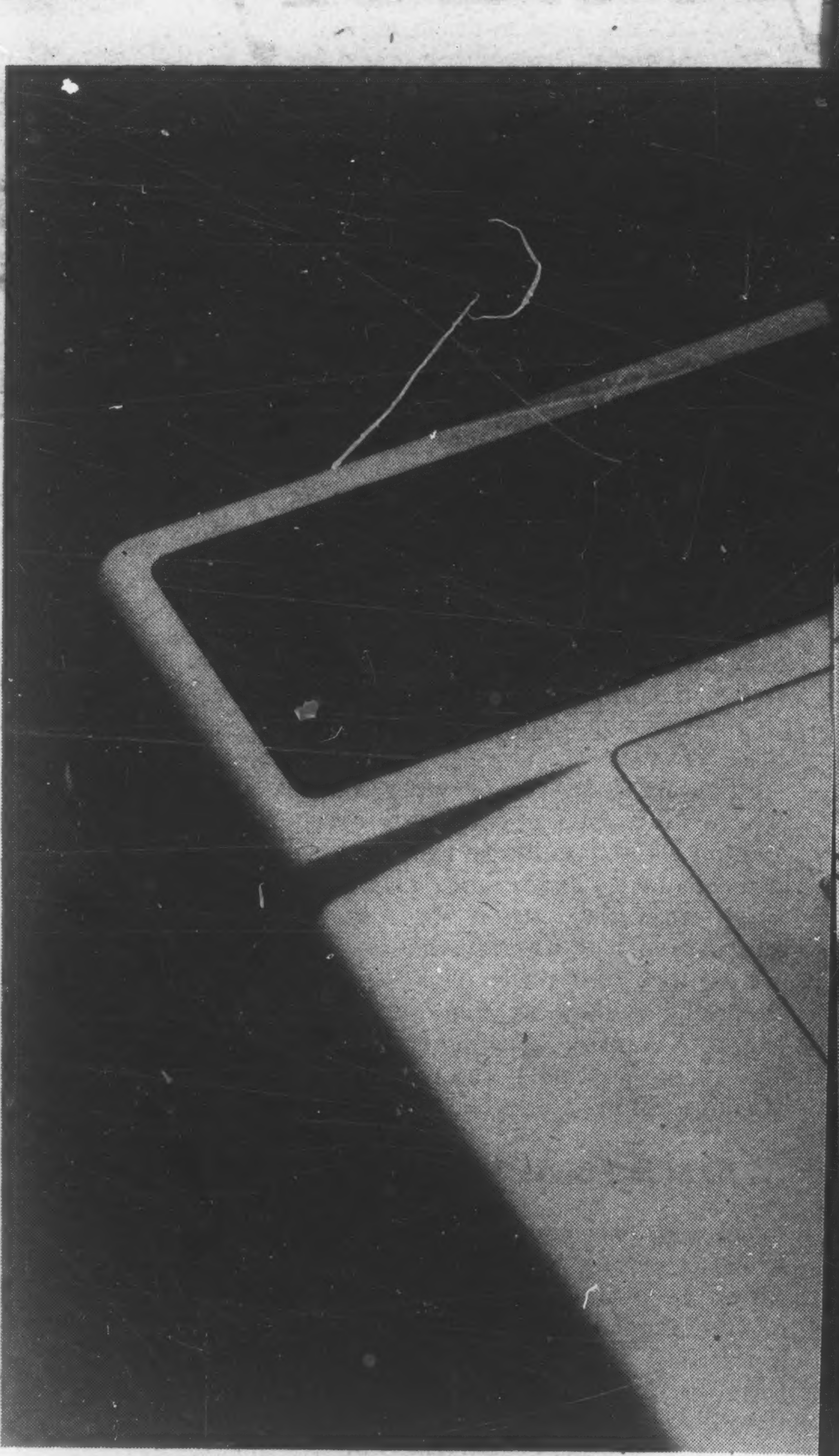

holding company.

California Federal has a $50 million revolving-term loan agreement with Manufacturers Hanover and First Interstate, as well as credit arrangements for $100 million with about a dozen foreign banks. The thrift also uses commercial banks as trustees on various mortgage-backed bond issues.

Another example of a thrift that has altered its correspondent banking activities from years past is Shadow Lawn Savings and Loan Association, based in West Long Branch, N.J. It now does check clearing in-house and outclearing of transit deposits through the Federal Reserve Bank, which a spokesperson says improves its availability of funds and reduces processing costs. Previously, it had used commercial banks to provide those services.

"There comes a point where the flow justifies bringing it in-house," says Stephen Graham, the chief financial officer of the $735-million asset institution. Mr. Graham estimates Shadow Lawn has saved close to $200,000 a year by handling some functions in-house.

> ***"Because of the diversity of businesses thrifts are in, the products we're able to offer has grown. But the number of thrifts hasn't increased."***

He says the thrift primarily uses correspondent banking services for security safekeeping, coin and currency purchases, and travelers check and ATM settlements.

Ms. Parker of Midlantic notes some of the newest products stem from meeting the needs of the growing number of S&Ls and savings banks, which have been converting from a mutual to a stock form of ownership. Products include lending to thrift employee stock ownership plans, becoming a trustee for ESOPs, acting as the thrift's stock transfer and registrar agent, and loaning funds to directors or senior officers of converting institutions for acquiring stock.

At Manufacturers Hanover, Mr. Burns says the amount of traditional correspondent business — such as fund transfers, securities safekeeping, and check clearing — has increased. But growth is occurring in investment and capital markets areas.

Retail and wholesale placement of certificates of deposit, commercial paper transactions, and interest rate risk management products are some of the new products, according to Mr. Burns.

Mr. Voss of Union Bank explains that larger thrifts in California have become more self-sufficient: They need less operational services and more capital market services.

In the age of increasing competition and diminishing customers, Mr. Voss says the bank "is trying to de-emphasize those [traditional services] and offer new products involving things like swaps, mortgage-backed securities, and Euro financing." ■

First DeWitt Bucks Norm

Expands Correspondent Relationships

Michael J. Quigley

Michael J. Quigley 3d could probably use the Federal Home Loan Bank instead of commercial banks for more of his savings and loan's correspondent banking needs.

But the 47-year-old chairman and chief executive officer of First DeWitt Savings & Loan Association, West Caldwell, N.J., explains: "I don't think you can put all your eggs in one basket."

Mr. Quigley says his bank would not want to provide all the correspondent services in-house *or* get them all from the Fed. In his eyes, commercial banks still have a lot to offer, with expertise in certain areas that smaller banks can not provide for themselves.

So when Mr. Quigley took over the top-ranking post at First DeWitt 18 months ago, he went against the norm and expanded the bank's correspondent relationship with commercial banks. Now the institution basically splits its correspondent business between the FHLB and Midlantic Corp., the Edison, N.J.-based holding company for Midlantic Banks Inc.

The 102-year-old First DeWitt has had a correspondent relationship with Midlantic for more than 25 years. But First DeWitt's business with the bank had been scaled back, Mr. Quigley says, by his predecessor, who followed many other companies that had transferred various services to the FHLB and away from commercial banks.

First DeWitt uses commercial banks to buy and sell Fed funds. Mr. Quigley says he has reestablished a line of credit with Midlantic. The bank also relies on Midlantic for wire transfers of funds, providing cash and coin in most of its branches, as a depository for some outlying branches, for letters of credit, and occasionally for messenger pick-up and as a securities custodian.

But its newest needs are using the bank as a lender for its employee stock ownership plan, which will be created when the thrift converts from a mutual to a stock form of ownership. The ESOP loan is at 85% of prime, says Mr. Quigley.

First DeWitt officers are also taking out loans through Midlantic's private banking services to buy stock in the offering.

First DeWitt, with $376 million in assets, pays for its services from the FHLB and Midlantic primarily by depositing compensating balances with them. Mr. Quigley estimates that First DeWitt keeps about $1 million or more on a daily basis with Midlantic.

As First DeWitt grows, Mr. Quigley thinks the institution will probably provide in-house some services that currently require correspondent bankers. "For example, we'll be looking at doing our own check encoding soon. The Fed and Midlantic do it for us now. We will probably do letters of credit ourselves eventually," he says.

Other banks have approached First DeWitt about becoming its primary correspondent bank. "I tell every one of those fellows that we've had a long and mutually rewarding relationship with Midlantic," says Mr. Quigley.

"None have sold me yet on changing."

Dorothy Hinchliff

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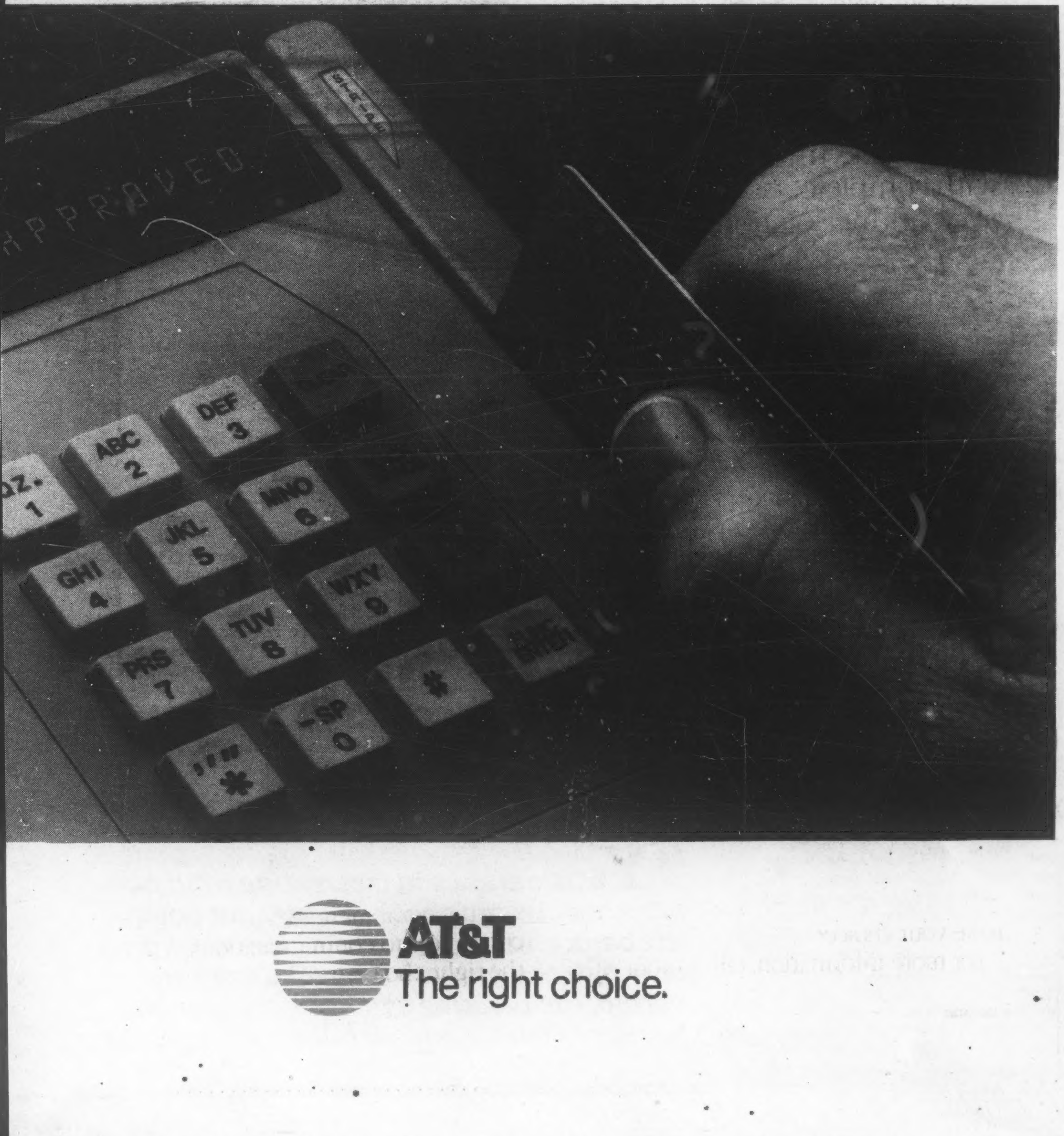

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Continued from Page 19

ing operating losses. Smaller providers may be able to participate as users of a larger bank's capabilities.

A by-product of the March 27, 1986, Federal Reserve Board directive that limits daylight overdrafts has been to enhance the position of better capitalized banks, because the size of the permitted overdrafts is proportional to a bank's capital. The Fed's action also increases demands on the information systems of the banks by requiring real-time knowledge of customer positions. Many banks do not have a system architecture that is capable of satisfying this demand automatically.

> ***"An electronic check would be an element of a more extensive automation of a company's internal processing, resulting in savings of $10 billion to $15 billion per year."***

It is not yet clear whether Fed action will further accelerate the concentration of activity among the large participants or limit the capacity of these participants and thereby slow the movement toward concentration.

We expect transactions over the wire system to continue to grow at a modest pace for the rest of the decade. SWIFT transaction volume has the potential to grow at a faster rate (perhaps even greater than its recent 20%-per-year pace) as a messaging network as it continues to develop useful formats other than funds transfer for interbank messages. In addition, the message standards utilized by SWIFT are increasingly incorporated into new funds transfer systems.

Acknowledging the steady decline in communication costs over the past few years, Manufacturers Hanover Corp. increasingly substitutes nonproprietary links where they are economically advantageous. GEONET — a proprietary internal data transmission network — utilizes a variety of components such as value-added switching networks, leased lines from RCA Corp. or American Telephone and Telegraph Co., satellite links, and microwaves.

The decision to build GEONET was not based on the needs of any one product. A single standard network was needed throughout the corporation, and a proprietary effort was necessary to minimize the cost of transmitting data. Project Connect is one method that the firm is pursuing to increase its usage of the global network. Specifically, Project Connect, a PC-based product, supports documentary credits and funds-transfer products.

Prompted by recent Fed actions, First Chicago Corp., Security Pacific Corp., Mellon Bank Corp., CoreStates Financial Corp., and First Wachovia Corp. are integrating and interfacing information from the large and small payment channels with other bank systems. CoreStates Financial has developed an intraday corporate funds management system that integrates wire transfer and collection. The funds transfer system integrates SWIFT, CHIPS, and Fed Wire messages. CoreStates Financial's ACH transaction volume more than doubled in 1985 and is expected to have doubled again in 1986.

Funds transfer has been one of Bankers Trust's most profitable products. The bank believes that the federal caps resulting from the March daylight overdraft regulations will hasten the eventual concentration of the industry. Some smaller competitors may not be able to comply with the federal regulations and will therefore exit the business. In fact, some foreign agencies have already begun to drop out.

There are clear economies in the business, although the increase in benefits obtained by each subsequent level of investment may be shrinking. Bankers Trust NY is actively wholesaling its service to other banks, thereby generating fee income and providing important additional volume.

Although Chemical NY is continuing to invest in BankLink — the most successful wholesale delivery system in the country — the company is also working to apply its experience to other market segments. Pronto Business Banker is being marketed toward smaller- and middle-market companies, which typically do not use mainframe computers. Chemical's strategy in this area is to generate a series of micro-based applications such as Prompt Pay (an ACH-access module) and ChemLink LC (a letter-of-credit initiation module).

Irving Bank Corp. has embraced a shared strategy for wholesale payments. As a result, Irving's employees are active in banking industry efforts to develop standards for many types of products. For example, in the 1970s, the company decided not to pursue a proprietary approach to international transfers and instead worked to ensure that the emerging SWIFT standards would be consistent. Irving has a 4% share in funds transfer and has a new state-of-the-art funds transfer system, FAST, which allows customer payment transactions to be processed electronically.

> ***"Banks are finding it difficult to differentiate themselves solely on the basis of a state-of-the-art processing system."***

Network Consultants, whose ownership passed in mid-1985 from the General Electric Information Services Co. to MCorp, has developed a module for its Money Net software (a popular wire-integrating package) that helps keep track of daylight exposure positions by focusing on Fed Wire activity. MTech, the direct parent of Network Consultants, is experimenting with the lease (as opposed to the sale) of wire transfer software. The lower price for leased software may allow banks with smaller volumes to upgrade their systems and to continue to offer economical wire transfer services.

Small Payments Channel

Paper and electronic checks dominate the small-payments channel. The wholesale paper-check system is similar to the retail system. The principal difference is that the issuer is an institution rather than an individual.

The electronic check system, a recent development in this channel, refers to payments through an automated clearinghouse (ACH). The ACH payment, which replaces the corporate paper check with an individual as the payee, is processed the same way as a retail ACH transaction.

The corporate-to-corporate payment — corporate trade payable (CTP) — through an ACH places different demands on both the ACH and the banks, reflecting the need to process large amounts of information along with the actual payment order. More than 500 million wholesale payments — representing 3% of wholesale check volume — are made via ACH. The remaining 17 billion paper checks are divided about equally between those to other wholesale parties and those to individuals (payroll, expenses, and dividends).

Wholesale check processing cost the industry $14 billion in 1984. In 1985, a typical check, which passed through 2.5 banking institutions, cost the banking system around 80 cents (including a portion of the cost of maintaining the branch system), while an ACH transaction costs less than 10 cents.

To many oberservers, paper check processing had advanced close to the physical limits of paper handling; the replacement technology of the electronic check is facing customer resistance on float, format, and security issues.

Yet the stakes in converting from paper to electronic check are high for both the bank and the wholesale customer. If only half of the wholesale checks were converted, the banking system would probably save $6 billion to $8 billion per year.

The benefit to the wholesale customer could be even more significant: An electronic check would be an element of a more extensive automation of a company's internal processing, resulting in savings of $10 billion to $15 billion per year. For example, it is estimated that the automobile industry alone could save $200 per automobile, or roughly $2 billion per year.

Electronic checks will probably not displace a significant percentage of paper checks over the next five years. More than 80% of the wholesale checks written each year is, according to estimates, issued by companies outside of the Fortune 1,000 industrial and the Fortune 500 service companies; providing access to the ACH in a format convenient to these middle-market companies (defined as a company with sales of $5 million to $150 million) is a necessary condition if the conversion is to be widespread. Standardization and marketing are key issues, because most of these smaller companies already utilize personal computers in their operations.

In addition to corporate-to-corporate payments, conversion is proceeding in two other major categories of small funds transfer — dividend and payroll payments. J.P. Morgan & Co. is particularly active in dividend payments and provides a zero balance account for them.

Other institutions, such as BankAmerica Corp., Valley National Corp., and First Wachovia Corp., are marketing direct-pay or direct-deposit payroll programs and have demonstrated a considerable potential for conversion, especially for middle-market companies. One of the inhibitors facing such programs is the reluctance of employees to agree to receive their pay in an account at a bank with which they do not normally do business.

Chase Manhattan Corp. and BankAmerica Corp. have announced the formation of private ACHs. The move was intended to enable them to negotiate better processing fees from the Federal Reserve or GEISCO and to influence National Automated Clearing House Association development more directly through representation on its board.

Chase Manhattan has also announced its intention to develop a service that will link networks in the United States with equivalent networks in Europe and Japan. The challenges of implementation include technical issues (conversion of the varied formats) and legal concerns (national restrictions on the transfer of data across borders).

First Wachovia Corp. is representative of a small group of banks that is increasing quality, while reducing processing costs by working with the regional Federal Reserve banks to improve the transmission process by using electronic, rather than tape, data transfer.

PNC Financial Corp has initiated a service that automatically strips the descriptive data from a corporate trade payable message and reformats the data into the standard lockbox format that the receiving company is able to receive electronically.

Payroll Plus, BankAmerica Corp.'s computerized payroll system, was expanded in 1985. Developed by a subsidiary, the system provides overnight processing for companies with 10 to 1,000 employees.

Northern Trust Co. and NBD Bancorp have announced plans to franchise ACH access systems that are applicable to middle-market companies to their correspondent or fellow network banks.

Transactions Services

In addition to the check processing system and the funds transfer system, wholesale payments require three transaction processing services: management of receivables, payables, and investments. These transaction services can be expensive to develop, install, and maintain. With the exception of image processing technology, little in the way of new technology will outdate the current systems.

Outlook

A distinguishing factor in the wholesale payments system — once effective networks are in place — will be the quality of transaction services. Certain systems, such as funds transfer, offer economies of scale that are leading to industry consolidation. Other systems, such as retail lockboxes, are local or regional.

In all cases, however, it is the quality of the processing system and, in particular, the appropriate use of technology that will distinguish banks, not the degree to which they use the latest technology.

Security Pacific's Service Level Agreement and First Chicago's Performance Measurement System are examples of successful quality insurance programs. Both programs provide meaningful and credible correlations between the quality of work and employee compensation. ■

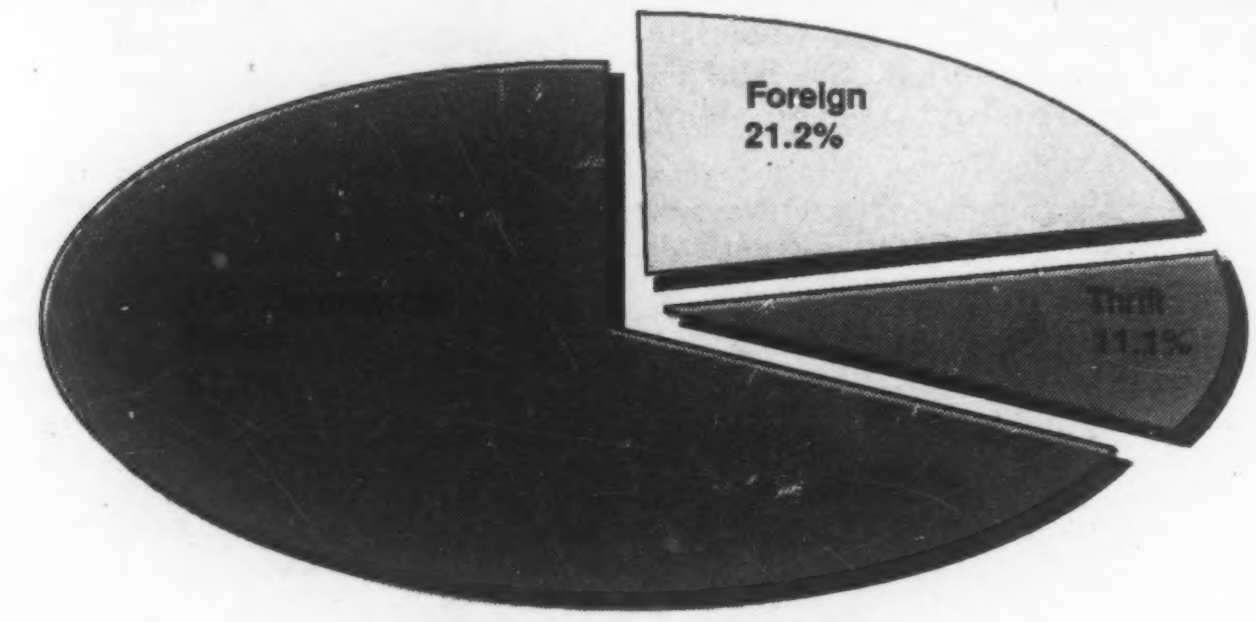
> ***"Yet the stakes in converting from paper to electronic check are high for both the bank and the wholesale customer. If only half the wholesale checks were converted, the banking system would probably save $6 billion to $8 billion per year."***

American Banker STATISTICS REVIEW

TWENTY-FIFTH ANNUAL SURVEY

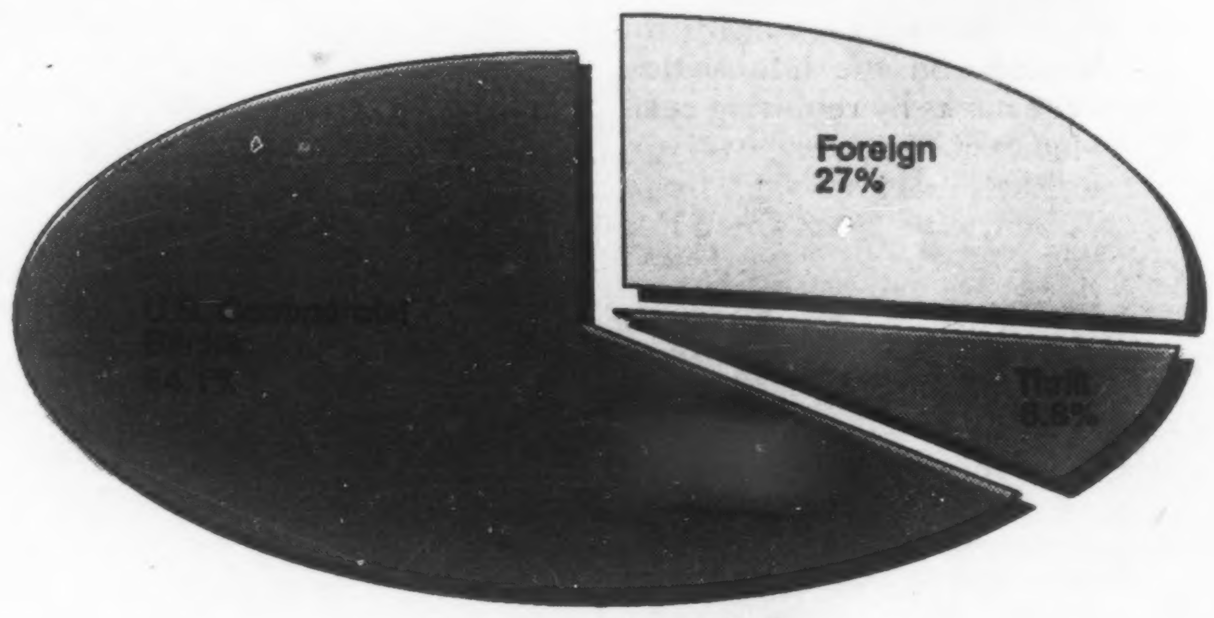
Correspondent Banking

Total Correspondent Balances: A Comparison 1984-1987



1987
In billions of dollars

Total:	$45.8
Domestic:	36.1
1.U.S. Commercial	31.0
2.Thrifts	5.1
Foreign:	9.7
Number of banks with $10 million or more in balances	394



1984
In billions of dollars

Total:	$39.6
Domestic:	28.1
1.U.S. Commercial	25.4
2.Thrifts	3.5
Foreign:	10.7
Number of banks with $10 million or more in balances	336

Top 25 Correspondent Banks

Total Correspondent Balances (In Thousands of Dollars)
Compiled by American Banker Copyright 1987

THEN: 25 Years Ago

Rank		9/30/62
1	**Chase Manhattan Bank, New York**	$1,259,113
2	**First National City Bank, New York**	768,436
3	**Manufacturers Hanover Trust Co., New York**	704,956
4	**Morgan Guaranty Trust Co., New York**	698,404
5	**Continental Illinois Nat'l Bank & Trust Co., Chicago**	562,275
6	**Chemical Bank New York Trust Co.**	449,617
7	**Bankers Trust Co., New York**	441,820
8	**Irving Trust Co., New York**	336,291
9	**First National Bank, Chicago**	331,695
10	**First National Bank, Dallas**	261,510
11	**Republic National Bank, Dallas**	225,285
12	**Philadelphia National Bank**	201,581
13	**First Pennsylvania Banking & Trust Co., Philadelphia**	200,400
14	**First National Bank, Boston**	197,199
15	**First City National Bank, Houston**	171,841
16	**National Bank of Detroit**	170,367
17	**Bank of America NT&SA, San Francisco**	165,980
18	**Mercantile Trust Co., St. Louis**	154,010
19	**Commercial Trust Co., Kansas City, Mo.**	147,142
20	**Mellon National Bank & Trust Co., Pittsburgh**	144,425
21	**First National Bank, St. Louis**	136,384
22	**Harris Trust & Savings Bank, Chicago**	124,056
23	**Marine Midland Trust Co., New York**	118,088
24	**First Wisconsin National Bank, Milwaukee**	116,180
25	**Northwestern National Bank, Minneapolis**	116,087

NOW: This Year

Rank		6/30/87
1	**Chase Manhattan Bank NA, New York**	$2,858,152
2	**Manufacturers Hanover Trust Co., New York**	2,245,000
3	**Citibank NA, New York**	2,236,000
4	**Bankers Trust Co., New York**	2,009,037
5	**Irving Trust Co., New York**	1,670,193
6	**First RepublicBank Dallas NA**	1,048,324
7	**Chemical Bank, New York**	1,039,000
8	**First National Bank, Chicago**	979,118
9	**Morgan Guaranty Trust Co., New York**	921,792
10	**First Interstate Bank of California, Los Angeles**	871,666
11	**Philadelphia National Bank**	860,301
12	**Security Pacific National Bank, Los Angeles**	824,792
13	**Bank of America NT&SA, San Francisco**	786,000
14	**Union Bank, Los Angeles**	686,539
15	**Continental Illinois Nat'l Bank & Trust Co., Chicago**	574,948
16	**MBank Dallas NA**	554,976
17	**National Bank of Detroit**	530,316
18	**First National Bank, Boston**	529,623
19	**Harris Trust & Savings Bank, Chicago**	519,778
20	**Connecticut National Bank, Hartford**	453,570
21	**First Tennessee Bank NA, Memphis**	423,866
22	**Mellon Bank NA, Pittsburgh**	404,606
23	**Norwest Bank Minneapolis NA**	388,047
24	**First National Bank St. Paul, Minn.**	379,078
25	**Texas Commerce Bank NA, Houston**	358,784

Top 300 Banks in Total Correspondent Balances

Ranked by Demand Deposits Due All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due to All Banks		Rank	Gain in Rank	Time and Savings Deposits Due to All Banks	
		6/30/87	6/30/86	6/30/86		6/30/87	6/30/86
1	Chase Manhattan Bank NA, New York	2,858,152	3,327,307	1		138,937	191,187
2	Manufacturers Hanover Trust Co., New York	2,245,000	2,900,803	2		322,000	1,191,993
3	Citibank NA, New York	2,236,000	2,648,316	3		82,000	127,258
4	Bankers Trust Co., New York	2,009,037	1,830,611	4		272,324	586,192
5	Irving Trust Co., New York	1,670,193	1,342,068	6	+1	171,736	135,013
6	First RepublicBank Dallas NA	1,048,324	404,822	19	+13	398,505	189,545
7	Chemical Bank, New York	1,039,000	1,801,803	5		188,000	145,511
8	First National Bank, Chicago	979,118	670,636	13	+5	223,814	397,416
9	Morgan Guaranty Trust Co., New York	921,792	945,209	8		641,056	498,418
10	First Interstate Bank of California, Los Angeles	871,666	823,850	11	+1	33,971	28,210
11	Philadelphia National Bank	860,301	882,221	9		185,418	199,587
12	Security Pacific National Bank, Los Angeles (x)	824,792	603,093	14	+2	28,952	30,885
13	Bank of America NT&SA, San Francisco (x)	786,000	1,246,565	7		150,000	480,113
14	Union Bank, Los Angeles	686,539	540,918	16	+2	23,515	22,064
15	Continental Illinois National Bank & Trust Co., Chicago (x)	574,948	742,226	12		265,252	770,203
16	MBank Dallas NA	554,976	305,811	25	+9	759,999	234,048
17	National Bank of Detroit	530,316	341,219	21	+4	97,395	34,295
18	First National Bank, Boston (x)	529,623	573,624	15		5,346	7,832
19	Harris Trust & Savings Bank, Chicago	519,778	463,368	17		1,982	32,966
20	Connecticut National Bank, Hartford	453,570	322,816	23	+3	2,428	1,398
21	First Tennessee Bank NA, Memphis	423,866	241,068	37	+16	0	0
22	Mellon Bank NA, Pittsburgh (x)	404,606	824,376	10		257,543	323,376
23	Norwest Bank Minneapolis NA	388,047	377,140	20		15,202	107,374
24	First National Bank St. Paul, Minn.	379,078	276,592	29	+5	196,849	125,503
25	Texas Commerce Bank NA, Houston	358,784	312,156	24		2,000	10,613
26	Brown Brothers Harriman & Co., New York	358,503	159,950	61	+35	22,635	39,199
27	Wells Fargo Bank NA, San Francisco	346,797	407,707	18		6,298	11,400
28	Bank of New York	336,174	243,407	36	+8	500	2,013
29	Northern Trust Co., Chicago	306,704	332,124	22		31,291	19,792
30	First Wisconsin National Bank, Milwaukee	306,526	275,462	30		51,508	50,496
31	Marine Midland Bank NA, Buffalo, N.Y.	304,092	269,486	31		2,445	5,692
32	United Bank of Denver NA	289,681	235,197	38	+6	225,020	139,679
33	American National Bank & Trust Co., Chicago	287,801	247,506	35	+2	0	0
34	First National Bank of Atlanta	263,647	208,033	44	+10	45,049	51,755
35	Community Bank, Huntington Park, Calif.	262,291	234,430	39	+4	14,486	4,550
36	Centerre Bank NA, St. Louis, Mo.	262,134	259,830	33		77,150	64,399
37	Indiana National Bank, Indianapolis	243,793	282,449	28		31,164	18,624
38	Citizens & Southern National Bank, Atlanta	242,915	183,161	55	+17	14,426	12,712
39	Connecticut Bank & Trust Co. NA, Hartford	225,560	203,690	45	+6	4,975	3,025
40	Boatmen's National Bank, St. Louis, Mo.	218,644	253,521	34		20,045	20,301
41	Shawmut Bank NA, Boston	215,557	196,603	49	+8	5,000	10,200
42	Commerce Bank of Kansas City NA, Mo.	207,477	149,022	66	+24	3,716	5,796
43	Savings Banks Trust Co., New York	199,085	157,905	63	+20	1,547	1,483
44	Allied Bank of Texas, Houston	194,165	201,318	46	+2	95,763	205,028
45	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	192,043	192,891	50	+5	158	450
46	Bank of New England NA, Boston	189,832	214,020	41		212,660	48 982
47	United Missouri Bank of Kansas City NA	188,486	198,460	48		18,048	30,298
48	First National Bank of Commerce, New Orleans	188,334	174,064	56	+8	25,517	25,137
49	Valley National Bank, Phoenix, Ariz.	187,623	158,500	62	+13	16,407	9,458
50	Boatmen's First National Bank, Kansas City, Mo.	187,025	141,696	73	+23	17,544	24,554
51	Liberty National Bank & Trust Co., Louisville, Ky.	183,865	189,880	51		5,637	15,540
52	Southeast Bank NA, Miami	183,483	222,651	40		1,997	24,000
53	MBank Houston NA	182,549	187,376	52		442,454	395,500
54	First Pennsylvania Bank NA, Philadelphia	182,207	162,857	58	+4	92,900	72,225
55	Maryland National Bank, Baltimore	181,489	208,517	43		0	535
56	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	178,948	198,712	47		124,753	89,075
57	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	175,109	157,400	64	+7	11,012	6,567
58	NCNB National Bank of Florida NA, Tampa	174,607	145,298	70	+12	0	0
59	NCNB National Bank of North Carolina, Charlotte	166,784	114,334	82	+23	15,514	4,800
60	Texas American Bank/Fort Worth NA	166,775	135,131	75	+15	465,495	242,345
61	First RepublicBank Houston NA	159,653	73,900	120	+59	17,754	0
62	Mercantile Bank NA, St. Louis, Mo.	159,520	154,957	65	+3	59,214	410,675
63	European American Bank, New York	148,228	294,825	27		36,703	81,243
64	Pittsburgh National Bank	147,783	295,595	26		213,235	109,776
65	Crestar Bank, Richmond	145,453	173,266	57		22,890	29,481
66	Mellon Bank (East), Philadelphia	142,991	122,625	79	+13	123,057	42,179
67	Trust Company Bank, Atlanta	141,167	146,392	69	+2	12,569	17,073
68	Rainier National Bank, Seattle	138,148	105,783	89	+21	70,060	31,394
69	First National Bank, Louisville, Ky.	135,937	102,678	93	+24	6,039	9,524
70	First National Bank, Minneapolis	132,414	187,199	53		62,835	118,852
71	First Fidelity Bank NA, Newark, N.J.	129,692	75,409	118	+47	21,304	13,387
72	First Florida Bank NA, Tampa	125,549	147,793	68		100	1,142
73	Provident National Bank, Philadelphia	123,702	148,292	67		111,287	105,045
74	First City National Bank, Houston	121,284	213,361	42		693,368	402,023
75	National Westminster Bank USA, New York	121,057	161,767	60		125,935	1,450
76	State Street Bank & Trust Co., Boston	120,399	183,735	54		59,057	8,939
77	Sun Bank NA, Orlando, Fla.	118,022	162,173	59		0	0
78	First Interstate Bank of Denver NA	117,201	95,804	99	+21	83,728	53,164
79	AmeriTrust Co. NA, Cleveland	117,183	118,101	81	+2	41,692	10,725
80	Merchants National Bank & Trust Co., Indianapolis	116,282	86,615	107	+27	3,544	11,833
81	Midlantic National Bank/North, West Paterson, N.J.	110,444	109,779	85	+4	0	0
82	Bank South NA, Atlanta	110,424	110,703	84	+2	80,255	32,314
83	Bank One Indianapolis NA	107,586	135,773	74		47,327	105,453
84	SouthTrust Bank of Alabama NA, Birmingham	105,909	106,559	88	+4	43,900	32,190
85	Seattle-First National Bank	105,840	104,501	90	+5	19,668	24,084
86	Sovran Bank NA, Richmond	105,227	79,127	112	+26	140,377	101,014
87	Barnett Bank of South Florida NA, Miami	104,370	47,118	164	+77	0	0
88	Texas Commerce Bank-Dallas NA	103,996	128,399	76		3,634	679
89	Marine Bank NA, Milwaukee, Wis.	103,751	100,258	95	+6	90,450	77,456
90	Riggs National Bank, Washington, D.C.	103,480	112,340	83		7,520	19,309
91	Fidelity Bank, Philadelphia (x)	101,007	94,730	102	+11	194,405	4,525
92	National City Bank, Cleveland	97,179	95,379	100	+8	4,491	2,661
93	Colorado National Bank, Denver	96,926	91,242	105	+12	19,561	9,111
94	Deposit Guaranty National Bank, Jackson, Miss.	96,512	77,036	113	+19	24,648	20,260
95	First City Bank, Dallas	95,978	94,021	103	+8	133,462	119,726
96	First National Bank of Maryland, Baltimore	95,411	108,385	86		0	0
97	Frost National Bank, San Antonio, Tex.	94,636	73,303	122	+25	0	0
98	Dominion Bank NA, Roanoke, Va.	93,822	119,730	80		5,434	15,458
99	Comerica Bank-Detroit	92,754	103,892	91		14,713	15,214
100	IBJ Schroder Bank & Trust Co., New York	88,370	53,134	150	+50	80,745	60,060

Total correspondent balances are the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other U.S. commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. The sum of demand deposits due to all banks plus time and savings deposits due to all banks are called **total interbank deposits.** **(x)**— The data for 6/30/87 do not include the clearing balances of the bank's Edge bank subsidiary. Therefore, the 6/30/87 and 6/30/86 data for this bank are not comparable.

Top 300 Banks in Total Correspondent Balances

Ranked by Demand Deposits Due All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due to All Banks		Rank 6/30/86	Gain In Rank	Time and Savings Deposits Due to All Banks	
		6/30/87	6/30/86			6/30/87	6/30/86
101	FirsTier Bank NA, Lincoln, Neb.	87,776	68,923	130	+29	3,463	427
102	Liberty National Bank & Trust Co., Oklahoma City	86,767	95,280	101		6,214	12,752
103	Barnett Bank of Tampa NA, Fla.	86,549	76,510	115	+12	0	0
104	First Commercial Bank NA, Little Rock, Ark.	86,267	64,747	132	+28	0	3,401
105	Trustmark National Bank, Jackson, Miss.	82,588	31,478	206	+101	1,288	1,580
106	Merchants National Bank, Cedar Rapids, Iowa	81,567	88,668	106		12,904	19,196
107	National Bank of Commerce T&S Assn., Lincoln, Neb.	80,378	58,265	140	+33	300	200
108	FirsTier Bank NA, Omaha, Neb.	79,226	71,829	123	+15	0	106
109	American Security Bank NA, Washington, D.C.	77,115	32,454	202	+93	40,746	18,897
110	Bank IV Wichita NA, Kan.	76,364	57,942	141	+31	28,596	51,526
111	South Carolina National Bank, Columbia	76,271	79,866	111		16,250	0
112	Central Bank of Denver	76,111	70,918	124	+12	183,361	115,873
113	Barnett Bank of Jacksonville NA, Fla.	75,379	98,716	97		0	0
114	MBank Corpus Christi NA, Tex.	70,394	93,809	104		61,550	59,230
115	Marquette Bank Minneapolis NA	69,771	61,028	134	+19	6,502	1,818
116	First National Bank, Cincinnati	69,240	73,458	121	+5	30,076	13,089
117	Norwest Bank Des Moines NA, Iowa	68,590	56,902	144	+27	500	600
118	Exchange National Bank, Chicago	68,539	45,041	171	+53	3,000	4,962
119	Equitable Bank NA, Baltimore	67,981	100,228	96		2,440	2,370
120	Central Bank of the South, Birmingham, Ala.	67,895	85,566	108		43,406	11,128
121	First Interstate Bank of Oklahoma NA, Oklahoma City	67,447	......	...		4,645	.....
122	National Community Bank, Rutherford, N.J.	67,222	69,327	128	+6	0	0
123	Fifth Third Bank, Cincinnati	67,208	59,361	137	+14	8,958	2,914
124	Third National Bank, Nashville, Tenn.	66,356	83,195	109		18,263	16,128
125	United States National Bank, Portland, Ore.	66,123	82,431	110		0	0
126	BayBank Boston NA	65,818	101,492	94		0	0
127	Zions First National Bank, Salt Lake City, Utah	63,931	60,637	135	+8	8,947	6,447
128	First Interstate Bank of Des Moines NA, Iowa	63,037	46,643	166	+38	3	310
129	Bank of Oklahoma NA, Tulsa	62,918	52,052	153	+24	77,478	74,352
130	National Bank of Commerce, Memphis	62,541	51,027	156	+26	7,215	10,772
131	RepublicBank San Antonio NA, Tex.	62,341	32,701	201	+70	40,367	4,195
132	American National Bank & Trust Co., St. Paul, Minn.	62,236	53,963	149	+17	14,356	12,796
133	Peoples National Bank of Washington, Seattle	61,902	69,197	129		2,429	11,786
134	Hibernia National Bank, New Orleans	60,850	51,885	155	+21	35,172	28,032
135	Old National Bank of Washington, Spokane	60,388	30,261	215	+80	0	0
136	First National Bank, Omaha, Neb.	59,[illegible]	69,394	127		17,268	308
137	Shawmut Worcester County Bank NA, Worcester, Mass.	58,666	56,069	146	+9	12,198	4,800
138	First Union National Bank of Florida, Jacksonville	57,405	30,312	214	+76	487	565
139	NBC Bank-San Antonio NA, Tex.	57,120	62,463	133		3,050	14,019
140	California First Bank, San Francisco	56,020	97,313	98		0	0
141	First American Bank NA, Washington, D.C.	55,927	34,203	194	+53	46,943	40,669
142	Sun Bank/Miami NA	55,340	40,862	177	+35	0	7,000
143	Arizona Bank, Phoenix	54,078	58,465	139		19	49
144	Bank of California NA, San Francisco (x)	53,934	126,208	78		11,959	11,590
145	National State Bank, Elizabeth, N.J.	52,549	52,877	151	+6	0	0
146	Midlantic National Bank, Newark, N.J.	51,497	76,403	116		30	4
147	Norwest Bank Nebraska NA, Omaha, Neb.	51,432	74,941	119		0	9,311
148	First National Bank, Lubbock, Tex.	51,087	52,749	152	+4	9,795	15,900
149	First National Bank & Trust Co., Tulsa, Okla.	51,057	56,524	145		7,387	350
150	Republic National Bank, New York	50,644	40,297	178	+28	38,571	556
151	Security National Bank, Sioux City, Iowa	50,495	58,758	138		11	200
152	AmSouth Bank NA, Birmingham, Ala.	50,422	54,169	148		139,342	103,933
153	Mercantile-Safe Deposit & Trust Co., Baltimore	50,351	75,691	117		0	0
154	Worthen Bank & Trust Co. NA, Little Rock, Ark.	50,119	45,271	169	+15	10,405	8,884
155	United Jersey Bank, Hackensack, N.J.	49,757	48,027	159	+4	1	0
156	Commerce Union Bank, Nashville, Tenn.	49,598	47,953	160	+4	100	100
157	Associated Kellogg Bank, Green Bay, Wis.	49,365	32,261	203	+46	300	400
158	Signet Bank/Maryland, Baltimore	49,327	69,888	125		2,567	1,398
159	Centerre Bank of Kansas City NA, Mo.	48,477	54,509	147		15,623	14,405
160	MBank El Paso NA, Tex.	48,231	60,540	136		2,988	3,557
161	First National Bank, Albuquerque, N.M.	48,228	29,990	218	+57	2,919	10,408
162	Victoria Bank & Trust Co., Tex.	47,075	47,574	162		2,861	8,800
163	First American National Bank, Nashville, Tenn.	46,799	45,091	170	+7	37,359	1,550
164	Whitney National Bank, New Orleans	46,606	49,551	157		0	553
165	First Bank Milwaukee NA	46,120	33,172	199	+34	22,083	26,168
166	LaSalle National Bank, Chicago	45,667	45,335	168	+2	36,938	18,060
167	MBank Fort Worth NA, Tex.	45,640	47,739	161		37,764	51,709
168	Union Planters National Bank, Memphis, Tenn.	43,229	30,969	209	+41	71	165
169	Key Bank NA, Albany, N.Y.	43,159	69,733	126		0	0
170	First State Bank, Abilene, Tex.	42,530	45,969	167		19,702	75,162
171	Bank IV Topeka NA, Topeka, Kan.	42,369	40,981	176	+5	0	0
172	Citizens National Bank, Evansville, Ind.	42,282	39,629	180	+8	0	0
173	First RepublicBank Austin NA, Tex.	42,101	103,433	92		25,789	2,987
174	First National Bank & Trust Co., Helena, Mont.	41,952	......	...		0	.....
175	Bank One Columbus NA, Ohio	41,881	76,967	114		23,000	194,845
176	Manufacturers National Bank, Detroit	41,765	49,284	158		5,996	4,994
177	Barnett Bank of Central Florida NA, Winter Park	40,036	39,289	183	+6	0	0
178	Manufacturers & Traders Trust Co., Buffalo, N.Y.	39,776	34,202	195	+17	3,705	1,984
179	Bank of Hawaii, Honolulu	39,758	33,785	197	+18	1,000	550
180	Denver National Bank	38,858	11,699	353	+173	4,407	6,236
181	Oregon Bank, Portland	38,464	22,176	266	+85	188	470
182	Security Bank of Kansas City, Kan.	38,381	37,224	184	+2	65,978	34,710
183	Commercial National Bank, Shreveport, La.	37,782	46,695	165		4,119	9,897
184	Old National Bank, Evansville, Ind.	37,375	35,792	187	+3	487	600
185	Barclays Bank of New York NA	37,061	23,835	258	+73	7,817	69
186	BankAmerica Trust Co., New York	36,673	......	...		0	.....
187	Boatmen's National Bank, Springfield, Mo.	36,129	30,173	217	+30	850	1,250
188	City National Bank, Beverly Hills, Calif.	35,988	24,494	252	+64	400	400
189	First Interstate Bank of Oregon NA, Portland	35,881	26,220	240	+51	0	2,399
190	Davenport Bank & Trust Co., Iowa	35,741	28,035	225	+35	52,009	20,775
191	First Security Bank of Utah NA, Ogden	35,644	47,273	163		0	0
192	Meridian Bank, Reading, Pa.	35,560	42,964	174		31,884	1,731
193	Central Trust Co. NA, Cincinnati	35,162	20,099	275	+82	0	0
194	First Interstate Bancard Co. NA, Simi Valley, Calif.	35,000	......	...		0	.....
195	Allied Bank of Dallas	34,851	35,174	189		103,903	135,839
196	BancOhio National Bank, Columbus	34,541	51,959	154		0	0
197	NCNB South Carolina, Columbia	33,584	36,339	186		0	73
198	First Security Nat'l Bank & Trust Co., Lexington, Ky.	33,398	39,389	182		18,519	10,400
199	National Bank of Waterloo, Iowa	33,281	34,483	192		0	0
200	First National Bank, Belleville, Ill.	32,955	29,066	222	+22	300	400

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Top 300 Banks in Total Correspondent Balances

Ranked by Demand Deposits Due All Banks (Dollar Figures in Thousands)

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Rank 6/87		Demand Deposits Due to All Banks 6/30/87	6/30/86	Rank 6/30/86	Gain In Rank	Time and Savings Deposits Due to All Banks 6/30/87	6/30/86
201	Texas Independent Bank, Irving, Tex.	32,854	27,005	233	+32	73,788	103,550
202	Hartford Trust Co. of New York	32,531	15,147	308	+106	0	0
203	Independent State Bank of Minnesota, Minneapolis	32,269	26,867	235	+32	435	0
204	Bank of Boston Connecticut, Waterbury	32,012	40,137	179		174	476
205	Terre Haute First National Bank, Ind.	31,782	18,003	289	+84	0	0
206	Bankers' Bank of Wisconsin, Madison	30,917	......	...		0	.....
207	Society National Bank, Cleveland	30,728	107,779	87		0	193
208	MBank Alamo NA, San Antonio, Tex.	30,444	26,167	242	+34	530	1,530
209	First RepublicBank Fort Worth NA, Tex.	30,409	57,737	142		23,735	24,500
210	First Interstate Bank of Arizona NA, Phoenix	29,912	39,548	181		0	0
211	First National Bank, Wichita, Kan.	29,651	33,166	200		3,432	8,396
212	Amarillo National Bank, Tex.	29,614	29,573	220	+8	860	6,500
213	United Missouri Bank of St. Louis, Clayton	29,456	12,798	333	+120	0	0
214	MBank Austin NA, Tex	28,305	30,335	213		8,340	27,152
215	First Bank Minnesota NA, Virginia	28,017	......	...		0	.....
216	First City National Bank of Beaumont, Tex.	27,942	41,077	175		5,480	1,370
217	National Bank of Georgia, Atlanta	27,791	43,173	173		1,763	10,356
218	First RepublicBank Lubbock NA, Tex.	27,501	19,867	278	+60	8,432	14,790
219	Texas Commerce Bank-Austin NA	27,157	29,887	219		9,816	19,495
220	Bankers Trust Co., Des Moines, Iowa	27,063	26,658	238	+18	1,000	2,022
221	First of America-Detroit NA	27,019	28,775	223	+2	0	0
222	First Union Bank of Augusta, Augusta	26,972	25,416	246	+24	575	750
223	United New Mexico Bank, Albuquerque	26,925	26,854	236	+13	400	1,500
224	Indian Head National Bank, Nashua, N.H.	26,885	26,947	234	+10	8,200	3,992
225	First National Bank, Amarillo, Tex.	26,787	27,574	231	+6	6,190	8,118
226	First RepublicBank Waco NA, Tex.	26,754	34,538	191		757	300
227	Bank of Canton of California, San Francisco	26,717	10,751	369	+142	264,000	143,397
228	Independent Bankers' Bank of Florida, Orlando	26,036	......	...		0	.....
229	First Bank Grand NA, St. Paul, Minn.	26,011	......	...		0	.....
230	First National Bank, Bozeman, Mont.	25,974	......	...		0	.....
231	Hutchinson National Bank & Trust Co., Kan.	25,921	22,748	263	+32	100	1,100
232	First Wisconsin National Bank, Eau Claire	25,882	19,291	281	+49	0	0
233	American National Bank & Trust Co., Chattanooga, Tenn.	25,786	24,266	256	+23	0	0
234	Sunwest Bank of Albuquerque NA, N.M.	25,772	25,860	244	+10	0	1,000
235	Old Kent Bank & Trust Co., Grand Rapids, Mich.	25,729	30,940	210		0	0
236	Citibank (Nevada) NA, Las Vegas	25,478	......	...		479,000	.....
237	Commercial National Bank, Kansas City, Kan.	25,190	31,884	205		0	200
238	Israel Discount Bank of New York	25,076	33,991	196		475	483
239	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	24,937	32,126	204		14,453	2,804
240	Cullen Center Bank & Trust Co., Houston	24,904	27,935	227		12,525	18,505
241	Commercial National Bank of Peoria, Ill.	24,881	21,526	269	+28	0	0
242	First Bank Butte NA, Butte, Mont.	24,703	......	...		0	.....
243	First City National Bank Austin, Tex.	24,698	23,393	262	+19	53,471	63,837
244	Boston Safe Deposit & Trust Co.	24,458	34,462	193		157,949	106,518
245	Daiwa Bank Trust Co., New York	24,343	......	...		0	.....
246	Cole Taylor Bank/Drovers, Chicago	24,150	19,971	277	+31	2,130	700
247	First National Bank, Shreveport, La.	23,791	27,082	232		3,300	3,975
248	Bank of New England-West NA, Springfield, Mass.	23,584	15,065	310	+62	0	0
249	Commonwealth National Bank, Harrisburg, Pa.	23,179	24,410	254	+5	413	1,133
250	Florida National Bank of Jacksonville	23,144	24,425	253	+3	2,226	8,819
251	United Bank of Arizona, Phoenix	23,106	17,755	290	+39	100	4,300
252	First RepublicBank Tyler NA, Tex.	22,871	25,902	243		19,824	400
253	First National Bankers' Bank, Baton Rouge, La.	22,650	......	...		0	.....
254	Capital Bank & Trust Co., Baton Rouge, La.	22,503	35,695	188		32,090	42,943
255	MBank Waco NA, Tex.	22,495	27,907	228		16,609	6,187
256	First American National Bank, Kingsport, Tenn.	22,386	22,559	264	+8	800	500
257	First Wyoming Bank Cheyenne	22,320	......	...		0	.....
258	First Bank of North Dakota NA-Jamestown	22,035	......	...		1	.....
259	Rainier Bank Oregon NA, Portland	21,809	......	...		0	.....
260	Puget Sound National Bank, Tacoma, Wash.	21,768	18,161	288	+28	0	0
261	Capital City First National Bank, Tallahasse, Fla.	21,669	30,824	211		120	170
262	Union Trust Co., Stamford, Conn.	21,611	33,201	198		0	0
263	Michigan National Bank, Farmington Hills	21,431	......	...		0	.....
264	Norwest Bank St. Paul NA, Minn.	21,388	15,209	307	+43	18	2
265	Society Bank NA, Dayton, Ohio	21,277	25,091	250		0	3,491
256	First National Bank & Trust Co., Bismarck, N.D.	21,208	......	...		0	.....
267	Charleston National Bank, W. Va.	21,156	19,081	283	+16	4,714	4,373
268	American Bank & Trust Co., Baton Rouge, La.	20,983	21,729	268		14,263	26,582
269	Chinese American Bank, New York	20,803	19,801	279	+10	0	0
270	Central Bank, San Francisco	20,385	14,955	312	+42	12,695	28,600
271	First Bank Billings NA, Mont.	20,334	1	0		0	0
272	First Union National Bank, Charlotte, N.C.	20,271	22,248	265		13,100	4,500
273	First American National Bank of Knoxville, Tenn.	20,254	20,903	270		900	0
274	BayBank Middlesex, Burlington, Mass.	20,239	20,177	273		85,272	306
275	Fourth National Bank, Tulsa, Okla.	20,121	23,493	260		6,382	13,434
276	First Westside Bank, Great Falls, Mont.	20,051	......	...		0	.....
277	First National Bank, Miles City, Mont.	20,026	......	...		0	.....
278	First National Bank, Branierd, Minn.	20,000	......	...		0	.....
279	First Bank Washington, Omak	20,000	......	...		0	.....
280	Fleet National Bank, Providence, R.I.	19,878	27,780	229		0	0
281	First Bank NA-Western Montana, Missoula	19,859	......	...		30	.....
282	Texas Commerce Bank-El Paso, Tex.	19,684	24,693	251		0	0
283	First Los Angeles Bank	19,662	11,156	363	+80	45,000	25,000
284	First-Citizens Bank & Trust Co., Raleigh, N.C.	19,624	24,258	257		30	34
285	United States Trust Co., Boston	19,009	......	...		15,579	.....
286	Fort Wayne National Bank, Ind.	18,871	16,656	296	+10	1,500	1,615
287	NBD Grand Rapids NA, Mich.	18,785	20,730	272		0	0
288	Citibank (Delaware), New Castle	18,565	15,657	300	+12	0	0
289	Norwest Bank South Dakota NA, Sioux Falls	18,556	17,416	293	+4	0	0
290	Wilmington Trust Co., Del.	18,518	12,079	347	+57	0	0
291	First Interstate Bank, Albuquerque, N.M.	18,349	......	...		63,400	.....
292	First National Bank, Elkhart, Ind.	18,087	25,208	248		200	900
293	First Alabama Bank, Montgomery	17,853	29,242	221		43,227	17,098
294	First City National Bank, Tyler, Tex.	17,821	27,955	226		8,145	6,553
295	Sanwa Bank California, San Francisco	17,816	3,288	0		27,304	16,450
296	Union National Bank, Little Rock, Ark.	17,730	14,996	311	+15	200	200
297	Union National Bank, Pittsburgh	17,763	12,167	345	+48	0	0
298	First Interstate Bank of Billings NA	17,658	15,625	301	+3	1,317	900
299	Independent State Bank, Denver	17,203	11,204	361	+62	0	2,498
300	Affiliated Bank/North Shore NA, Chicago	17,104	11,298	358	+58	0	0

Total correspondent balances are the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other U.S. commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. The sum of demand deposits due to all banks plus time and savings deposits due to all banks are called **total interbank deposits.** **(x)**— The data for 6/30/87 do not include the clearing balances of the bank's Edge bank subsidiary. Therefore, the 6/30/87 and 6/30/86 data for this bank are not comparable.

Top Banks in Domestic Correspondent Balances

Ranked by Demand Deposits Due U.S. Banks (Dollar Figures in Thousands)

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Rank 6/87		Demand Deposits Due U.S. Banks		Rank 6/30/86	Gain in Rank	Time and Svgs Dep. Due U.S. Banks	
		6/30/87	6/30/86			6/30/87	6/30/86
1	Chase Manhattan Bank NA, New York	1,693,822	1,846,021	2	+1	53,919	58,206
2	Manufacturers Hanover Trust Co., New York	1,307,000	2,143,749	1		258,000	1,151,779
3	Bankers Trust Co., New York	1,154,573	968,562	3		259,204	424,354
4	First RepublicBank Dallas NA	1,011,157	381,697	17	+ 13	398,505	189,545
5	Security Pacific National Bank, Los Angeles	797,441	514,169	10	+5	28,952	27,385
6	First Interstate Bank of California, Los Angeles	775,920	724,228	6		15,763	9,618
7	Bank of America NT&SA, San Francisco	688,000	618,000	8	+1	68,000	52,000
8	Union Bank, Los Angeles	659,210	512,277	11	+3	23,515	22,064
9	First National Bank, Chicago	613,029	471,782	12	+3	205,718	372,448
10	Chemical Bank, New York	607,000	968,265	4		94,000	45,348
11	Philadelphia National Bank	600,466	467,687	13	+2	185,008	199,357
12	Citibank NA, New York	600,000	575,000	9		64,000	113,000
13	Irving Trust Co., New York	573,690	753,499	5		156,873	118,550
14	Continental Illinois Nat'l Bank & Trust Co., Chicago	553,102	707,106	7		260,571	759,171
15	MBank Dallas NA	552,288	302,580	23	+8	709,999	172,114
16	National Bank of Detroit	508,412	318,971	21	+5	97,395	34,295
17	Harris Trust & Savings Bank, Chicago	476,512	434,959	15		1,900	32,827
18	Connecticut National Bank, Hartford	449,355	319,418	19	+1	2,428	1,398
19	First National Bank, Boston	446,485	457,333	14		5,000	7,100
20	First Tennessee Bank NA, Memphis	418,416	239,265	34	+ 14	0	0
21	Norwest Bank Minneapolis NA	382,749	362,915	18		15,202	87,874
22	Mellon Bank NA, Pittsburgh	381,657	402,142	16		222,043	292,676
23	First National Bank St. Paul, Minn.	379,078	276,346	28	+5	196,849	125,503
24	Texas Commerce Bank NA, Houston	338,422	300,741	24		2,000	10,613
25	Wells Fargo Bank NA, San Francisco	308,911	313,274	22		6,244	11,226
26	First Wisconsin National Bank, Milwaukee	293,932	262,376	29	+3	51,508	50,496
27	Bank of New York	290,101	183,846	48	+ 21	500	2,013
28	United Bank of Denver NA	282,545	232,646	36	+8	56,594	7,937
29	American National Bank & Trust Co., Chicago	281,971	242,507	33	+4	0	0
30	Morgan Guaranty Trust Co., New York	270,429	319,300	20		542,112	335,424
31	Northern Trust Co., Chicago	264,473	284,148	25		30,962	17,342
32	Community Bank, Huntington Park, Calif.	262,291	234,430	35	+3	14,486	4,550
33	First National Bank of Atlanta	261,016	205,994	38	+5	45,049	51,755
34	Centerre Bank NA, St. Louis, Mo.	259,531	258,039	30		77,150	64,399
35	Indiana National Bank, Indianapolis	242,732	281,806	26		31,164	18,624
36	Connecticut Bank & Trust Co. NA, Hartford	220,441	200,143	42	+6	4,975	3,025
37	Boatmen's National Bank, St. Louis, Mo.	218,550	253,352	32		20,045	20,301
38	Commerce Bank of Kansas City NA, Mo.	206,113	145,999	62	+ 24	3,716	5,796
39	Shawmut Bank NA, Boston	204,488	183,575	49	+ 10	5,000	10,200
40	Savings Banks Trust Co., New York	199,085	157,905	56	+ 16	1,547	1,483
41	Allied Bank of Texas, Houston	191,780	200,599	41		95,763	205,028
42	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	191,531	192,381	45	+3	158	450
43	United Missouri Bank of Kansas City NA	187,090	196,980	44		18,048	30,298
44	Boatmen's First National Bank, Kansas City, Mo.	186,449	140,981	66	+ 22	17,544	24,554
45	First National Bank of Commerce, New Orleans	184,877	167,188	53	+8	24,337	24,429
46	Bank of New England NA, Boston	183,938	189,037	47		211,829	48,826
47	Liberty National Bank & Trust Co., Louisville, Ky.	183,818	189,857	46		5,637	15,540
48	Valley National Bank, Phoenix, Ariz.	179,390	151,125	58	+10	4,407	9,458
49	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	178,852	198,497	43		124,753	89,075
50	First Pennsylvania Bank NA, Philadelphia	177,506	158,327	55	+5	92,900	72,225
51	Maryland National Bank, Baltimore	173,700	205,367	39		0	535
52	NCNB National Bank of Florida NA, Tampa	172,516	145,298	63	+ 11	0	0
53	Southeast Bank NA, Miami	172,083	217,112	37		1,997	24,000
54	MBank Houston NA	171,002	182,241	50		442,454	395,500
55	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	167,317	151,270	57	+2	11,012	6,567
56	Texas American Bank/Fort Worth NA	165,395	133,669	68	+ 12	465,495	242,345
57	NCNB National Bank of North Carolina, Charlotte	159,084	101,110	83	+ 26	15,514	4,800
58	Mercantile Bank NA, St. Louis, Mo.	155,026	149,992	59	+1	59,214	410,675
59	First RepublicBank Houston NA	153,504	71,185	114	+ 55	17,754	0
60	Citizens & Southern National Bank, Atlanta	150,907	98,225	88	+ 28	11,390	8,350
61	Crestar Bank, Richmond	143,531	171,648	52		22,890	29,481
62	Mellon Bank (East), Philadelphia	137,133	111,510	75	+ 13	123,057	42,142
63	First National Bank, Louisville, Ky.	134,989	101,327	82	+ 19	6,039	9,524
64	Pittsburgh National Bank	133,820	279,591	27		212,765	109,526
65	Trust Company Bank, Atlanta	131,152	142,979	64		12,569	17,073
66	First Florida Bank NA, Tampa	125,029	146,707	61		100	1,142
67	Provident National Bank, Philadelphia	123,680	147,446	60		111,287	105,045
68	First Fidelity Bank NA, Newark, N.J.	123,597	67,873	122	+ 54	21,304	13,387
69	Sun Bank NA, Orlando, Fla.	116,916	161,115	54		0	0
70	First National Bank, Minneapolis	115,955	176,542	51		62,835	118,852
71	First City National Bank, Houston	115,323	200,610	40		693,368	399,234
72	First Interstate Bank of Denver NA	115,016	93,833	92	+ 20	83,728	53,164
73	Merchants National Bank & Trust Co., Indianapolis	115,002	85,999	99	+ 26	3,544	11,833
74	AmeriTrust Co. NA, Cleveland	112,302	114,488	74		41,692	10,725
75	Bank South NA, Atlanta	110,389	110,584	76	+1	80,173	32,286
76	Midlantic National Bank/North, West Paterson, N.J.	108,701	108,418	77	+1	0	0
77	Marine Midland Bank NA, Buffalo, N.Y.	107,037	84,120	101	+ 24	2,359	5,359
78	SouthTrust Bank of Alabama NA, Birmingham	105,581	106,057	78		43,900	32,190
79	Bank One Indianapolis NA	105,355	124,296	72		47,327	105,453
80	Texas Commerce Bank-Dallas NA	103,996	128,399	70		3,634	679
81	Sovran Bank NA, Richmond	103,747	75,247	109	+ 28	140,355	100,922
82	Marine Bank NA, Milwaukee, Wis.	102,907	98,477	87	+5	90,450	77,456
83	Rainier National Bank, Seattle	102,409	86,282	98	+ 15	48,598	29,894
84	Barnett Bank of South Florida NA, Miami	100,881	44,758	164	+ 80	0	0
85	Deposit Guaranty National Bank, Jackson, Miss.	96,252	76,730	105	+ 20	24,648	20,260
86	First City Bank, Dallas	95,960	93,988	91	+5	133,462	119,726
87	National City Bank, Cleveland	94,841	92,124	94	+7	4,491	2,661
88	Dominion Bank NA, Roanoke, Va.	93,789	119,713	73		5,434	15,458
89	First National Bank of Maryland, Baltimore	93,615	104,830	79		0	0
90	Colorado National Bank, Denver	92,107	90,699	96	+6	19,561	9,111
91	Fidelity Bank, Philadelphia	89,929	64,164	128	+ 37	194,405	4,525
92	Comerica Bank-Detroit	89,075	98,567	86		14,713	15,214
93	Frost National Bank, San Antonio, Tex.	88,416	67,449	123	+ 30	0	0
94	FirsTier Bank NA, Lincoln, Neb.	87,748	68,816	120	+ 26	3,463	427
95	Liberty National Bank & Trust Co., Oklahoma City	86,632	95,120	90		6,214	12,752
96	Barnett Bank of Tampa NA, Fla.	86,549	76,510	107	+ 11	0	0
97	First Commercial Bank NA, Little Rock, Ark.	86,267	64,747	127	+ 30	0	3,401
98	Trustmark National Bank, Jackson, Miss.	82,578	31,478	197	+ 99	1,288	1,580
99	State Street Bank & Trust Co., Boston	81,946	129,093	69		59,057	8,939
100	Merchants National Bank, Cedar Rapids, Iowa	81,076	88,580	97		12,904	19,196

Domestic correspondent balances are demand deposits due U.S. banks and include: domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other U.S. commercial banks in the U.S. **Time and savings deposits due to domestic banks** are nontransaction accounts due domestic banks and thrifts.

Top 200 Banks in Thrift Correspondent Balances

(Dollar Figures in Thousands)

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Rank 6/87		Deposits Due to Thrifts		
		6/30/87	6/30/86	% Chg.
1	Manufacturers Hanover Trust Co., New York	250,000	329,082	- 24.03
2	Union Bank, Los Angeles	236,734	221,350	6.95
3	First Interstate Bank of California, Los Angeles	206,943	212,159	-2.46
4	Savings Banks Trust Co., New York	199,085	157,905	26.08
5	Security Pacific National Bank, Los Angeles	176,468	135,060	30.66
6	Bank of America NT&SA, San Francisco	155,000	168,000	-7.74
7	First National Bank, Boston	127,160	124,356	2.25
8	Chemical Bank, New York	102,000	110,130	-7.38
9	Irving Trust Co., New York	100,947	248,496	- 59.38
10	Bank of New England NA, Boston	79,825	88,064	-9.36
11	Connecticut Bank & Trust Co. NA, Hartford	76,989	81,990	-6.10
12	Chase Manhattan Bank NA, New York	76,371	77,391	-1.32
13	Connecticut National Bank, Hartford	74,472	79,773	-6.65
14	Southeast Bank NA, Miami	73,454	62,601	17.34
15	Valley National Bank, Phoenix, Ariz.	67,320	58,033	16.00
16	Harris Trust & Savings Bank, Chicago	62,765	74,445	- 15.69
17	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	56,611	66,060	- 14.30
18	First Wisconsin National Bank, Milwaukee	53,895	57,571	-6.39
19	California First Bank, San Francisco	51,350	91,863	- 44.10
20	Crestar Bank, Richmond	46,266	75,285	- 38.55
21	Shawmut Bank NA, Boston	45,778	29,012	57.79
22	State Street Bank & Trust Co., Boston	44,209	47,784	-7.48
23	Signet Bank/Maryland, Baltimore	43,834	56,800	- 22.83
24	Fidelity Bank, Philadelphia	43,490	6,590	559.94
25	First Florida Bank NA, Tampa	42,363	38,077	11.26
26	Sun Bank NA, Orlando, Fla.	40,449	71,213	- 43.20
27	Rainier National Bank, Seattle	38,792	42,987	-9.76
28	First National Bank of Maryland, Baltimore	38,243	39,534	-3.27
29	Peoples National Bank of Washington, Seattle	38,025	42,074	-9.62
30	Old National Bank of Washington, Spokane	37,974	12,590	201.62
31	Deposit Guaranty National Bank, Jackson, Miss.	37,615	39,776	-5.43
32	National State Bank, Elizabeth, N.J.	36,474	39,853	-8.48
33	First National Bank of Atlanta	36,022	21,534	67.28
34	Key Bank NA, Albany, N.Y.	34,149	46,501	- 26.56
35	Citibank NA, New York	34,000	53,000	- 35.85
36	First Bank Milwaukee NA	33,181	22,172	49.65
37	National Community Bank, Rutherford, N.J.	32,204	25,119	28.21
38	Midlantic National Bank/North, West Paterson, N.J.	32,002	33,697	-5.03
39	First Fidelity Bank NA, Newark, N.J.	31,711	61,568	- 48.49
40	United Jersey Bank, Hackensack, N.J.	31,581	28,701	10.03
41	Pittsburgh National Bank	31,445	62,395	- 49.60
42	Sovran Bank NA, Richmond	30,492	25,252	20.75
43	Sun Bank/Miami NA	30,427	29,108	4.53
44	Bank of Boston Connecticut, Waterbury	30,296	38,568	- 21.45
45	First Pennsylvania Bank NA, Philadelphia	29,946	30,821	-2.84
46	First National Bank, Chicago	29,636	27,085	9.42
47	American Security Bank NA, Washington, D.C.	29,494	.....	.....
48	MBank Houston NA	29,177	21,564	35.30
49	First Bank Minnesota NA, Virginia	28,000	.....	.....
50	Marine Midland Bank NA, Buffalo, N.Y.	27,398	25,347	8.09
51	United Bank of Denver NA	27,218	52,343	- 48.00
52	Manufacturers & Traders Trust Co., Buffalo, N.Y.	25,746	21,696	18.67
53	Seattle-First National Bank	25,593	34,418	- 25.64
54	Maryland National Bank, Baltimore	25,213	24,104	4.60
55	National Bank of Detroit	25,044	27,632	-9.37
56	Midlantic National Bank, Newark, N.J.	25,006	41,653	- 39.97
57	Riggs National Bank, Washington, D.C.	24,808	20,865	18.90
58	Bank of Hawaii, Honolulu	24,669	16,756	47.22
59	Bank of New York	24,586	40,595	- 39.44
60	AmeriTrust Co. NA, Cleveland	24,549	38,418	- 36.10
61	Boston Safe Deposit & Trust Co.	24,257	34,256	- 29.19
62	Barclays Bank of New York NA	24,135	18,769	28.59
63	National Westminster Bank USA, New York	22,835	32,848	- 30.48
64	European American Bank, New York	22,744	36,234	- 37.23
65	Arizona Bank, Phoenix	22,084	26,895	- 17.89
66	First Bank of North Dakota NA-Jamestown	22,000	.....	.....
67	City National Bank, Beverly Hills, Calif.	21,915	13,035	68.12
68	RepublicBank San Antonio NA, Tex.	21,730	1,209	1,697.35
69	First National Bank & Trust Co., Bismarck, N.D.	21,025	.....	.....
70	Bankers Trust Co., New York	20,258	19,848	2.07
71	Norwest Bank St. Paul NA, Minn.	20,249	14,900	35.90
72	Hibernia National Bank, New Orleans	20,062	20,065	-0.01
73	First National Bank, Branierd, Minn.	20,000	.....	.....
74	Continental Illinois Nat'l Bank & Trust Co., Chicago	19,564	29,261	- 33.14
75	Central Bank, San Francisco	19,501	14,426	35.18
76	Bank of New England-West NA, Springfield, Mass.	19,340	14,731	31.29
77	Republic National Bank, New York	18,574	8,942	107.72
78	South Carolina National Bank, Columbia	18,522	12,723	45.58
79	Central Bank of the South, Birmingham, Ala.	18,201	30,778	- 40.86
80	BancOhio National Bank, Columbus	18,068	26,516	- 31.86
81	American National Bank & Trust Co., Chicago	17,948	18,388	-2.39
82	Wells Fargo Bank NA, San Francisco	17,573	37,078	- 52.61
83	National Bank of Georgia, Atlanta	16,539	29,316	- 43.58
84	BayBank Middlesex, Burlington, Mass.	16,462	19,535	- 15.73
85	Equitable Bank NA, Baltimore	16,378	21,621	- 24.25
86	Union Trust Co., Stamford, Conn.	16,345	32,391	- 49.54
87	United States National Bank, Portland, Ore.	16,049	26,129	- 38.58
88	Wilmington Trust Co., Del.	16,046	11,299	42.01
89	First National Bank, Louisville, Ky.	15,937	19,312	- 17.48
90	Casco Northern Bank NA, Portland, Me.	15,569	16,017	-2.80
91	Trust Company Bank, Atlanta	15,214	29,966	- 49.23
92	NCNB National Bank of Florida NA, Tampa	15,005	2,947	409.16
93	Sunwest Bank of Albuquerque NA, N.M.	14,762	12,903	14.41
94	First RepublicBank Houston NA	14,550	.....	.....
95	Centerre Bank NA, St. Louis, Mo.	13,961	17,060	- 18.17
96	First Tennessee Bank NA, Memphis	13,544	12,007	12.80
97	First National, East Grand Forks, Minn.	13,500	.....	.....
98	National City Bank, Cleveland	13,096	22,706	- 42.32
99	Commercial Security Bank, Ogden, Utah	12,852	23,005	- 44.13
100	First Fidelity Bank NA/S. Jersey, Burlington Twp.	12,619	.....	.....
101	Citizens National Bank, Evansville, Ind.	12,398	9,037	37.19
102	First National Bank, Albuquerque, N.M.	12,396	8,685	42.73
103	Colorado National Bank, Denver	12,030	.....	.....
104	First Bank of North Dakota NA, Grand Forks	12,000	.....	.....
105	Indiana National Bank, Indianapolis	11,938	7,513	58.90
106	Puget Sound National Bank, Tacoma, Wash.	11,910	11,268	5.70
107	NCNB National Bank of North Carolina, Charlotte	11,833	7,587	55.96
108	First National Bank, Alexandria, Minn.	11,559	.....	.....
109	First National Bank, Cincinnati	11,538	19,835	- 41.83
110	Manufacturers National Bank, Detroit	11,280	17,026	- 33.75
111	Sun Bank of Tampa Bay, Tampa, Fla.	11,047	962	1,048.34
112	First National Bank, Mankato, Minn.	11,000	.....	.....
113	Fifth Third Bank, Cincinnati	10,990	17,706	- 37.93
114	First Security Bank of Utah NA, Ogden	10,434	10,060	3.72
115	Michigan National Bank, Farmington Hills	10,359	.....	.....
116	First Interstate Bank of Arizona NA, Phoenix	10,304	10,197	1.05
117	Inter-City Bank, Benton Harbor, Mich.	10,231	.....	.....
118	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	10,181	9,975	2.07
119	First Bank of North Dakota NA-Minot	10,175	.....	.....
120	Society Bank NA, Dayton, Ohio	10,108	8,906	13.50
121	Mellon Bank NA, Pittsburgh	10,009	25,436	- 60.65
122	First National Bank, Lubbock, Tex.	9,873	8,922	10.66
123	Florida National Bank of Jacksonville	9,546	12,048	- 20.77
124	Central Fidelity Bank, Richmond	9,134	10,932	- 16.45
125	First National Bank, Rochester, Minn.	8,938	177	4,949.72
126	First Interstate Bank of Denver NA	8,824	6,504	35.67
127	First Interstate Bank of Oklahoma NA, Oklahoma City	8,558	.....	.....
128	First Security Bank of Idaho NA, Boise	8,546	8,494	61
129	Shawmut Worcester Cty Bk NA, Worcester, Mass.	8,540	23,915	- 64.29
130	Valley Bank of Nevada, Las Vegas	8,400	9,240	-9.09
131	MBank Dallas NA	8,365	12,511	- 33.14
132	BayBank Boston NA	8,356	7,730	8.10
133	Dominion Bank NA, Roanoke, Va.	8,321	3,821	117.77
134	First RepublicBank Dallas NA	8,251	4,884	68.94
135	Exchange National Bank, Chicago	8,149	6,440	26.54
136	Maine National Bank, Portland	8,107	15,240	- 46.80
137	Commonwealth National Bank, Harrisburg, Pa.	8,055	6,590	22.23
138	Merrill Trust Co., Bangor, Me.	8,051	6,164	30.61
139	United Bank & Trust Co., Hartford, Conn.	8,026	.....	.....
140	Associated Kellogg Bank, Green Bay, Wis.	7,830	308	2,442.21
141	Central Jersey Bank & Trust Co., Freehold Twp.	7,801	11,240	- 30.60
142	Morgan Guaranty Trust Co., New York	7,693	16,948	- 54.61
143	Southwest Bank, Vista, Calif.	7,555	9,403	- 19.65
144	Texas Commerce Bank-Austin NA	7,497	13,392	- 44.02
145	Whitney National Bank, New Orleans	7,435	4,843	53.52
146	Liberty National Bank & Trust Co., Louisville, Ky.	7,251	2,747	163.96
147	Union National Bank, Lowell, Mass.	7,243	7,700	-5.94
148	NCNB South Carolina, Columbia	7,193	11,000	- 34.61
149	Chase Lincoln First Bank NA, Rochester, N.Y.	6,903	7,994	- 13.65
150	SouthTrust Bank of Alabama NA, Birmingham	6,886	3,585	94.79
151	Texas Commerce Bank-San Angelo NA	6,782	7,615	- 10.94
152	National Bank of Commerce, Memphis	6,719	9,807	- 31.49
153	Citizens & Southern National Bank, Atlanta	6,680	8,622	- 22.52
154	Bank One Columbus NA, Ohio	6,583	6,459	1.92
155	Essexbank, Peabody, Mass.	6,544	6,588	- 67
156	Allied Bank of Texas, Houston	6,419	6,594	-2.65
157	First-Citizens Bank & Trust Co., Raleigh, N.C.	6,383	9,125	- 30.05
158	South Shore Bank, Quincy, Mass.	6,035	.....	.....
159	MBank El Paso NA, Tex.	5,826	3,720	56.61
160	Society Bank of Eastern Ohio NA, Canton	5,787	14,257	- 59.41
161	Sanwa Bank California, San Francisco	5,664	.....	.....
162	Frost National Bank, San Antonio, Tex.	5,600	3,900	43.59
163	NS&T Bank NA, Washington, D.C.	5,520	.....	.....
164	BayBank Norfolk County Trust Co., Dedham, Mass.	5,456	8,935	- 38.94
165	First Hawaiian Bank, Honolulu	5,423	6,643	- 18.37
166	First American National Bank of Knoxville, Tenn.	5,378	7,055	- 23.77
167	First Nat'l Bk of Central Jersey, Bridgewater Twp	5,322	7,840	- 32.12
168	First Interstate Bank of Washington NA, Seattle	5,232	7,426	- 29.54
169	Amarillo National Bank, Tex.	5,120	3,169	61.57
170	First City National Bank of Beaumont, Tex.	4,990	7,145	- 30.16
171	First National Bank & Trust Co., Tulsa, Okla.	4,974	6,325	- 21.36
172	First American National Bank, Nashville, Tenn.	4,920	8,990	- 45.27
173	NBD-Genesee Bank, Flint, Mich.	4,896	2,564	90.95
174	Third National Bank & Trust Co., Scranton, Pa.	4,792	4,755	78
175	Provident National Bank, Philadelphia	4,757	11,918	- 60.09
176	Manufacturers Hanover Bank (Delaware), Wilmington	4,722	22,278	- 78.80
177	Boulevard Bank NA, Chicago	4,706	2,474	90.22
178	Security National Bank, Sioux City, Iowa	4,655	4,226	10.15
179	AmSouth Bank NA, Birmingham, Ala.	4,618	6,238	- 25.97
180	Schenectady Trust Co., N.Y.	4,612	5,571	- 17.21
181	Equibank, Pittsburgh	4,543	3,138	44.77
182	Alaska Pacific Bank, Anchorage	4,480	6,468	- 30.74
183	Union National Bank, Wichita, Kan.	4,458	5,909	- 24.56
184	Sovran Bank/Maryland, Bethesda	4,390	2,676	64.05
185	Norwest Bank Nebraska NA, Omaha, Neb.	4,247	193	2,100.52
186	United Jersey Bank South NA, Cherry Hill	4,104	.....	.....
187	First RepublicBank Austin NA, Tex.	4,058	8,576	- 52.68
188	Cole Taylor Bank/Drovers, Chicago	4,043	5,737	- 29.53
189	Bank IV Wichita NA, Kan.	3,997	2,821	41.69
190	MBank Wichita Falls NA, Tex.	3,980	1,101	261.49
191	Old Kent Bank & Trust Co., Grand Rapids, Mich.	3,968	4,032	-1.59
192	Commerce Union Bank, Nashville, Tenn.	3,966	8,880	- 55.34
193	Summit Bank, Fort Wayne, Ind.	3,908	2,235	74.85
194	United Carolina Bank, Whiteville, N.C.	3,898	.....	.....
195	First City National Bank, Houston	3,876	7,833	- 50.52
196	First American Bank NA, Washington, D.C.	3,664	4,089	- 10.39
197	Shawmut Community Bank NA, Framingham, Mass.	3,584	1,061	237.79
198	First National Bank, Sioux Falls, S.D.	3,579	3,455	3.59
199	Society National Bank, Cleveland	3,542	2,339	51.43
200	First RepublicBank Harlingen NA, Tex.	3,525	.....	.....

Thrift correspondent balances are demand deposits due mutual and stock savings banks, building or savings and loan associations, homestead associations, cooperative banks, and credit unions.

Top Banks in Foreign Correspondent Balances

Banks with Demand Deposits Due Foreign Banks of $10 Million or More (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due Foreign Banks		Rank	Gain	Time/Savings Deposits Due Foreign Banks	
		6/30/87	6/30/86	6/30/86	in Rank	6/30/87	6/30/86
1	**Citibank NA, New York**	1,636,000	2,073,316	1		18,000	14,258
2	**Chase Manhattan Bank NA, New York**	1,164,330	1,481,286	2		85,018	132,981
3	**Irving Trust Co., New York**	1,096,503	588,569	8	+5	14,863	16,463
4	**Manufacturers Hanover Trust Co., New York**	938,000	757,054	5	+1	64,000	40,214
5	**Bankers Trust Co., New York**	854,464	862,049	3		13,120	161,838
6	**Morgan Guaranty Trust Co., New York**	651,363	625,909	7	+1	98,944	162,994
7	**Chemical Bank, New York**	432,000	833,538	4		94,000	100,163
8	**First National Bank, Chicago**	366,089	198,854	12	+4	18,096	24,968
9	**Brown Brothers Harriman & Co., New York**	331,814	149,615	14	+5	22,635	39,199
10	**Philadelphia National Bank**	259,835	414,534	10		410	230
11	**Marine Midland Bank NA, Buffalo, N.Y.**	197,055	185,366	13	+2	86	333
12	**European American Bank, New York**	116,030	229,320	11		4,426	4,432
13	**Bank of America NT&SA, San Francisco (x)**	98,000	628,565	6		82,000	428,113
14	**First Interstate Bank of California, Los Angeles**	95,746	99,622	18	+4	18,208	18,592
15	**Citizens & Southern National Bank, Atlanta**	92,008	84,936	21	+6	3,036	4,362
16	**National Westminster Bank USA, New York**	84,133	109,023	16		29	33
17	**First National Bank, Boston (x)**	83,138	116,291	15		346	732
18	**Riggs National Bank, Washington, D.C.**	60,879	63,011	22	+4	2,722	7,310
19	**Bank of New York**	46,073	59,561	23	+4	0	0
20	**Harris Trust & Savings Bank, Chicago**	43,266	28,409	33	+ 13	82	139
21	**Northern Trust Co., Chicago**	42,231	47,976	25	+4	329	2,450
22	**State Street Bank & Trust Co., Boston**	38,453	54,642	24	+2	0	0
23	**IBJ Schroder Bank & Trust Co., New York**	38,248	35,531	26	+3	21,918	4,000
24	**Wells Fargo Bank NA, San Francisco**	37,886	94,433	19		54	174
25	**First RepublicBank Dallas NA**	37,167	23,125	36	+ 11	0	0
26	**Rainier National Bank, Seattle**	35,739	19,501	39	+ 13	21,462	1,500
27	**Republic National Bank, New York**	31,331	30,918	29	+2	853	0
28	**Bank of California NA, San Francisco (x)**	28,645	104,710	17		0	1,300
29	**Security Pacific National Bank, Los Angeles (x)**	27,351	88,924	20		0	3,500
30	**Union Bank, Los Angeles**	27,329	28,641	32	+2	0	0
31	**Seattle-First National Bank**	27,171	29,686	31		127	824
32	**Bank of Canton of California, San Francisco**	26,679	10,478	52	+ 20	264,000	143,397
33	**American Security Bank NA, Washington, D.C.**	24,847	23,274	35	+2	18,827	1,897
34	**Israel Discount Bank of New York**	23,250	33,379	28		475	368
35	**Mellon Bank NA, Pittsburgh (x)**	22,949	422,234	9		35,500	30,700
36	**National Bank of Detroit**	21,904	22,248	37	+1	0	0
37	**Continental Illinois National Bank & Trust Co., Chicago (x)**	21,846	35,120	27		4,681	11,032
38	**Texas Commerce Bank NA, Houston**	20,362	11,415	49	+ 11	0	0
39	**Chinese American Bank, New York**	20,286	19,772	38		0	0
40	**First National Bank, Minneapolis**	16,459	10,657	51	+ 11	0	0
41	**National Bank of Long Beach, Calif.**	15,156	......	..		197	.....
42	**Industrial Bank of Japan Trust Co., New York**	15,066	1,693	..		192,538	149,926
43	**Pittsburgh National Bank**	13,963	16,004	40		470	250
44	**First American Bank NA, Washington, D.C.**	13,422	7,160	59	+ 15	46,943	40,669
45	**First Wisconsin National Bank, Milwaukee**	12,594	13,086	43		0	0
46	**MBank Houston NA**	11,547	5,135	..		0	0
47	**Bank of Hawaii, Honolulu**	11,439	8,838	54	+7	1,000	550
48	**Southeast Bank NA, Miami**	11,400	5,539	..		0	0
49	**Capital Bank, Miami**	11,396	8,515	56	+7	386	0
50	**Extebank, New York**	11,132	......	...		0	.....
51	**Fidelity Bank, Philadelphia (x)**	11,078	30,566	30		0	0
52	**Shawmut Bank NA, Boston**	11,069	13,028	44		0	0
53	**Florida National Bank of Jacksonville**	10,160	1,235	..		698	100
54	**Trust Company Bank, Atlanta**	10,015	3,413	..		0	0

Demand deposits due to foreign banks are foreign correspondent balances. **Foreign correspondent balances** are the sum of domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. **Time and savings deposits due to foreign banks** are nontransaction accounts due foreign banks, as defined above. **(e)**— Edge bank data for 6/30/85 were not available. **(x)**— The data for 6/30/87 do not include the clearing balances of the bank's Edge bank subsidiary. Therefore, the 6/30/87 and 6/30/86 data for this bank are not comparable.

Correspondent Bank Survey Sources and Definitions

The data for the *American Banker* survey of correspondent banking are taken from a questionnaire on information from the federal regulatory reports of condition, or "call reports," of June 30.

Specifically, the data requested were from schedule RC-E, Part 1, of the call report. This schedule asks for a breakdown of deposits for a bank and its domestic subsidiaries. In addition, banks with Edge banking subsidiaries were asked to report selected deposit data for their domestic Edge banking offices from Federal Reserve form FR2886b. That form is the Edge bank call report.

Total correspondent balances are the sum of domestic correspondent balances and foreign correspondent balances.

Domestic correspondent balances are the sum of domestically booked demand deposits due to other depository institutions in the United States, and domestically booked demand deposits due to other U.S. commercial banks in the United States.

Demand deposits due to other depository institutions are also called thrift correspondent balances. Thrift institutions are mutual and stock savings banks, building or savings and loan associations, homestead associations, cooperative banks, and credit unions.

Foreign correspondent balances are the sum of domestically booked demand deposits due other banks in foreign countries, domestically booked demand deposits due foreign government and official institutions, and clearing balances in the bank's domestic Edge bank subsidiaries.

Clearing balances are the sum of an Edge bank's transaction accounts due foreign government and official institutions, transaction accounts due commercial banks in the United States, and transaction accounts due banks in foreign countries.

Edge banks are international banking and financial vehicles through which U.S. banking organizations can offer international services and through which they may compete with similar foreign-owned institutions in the United States and abroad.

An Edge bank is limited by statute to engage only in activities in the United States that are "incidental" to international and foreign business. Many of the major correspondent banks that are headquartered outside New York use their Edge bank subsidiaries to provide correspondent services to their foreign respondent banks.

For banks failing to respond to the survey, call report data — provided by ADP Data Services Division New York — were used. However, Edge bank data for these banks were not available this year. (In previous years, Federal Reserve data were used for banks failing to report.)

The lack of Edge bank data had a sizable effect on the foreign correspondent balances and total correspondent balances of the following seven banks: Bank of America NT& SA, San Francisco; Bank of California NA, San Francisco; Continental Illinois National Bank & Trust Co., Chicago; Fidelity Bank NA, Philadelphia; First National Bank, Boston; Mellon Bank NA, Pittsburgh; and Security Pacific National Bank, Los Angeles.

Although fees are becoming increasingly important in the correspondent banking sector, the demand deposit figures still provide a gauge for measuring the scale of each bank's correspondent business. But, these balances are one-day figures that are subject to sizable daily volatility, and they can shift radically from quarter to quarter.

Top 200 Banks in Interbank Deposits

Ranked by Size of Total Deposits Due to All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Dep. Due To Banks 6/30/87	& of Total Deposits	Rank 6/30/86	Gain in Rank
1	Chase Manhattan Bank NA, New York	2,997,089	4.8	2	+1
2	Manufacturers Hanover Trust Co., New York	2,567,000	5.6	1	
3	Citibank NA, New York	2,318,000	2.2	3	
4	Bankers Trust Co., New York	2,281,361	7.4	4	
5	Irving Trust Co., New York	1,841,929	14.2	8	+3
6	Morgan Guaranty Trust Co., New York	1,562,848	3.3	9	+3
7	First RepublicBank Dallas NA	1,446,829	15.0	16	+9
8	MBank Dallas NA	1,314,975	24.6	21	+ 13
9	Chemical Bank, New York	1,227,000	3.1	5	
10	First National Bank, Chicago	1,202,932	4.2	12	+2
11	Philadelphia National Bank	1,045,719	16.8	11	
12	Bank of America NT&SA, San Francisco (x)	936,000	1.3	6	
13	First Interstate Bank of California, Los Angeles	905,637	5.2	13	
14	Security Pacific National Bank, Los Angeles (x)	853,744	2.5	14	
15	Continental Illinois Nat'l B&T Co., Chicago (x)	840,200	4.5	7	
16	First City National Bank, Houston	814,652	29.1	15	
17	Union Bank, Los Angeles	710,054	9.6	20	+3
18	Mellon Bank NA, Pittsburgh (x)	662,149	3.9	10	
19	Texas American Bank/Fort Worth NA	632,270	33.5	29	+ 10
20	National Bank of Detroit	627,711	6.1	31	+ 11
21	MBank Houston NA	625,003	18.0	17	
22	First National Bank St. Paul, Minn.	575,927	19.0	28	+6
23	First National Bank, Boston (x)	534,969	3.5	18	
24	Harris Trust & Savings Bank, Chicago	521,760	8.9	23	
25	United Bank of Denver NA	514,701	25.1	32	+7
26	Citibank (Nevada) NA, Las Vegas	504,478	95.1	...	
27	Connecticut National Bank, Hartford	455,998	7.5	37	+ 10
28	Citibank (South Dakota) NA, Sioux Falls	440,026	26.0	22	
29	First Tennessee Bank NA, Memphis	423,866	9.9	54	+ 25
30	Norwest Bank Minneapolis NA	403,249	10.7	24	
31	Bank of New England NA, Boston	402,492	5.2	47	+ 16
32	Brown Brothers Harriman & Co., New York	381,138	40.2	66	+ 34
33	Pittsburgh National Bank	361,018	4.9	27	
34	Texas Commerce Bank NA, Houston	360,784	5.6	38	+4
35	First Wisconsin National Bank, Milwaukee	358,034	12.4	35	
36	Wells Fargo Bank NA, San Francisco	353,095	1.1	25	
37	Centerre Bank NA, St. Louis, Mo.	339,284	13.1	36	
38	Northern Trust Co., Chicago	337,995	7.7	34	
39	Bank of New York	336,674	2.1	52	+ 13
40	First National Bank of Atlanta	308,696	6.1	48	+8
41	Marine Midland Bank NA, Buffalo, N.Y.	306,537	1.8	44	+3
42	Industrial Bank of Japan Trust Co., New York	306,309	9.8	40	
43	Alaska Mutual Bank, Anchorage	304,033	51.2	97	+ 54
44	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	303,701	11.5	43	
45	Fidelity Bank, Philadelphia (x)	295,412	4.2	126	+ 81
46	NBD Delaware Bank, Wilmington	291,740	92.2	67	+ 21
47	Bank of Canton of California, San Francisco	290,717	35.6	87	+ 40
48	Allied Bank of Texas, Houston	289,928	13.8	26	
49	American National Bank & Trust Co., Chicago	287,801	10.1	50	+1
50	Community Bank, Huntington Park, Calif.	276,777	37.9	55	+5
51	First Pennsylvania Bank NA, Philadelphia	275,107	7.1	56	+5
52	Indiana National Bank, Indianapolis	274,957	9.4	42	
53	Mellon Bank (East), Philadelphia	266,048	8.2	78	+ 25
54	Bank of Tokyo Trust Co., New York	262,539	5.3	169	+115
55	Central Bank of Denver	259,472	27.1	71	+ 16
56	Citizens & Southern National Bank, Atlanta	257,341	3.4	68	+ 12
57	National Westminster Bank USA, New York	246,992	2.7	82	+ 25
58	Sovran Bank NA, Richmond	245,604	2.5	72	+ 14
59	United Bank Alaska, Anchorage	241,556	62.7	119	+ 60
60	Boatmen's National Bank, St. Louis, Mo.	238,689	8.4	45	
61	Provident National Bank, Philadelphia	234,989	5.4	49	
62	Connecticut Bank & Trust Co. NA, Hartford	230,535	3.3	62	
63	First City Bank, Dallas	229,440	38.3	58	
64	Canadian Imp. Bk of Comm. (Calif), Los Angeles	225,471	97.5	59	
65	Shawmut Bank NA, Boston	220,557	5.7	61	
66	Mercantile Bank NA, St. Louis, Mo.	218,734	6.8	19	
67	First National Bank of Commerce, New Orleans	213,851	13.7	65	
68	Commerce Bank of Kansas City NA, Mo.	211,193	19.4	86	+ 18
69	Rainier National Bank, Seattle	208,208	3.4	98	+ 29
70	United Missouri Bank of Kansas City NA	206,534	15.9	57	
71	Boatmen's First National Bank, Kansas City, Mo.	204,569	17.5	77	+6
72	Valley National Bank, Phoenix, Ariz.	204,030	2.3	76	+4
73	First Interstate Bank of Denver NA	200,929	14.3	89	+ 16
74	Savings Banks Trust Co., New York	200,632	96.4	84	+10
75	Beneficial National Bank, Wilmington, Del.	200,000	37.5	...	
76	First National Bank, Minneapolis	195,249	3.3	39	
77	Marine Bank NA, Milwaukee, Wis.	194,201	16.0	73	
78	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	192,201	11.8	69	
79	Bank South NA, Atlanta	190,679	8.4	92	+ 13
80	AmSouth Bank NA, Birmingham, Ala.	189,764	4.2	85	+5
81	Liberty National Bank & Trust Co., Louisville, Ky.	189,502	12.6	63	
82	Wachovia B & T Co. NA, Winston-Salem, N.C.	186,121	2.1	80	
83	Southeast Bank NA, Miami	185,480	2.0	51	
84	European American Bank, New York	184,931	4.0	30	
85	Boston Safe Deposit & Trust Co.	182,407	2.0	94	+9
86	NCNB National Bank of North Carolina, Charlotte	182,298	2.0	108	+ 22
87	Maryland National Bank, Baltimore	181,489	3.0	60	
88	Mitsubishi Bank of California, Los Angeles	181,183	13.6	263	+175
89	State Street Bank & Trust Co., Boston	179,456	4.0	70	
90	First RepublicBank Houston NA	177,407	9.9	155	+ 65
91	NCNB National Bank of Florida NA, Tampa	174,607	2.6	91	
92	Comerica-Midwest NA, Toledo, Ohio	172,000	99.8	...	
93	IBJ Schroder Bank & Trust Co., New York	169,115	11.6	110	+ 17
94	Crestar Bank, Richmond	168,343	2.8	64	
95	AmeriTrust Co. NA, Cleveland	158,875	2.3	103	+8
96	Colonial National Bank USA, Wilmington, Del.	157,218	15.6	79	
97	Bank One Indianapolis NA	154,913	5.5	53	
98	Trust Company Bank, Atlanta	153,736	4.6	81	
99	First Fidelity Bank NA, Newark, N.J.	150,996	2.2	136	+ 37
100	SouthTrust Bank of Alabama NA, Birmingham	149,809	7.5	95	
101	First National Bank, Louisville, Ky.	141,976	5.3	111	+ 10
102	Bank of Oklahoma NA, Tulsa	140,396	9.2	105	+3
103	Allied Bank of Dallas	138,754	21.6	74	
104	MBank Corpus Christi NA, Tex.	131,944	22.5	88	
105	Chicago-Toyko Bank	131,635	35.0	142	+ 37
106	First Florida Bank NA, Tampa	125,649	3.2	90	
107	Seattle-First National Bank	125,508	1.7	104	
108	Deposit Guaranty National Bank, Jackson, Miss.	121,160	4.7	131	+ 23
109	Merchants National Bank & Trust Co., Indianapolis	119,826	6.5	128	+ 19
110	Tokai Bank of California, Los Angeles	119,351	17.3	106	
111	Sun Bank NA, Orlando, Fla.	118,022	4.3	83	
112	American Security Bsnk NA, Washington, D.C.	117,861	3.3	201	+ 89
113	Colorado National Bank, Denver	116,487	13.1	122	+9
114	Central Bank of the South, Birmingham, Ala.	111,301	4.8	132	+ 18
115	Riggs National Bank, Washington, D.C.	111,000	2.5	100	
116	Midlantic National Bank/North, West Paterson, N.J.	110,444	4.7	112	
117	Texas Commerce Bank-Dallas NA	107,630	7.9	102	
118	Comerica Bank-Detroit	107,467	1.9	109	
119	Texas Independent Bank, Irving, Tex.	106,642	95.9	101	
120	Merchants Bank, Kansas City, Mo.	105,750	8.2	235	+115
121	Banco de Ponce, P.R.	105,543	4.5	134	+ 13
122	BayBank Middlesex, Burlington, Mass.	105,511	3.7	332	+210
123	Bank IV Wichita NA, Kan.	104,960	9.5	113	
124	Barnett Bank of South Florida NA, Miami	104,370	2.5	215	+ 91
125	Security Bank of Kansas City, Kan.	104,359	20.9	158	+ 33
126	First American Bank NA, Washington, D.C.	102,870	8.0	153	+ 27
127	RepublicBank San Antonio NA, Tex.	102,708	13.7	241	+114
128	National City Bank, Cleveland	101,670	2.5	129	+1
129	Bank of New York (Delaware), Wilmington	100,000	8.8	...	
130	First National Bank, Cincinnati	99,316	5.2	138	+8
131	Dominion Bank NA, Roanoke, Va.	99,256	3.9	99	
132	Hibernia National Bank, New Orleans	96,022	2.6	145	+ 13
133	First National Bank of Maryland, Baltimore	95,411	2.5	114	
134	Frost National Bank, San Antonio, Tex.	94,636	6.5	156	+ 22
135	Merchants National Bank, Cedar Rapids, Iowa	94,471	18.1	117	
136	Liberty National Bank & Trust Co., Oklahoma City	92,981	5.6	115	
137	South Carolina National Bank, Columbia	92,521	2.8	146	+9
138	FirsTier Bank NA, Lincoln, Neb.	91,239	11.1	162	+ 24
139	Metro North State Bank, Kansas City, Mo.	91,132	25.4	270	+131
140	Republic National Bank, New York	89,215	0.8	231	+ 91
141	Davenport Bank & Trust Co., Iowa	87,750	10.1	207	+ 66
142	Barnett Bank of Tampa NA, Fla.	86,549	7.6	148	+6
143	First Commercial Bank NA, Little Rock, Ark.	86,267	11.4	166	+ 23
144	First Interstate Bank of Alaska, Anchorage	85,621	25.5	...	
145	Third National Bank, Nashville, Tenn.	84,619	3.9	125	
146	First American National Bank, Nashville, Tenn.	84,158	3.9	217	+ 71
147	Trustmark National Bank, Jackson, Miss.	83,876	4.3	266	+119
148	MBank Fort Worth NA, Tex.	83,404	11.2	124	
149	LaSalle National Bank, Chicago	82,605	7.7	171	+ 22
150	First Interstate Bank, Albuquerque, N.M.	81,749	16.9	...	
151	National Bank of Commerce T&S Assn., Lincoln, Neb.	80,678	19.5	182	+ 31
152	FirsTier Bank NA, Omaha, Neb.	79,226	9.0	157	+5
153	First City National Bank Austin, Tex.	78,169	11.2	137	
154	First National Bank, Omaha, Neb.	77,223	11.1	161	+7
155	American National Bank & Trust Co., St. Paul, Minn.	76,592	18.3	168	+ 13
156	Marquette Bank Minneapolis NA	76,273	7.3	172	+ 16
157	Fifth Third Bank, Cincinnati	76,166	3.7	173	+ 16
158	Barnett Bank of Jacksonville NA, Fla.	75,379	6.3	127	
159	First City Bank, Sioux Falls, S.D.	75,144	30.2	262	+103
160	Zions First National Bank, Salt Lake City, Utah	72,878	3.4	167	+7
161	First Interstate Bank of Oklahoma NA, Oklahoma City	72,092	9.0	...	
162	Exchange National Bank, Chicago	71,539	5.1	204	+ 42
163	Shawmut Worcester County Bank NA, Mass.	70,864	6.7	175	+ 12
164	Equitable Bank NA, Baltimore	70,421	2.3	120	
165	National Bank of Commerce, Memphis	69,756	6.9	174	+9
166	Norwest Bank Des Moines NA, Iowa	69,090	7.4	183	+ 17
167	First Bank Milwaukee NA	68,203	8.9	177	+ 10
168	First RepublicBank Austin NA, Tex.	67,890	5.6	118	
169	Meridian Bank, Reading, Pa.	67,444	1.3	222	+ 53
170	National Community Bank, Rutherford, N.J.	67,222	2.6	163	
171	United States National Bank, Portland, Ore.	66,123	1.2	140	
172	Bank of California NA, San Francisco (x)	65,893	2.1	96	
173	BayBank Boston NA	65,818	21.9	121	
174	Bank One Columbus NA, Ohio	64,881	2.9	46	
175	First Los Angeles Bank	64,662	10.1	247	+ 72
176	Peoples National Bank of Washington, Seattle	64,331	3.4	143	
177	Centerre Bank of Kansas City NA, Mo.	64,100	11.9	164	
178	First Interstate Bank of Des Moines NA, Iowa	63,040	19.5	216	+ 38
179	First State Bank, Abilene, Tex.	62,232	21.9	107	
180	First Alabama Bank, Montgomery	61,080	1.8	219	+ 39
181	First National Bank, Lubbock, Tex.	60,882	13.5	165	
182	Worthen Bank & Trust Co. NA, Little Rock, Ark.	60,524	10.3	194	+ 12
183	Old National Bank of Washington, Spokane	60,388	4.0	282	+ 99
184	NBC Bank-San Antonio NA, Tex.	60,170	5.4	149	
185	Atlantic Bank, New York	59,675	8.4	176	
186	First National Bank & Trust Co., Tulsa, Okla.	58,444	7.1	187	+1
187	First Union National Bank of Florida, Jacksonville	57,892	1.1	279	+ 92
188	California First Bank, San Francisco	56,020	1.1	130	
189	Home National Bank, Milford, Mass.	55,856	14.8	368	+179
190	Sun Bank/Miami NA	55,340	3.5	212	+ 22
191	Capital Bank & Trust Co., Baton Rouge, La.	54,593	15.2	147	
192	First RepublicBank Fort Worth NA, Tex.	54,144	6.6	141	
193	Arizona Bank, Phoenix	54,097	1.4	181	
194	National State Bank, Elizabeth, N.J.	52,549	3.3	196	+2
195	First Security Nat'l Bank & Trust Co., Lexington, Ky.	51,917	6.2	205	+ 10
196	Signet Bank/Maryland, Baltimore	51,894	2.3	159	
197	Midlantic National Bank, Newark, N.J.	51,527	1.5	150	
198	Norwest Bank Nebraska NA, Omaha, Neb.	51,432	4.8	139	
199	MBank El Paso NA, Tex.	51,219	4.1	170	
200	First National Bank, Albuquerque, N.M.	51,147	5.7	233	+ 33

(x)—6/30/87 data excludes clearing balances of the Edge bank subsidiary.

Thrift Deposits at Commercial Banks Down by 9% from 1986

➻ Continued from Page 1

in this sector of the correspondent banking market.

These are some of the findings of the *American Banker's* 25th annual survey of correspondent banking published today. The tables begin on page 23.

The survey lists the top U.S. commercial banks in total correspondent balances, domestic correspondent balances, thrift correspondent balances, foreign correspondent balances, and total interbank balances.

Thrift correspondent balances — or demand deposits placed by thrifts at U.S. commercial banks — totaled $5.1 billion on June 30, and accounted for 11.1% of all correspondent balances held by banks. A year earlier, thrift correspondent balances were $5.6 billion, and accounted for 12% of the total.

These figures are for banks with $10 million in total correspondent balances. There were 394 such banks on June 30, and 378 banks a year earlier.

Need for Correspondent Services Soar

Although balances have declined, the thrifts' demand for basic correspondent services — as measured by the growth in checking deposits at thrifts — continued to soar. According to Federal Reserve Board data, checking deposits at thrifts rose 24.4% for the year that ended June 30, to $78.4 billion, after rising 30.1% during the comparable period in 1986.

Most of these checks are cleared by a thrift's correspondent. As the volume of checks at thrifts grows, bigger correspondent balances or higher fees are required to compensate the correspondent for its clearing services.

As previously mentioned, the main reason balances have declined — despite an increase in demand for correspondent services — is the rapid movement from balances to fees by thrifts.

A large correspondent bank in the Northeast stated that only 25% of its thrift customers now pay for their correspondent services by maintaining a specified balance. The remaining 75% maintain minimal balances and pay fees for the bulk of their correspondent services.

The movement to fees is attributable in part to the pressure regulators placed on the thrift industry to raise the capital-to-assets ratio, according to Jonathan Gray, a savings and loan analyst for Sanford C. Bernstein & Co., an investment management firm in New York.

One way to boost the ratio is to limit the growth of assets. "Compensating balances bloat a thrift's balance sheet," he said. "Fees — an expense item on the income statement — do not and are, therefore, preferable."

Limit Growth of Assets

Dennis Jacobe, a senior vice president and director of policy research at the U.S. League for Savings Institutions, Chicago, agrees that the tighter net worth requirements are the main reason for thrifts' preferences for fees. "In addition, liquidity is also a factor," he said. "A thrift does not want to place large deposits with its correspondent bank that cannot be pulled quickly."

Another factor in the deposit decline is the increase in competition banks face from the regional Federal Home Loan banks. For example, at the Federal Home Loan Bank of New York, over the 12-month period that ended June 30, the number of out-clearing checks (checks accepted by thrifts from their customers and deposited with a regional Federal Home Loan bank for clearing) totaled 32.8 million, up 15.5% from 28.4 million checks cleared over the comparable period a year earlier. And the number of New York and New Jersey institutions using the out-clearing service totaled 44 at midyear 1987, up from 39 users the year before.

At the Federal Home Loan Bank of San Francisco, the growth in out-clearing checks was substantially higher. The San Francisco bank cleared 44.5 million of these checks over the year that ended June 30, up from 32.8 million checks, or a 35.7% increase, cleared over the comparable period a year earlier. Currently 80 institutions in the San Francisco bank's region — which includes Arizona, California, and Nevada — use the out-clearing service.

Other Survey Findings

- There were 394 banks in the United States with total correspondent balances of $10 million or more on June 30. These deposits totaled $45.8 million, down 1.7% from $46.7 billion for 378 banks a year earlier.
- The 394 banks had domestic commercial bank correspondent balances of $31 billion, up 3.7% from $29.9 billion the year before. Domestic commercial bank balances accounted for 67.7% of total correspondent balances, at midyear 1987, compared with 64% a year earlier.

The gain in these balances is attributable in part to the decline in interest rates over the period. The bulk of domestic commercial bank correspondent services are paid for by compensating demand balances maintained by respondent banks with their correspondent bank.

A decline in interest rates lowers the value of these balances. Other things remaining equal, higher balances will be needed by respondents to pay for their correspondent services.

Correspondent banks generally use the 90-day Treasury bill rate to value correspondent balances. The average 90-day Treasury bill for the year that ended June 30 fell by 124 basis points from the year before.

- For the second year in a row, the top bank in total correspondent balances is the Chase Manhattan Bank, New York, with $2.86 billion in these deposits, down 14% from $3.33 billion a year earlier. Total correspondent balances include demand deposits due all banks — both domestic and foreign — and U.S. thrift institutions.
- In addition, Chase was the top bank in domestic correspondent balances. Chase had $1.69 billion in domestic correspondent balances, down 8% from $1.85 billion a year earlier, when it ranked second. Domestic correspondent balances are demand deposits due U.S. banks and thrifts.

Chase surpassed Manufacturers Hanover Trust Co., New York, in domestic correspondent balances. Manufacturers Hanover ranked second, with $1.31 billion, down 39% from $2.14 billion a year earlier.

- However, for the second year in a row, Manufacturers ranked as the top bank in thrift correspondent balances with $250 million on June 30, down 24% from $329 million a year earlier.
- Citibank, New York, is the top bank in foreign correspondent balances with $1.64 billion in these deposits on June 30, down 21% from $2.07 billion a year earlier. Foreign correspondent balances are demand deposits due foreign banks. ■

LEGAL ADVERTISING

Limited Partnership

RS PARTNERS, 30 Rockefeller Plaza, NYC. Substance of Certificate of Limited Partnership filed in NY Co. Clks Office Nov. 6, 1987. Business: Acquire, develop, operate, hold and dispose of an interest in a partnership, corporation, joint venture or real estate investment trust; an interest in a mortgage, bond, or other evidence of indebtedness; an interest in land, buildings or other real property. General Partner (GP): L.G. Schafran & Partners, L.P., 30 Rockefeller Plz., NYC. Limited Partner (LP) & Contribution: The Rockefeller Foundation, 1133 Avenue of Americas, NYC, $20,000,000. Term: Until Dec. 31, 1997 unless sooner terminated upon the following: (a) LP and GP consent thereto in writing; (b) disposition of all property; (c) death, dissolution, voluntary retirement or adjudication of incompetency of GP unless LP continues business; (d) L.G. Schafran, individually, ceases to be general partner of GP and LP elects to dissolve; or (e) if GP (i) adjudicated bankrupt, (ii) has receiver appointed and appointment remains in effect 30 days, (iii) makes assigment for benefit of creditors, (iv) files petition in bankruptcy or for arrangement with creditors, or (v) admits by pleading the material allegations of bankruptcy petition or similar pleading filed against it, unless LP continues business. No additional contributions agreed to be made. No time agreed upon for the return of contributions. The share of the net profits and other compensation by way of income which LP shall receive is equal to (i) interest and other yields earned on bank deposits or investments in short-term obligations to extent such deposits and investments made with funds contributed by LP which have not been otherwise invested at any time, and (ii) a percentage of net profits from each investment determined by annual rate of return upon the investment. To extent that annual return is 9% or less, LP percentage of net profits is 99%; to extent that return is more than 9% but less than 13%, LP percentage thereof is 79%; to extent that return is more than 13% but less than 20%, LP percentage thereof is 69%; and to extent return is more than 20%, LP percentage thereof is 59%. LP cannot substitute an assignee as contributor in its place. Additional LPs may be admitted only with consent of all partners. No priority among LPs. Upon the death, voluntary retirement, adjudication of bankruptcy or insanity of a GP, LP may continue the business and designate a substitute GP. LP may not demand or receive property other than cash for his contribution.

Auction Notices

B. SPERBER DCA LIC# 794803 &/OR S. SPERBER DCA LIC# 769437 Sell, Dec. 1, 1987 9:45 A.M. 435 W. 23rd St NYC 1979 Mercedes Benz 2 Dr Convt 10704212004463 Re: TTSG, Inc.: 10:30 A.M. 111 Varick St NYC 1978 BMW 2 Dr Sdn 5437662 Re: Innovative Graphics Intl Ltd.: 11:00 A.M. 76 11th Ave NYC 1981 Chevrolet 4 Dr Sdn 1G1AB689XBY234776 Re: Greenbrook AMC Jeep, Inc.: 11:15 A.M. 65 W. 56th St NYC 1987 Chevrolet 4 Dr Sdn 1G1LT511XHE102115 Re: M. & G. Blitch: 11:30 A.M. 252 W. 40th St NYC 1985 Nissan 2 Dr Sdn JN1PB12S3FU629320 Re: D. Harleston: 12:15 P.M. 810 7th Ave NYC 1979 Chevrolet 4 Dr Sdn 1N69G9S320269 Re: D. Brown: 12:45 P.M. 555 W. 57th St NYC 1986 Ford Subn 1FMCU14T7GUC25350 Re: P. Ksiezopolski: I. Belenson & Co., Inc. Published Nov. 16 & 24, 1987.

LEGAL ADVERTISING

Continued Use Partnership

CERTIFICATE OF CONTINUED USE OF PARTNERSHIP NAME OF HAINES LUNDBERG WAEHLER PURSUANT TO ARTICLE 7 OF THE PARTNERSHIP LAW OF NEW YORK. WHEREAS, the business firm Haines Lundberg Waehler, a partnership which has transacted business in the County of New York, State of New York, continues to be conducted by certain of the partners therein, and WHEREAS, the business heretofore conducted by the firm is to be conducted hereafter by the undersigned in the name of Haines Lundberg Waehler at its address at 2 Park Avenue, New York 10016. NOW, THEREFORE, the undersigned do make, sign and acknowledge this certificate and declare that the persons intending to deal under the names of Haines Lundberg Waehler with their respective places of residence, are as follows: Martin D. Raab, 9 Willow Place, Great Neck, N.Y. 11021; Michael Maas, 1155 Park Avenue, New York, N.Y. 10028; Robert A. Djerejian, 37 Dewitt Avenue, Bronxville, N.Y. 10708; Theodore S. Hammer, 277 Lakeview Avenue, Ringwood, New Jersey 07456; Leevi Kiil, 19 John Dow Avenue, Waldwick, New Jersey 07463; Edwin A. Dirkes, 2953 Meadowcrest Drive, Yorktown Heights, N.Y. 10598; Seymour L. Fish, 17 Cranford Road, Plainview, N.Y. 11803; Alan Kaplan, 17 Winterset Road, Greenwich, Conn. 06830; Charles P. Lazarou, Jr., 10 Gateway Road, #22N, Yonkers, N.Y. 10703; Stuart K. Pertz, 125 Berkeley Place, Brooklyn, N.Y. 11217. IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 28th day of October, 1987. The above Certificate, duly signed and acknowledged, was filed in the New York County Clerk's office October 30, 1987.

Limited Partnership

262 REALTY ASSOCIATES, 180 Central Park South, NYC. Substance of Certificate of Limited Partnership filed in New York County Clerk's Office November 18, 1987. Business: Own and operate real property. General Partner: Joseph Speranza, 418 Main St, Ft Lee, NJ. Limited Partner, Contribution and Share of Profits: KMA Realty, Ltd, 180 Central Park South, NYC, $10., 1%. Partnership to continue until Dec 31, 2035 unless sooner terminated. No additional contributions to be made. Contributions returned upon termination. No LP shall assign their interest without consent of GP. Additional LPs may be admitted. No priority among LPs as to contribution or as to distributions of cash. Upon death, retirement or insanity of GP, partners shall terminate unless business is continued as provided in agreement. No LP shall demand property other than cash in return for his contribution.

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our annual survey of correspondent banking meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

______

______

(2.) What did you like **best** about the survey?

______

______

(3.) What did you like **least** about the survey?

______

______

(4.) How do you use the survey in your work?

______

______

______

______

Name (optional) ______

Title ______

Company ______

Address ______

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Phone ______

Shareholders Approve United Jersey Merger

PRINCETON, N.J. — Shareholders of United Jersey Banks and First Valley Corp., Bethlehem, Pa., have approved the merger of the two companies.

Under the agreement, each share of First Valley common stock will exchange for 1.45 shares of United Jersey Banks common stock. The merger is expected to be completed during the first quarter of 1988 after required regulatory approvals are received.

With this acquisition, United Jersey will have over $9.7 billion in assets with nearly 250 offices in 22 counties in New Jersey and Pennsylvania. ■

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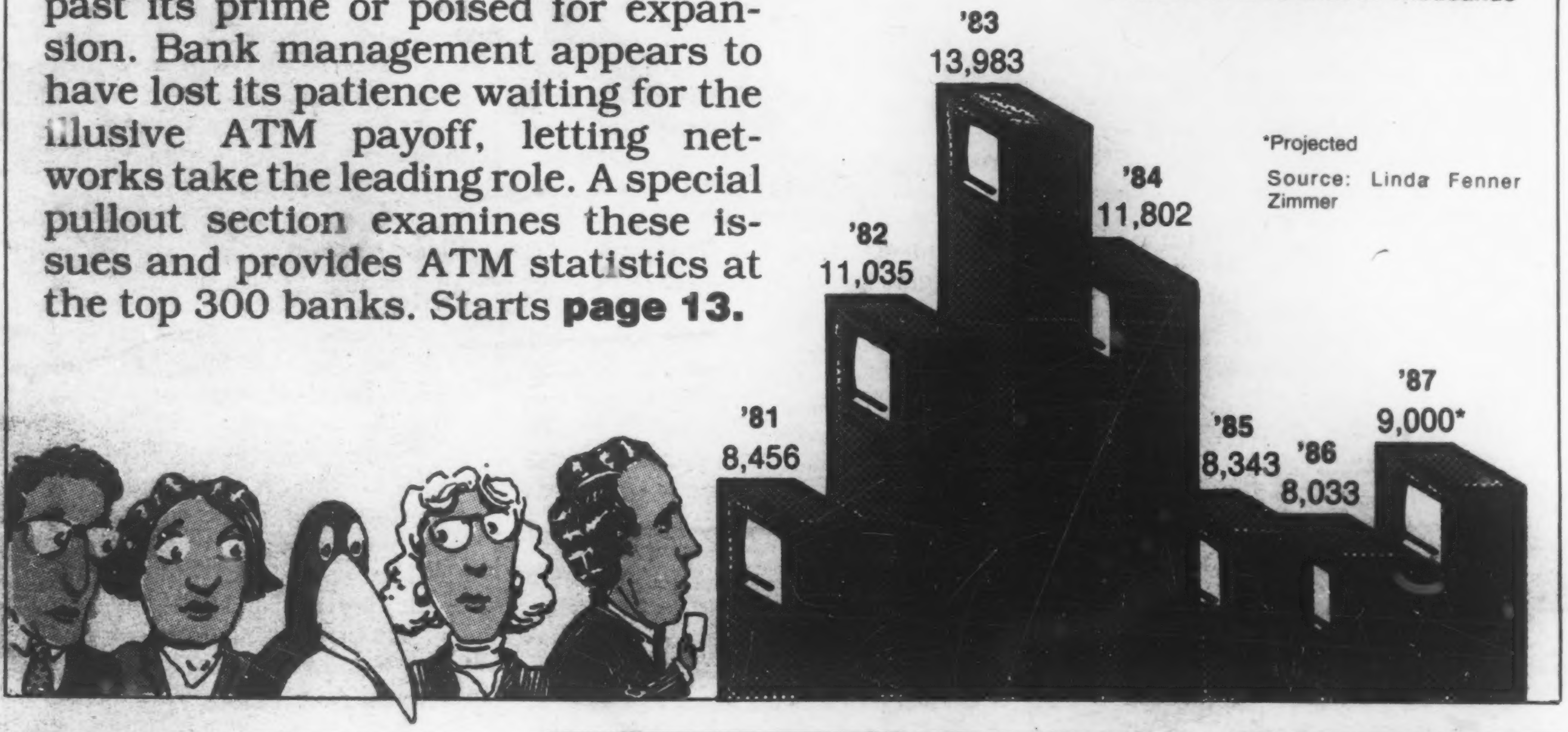
FEATURE SECTION SPECIAL REPORT:

Machine Banking Review

Leading analysts, including 16-year veteran Linda Fenner Zimmer, investigate whether the ATM market is past its prime or poised for expansion. Bank management appears to have lost its patience waiting for the illusive ATM payoff, letting networks take the leading role. A special pullout section examines these issues and provides ATM statistics at the top 300 banks. Starts **page 13.**

U.S. Domestic ATM Shipments

Number of Machines in Thousands



*Projected

Source: Linda Fenner Zimmer

BankAmerica, Citicorp Own The Most ATMs

Large Banks Report 21% Of Machines Are Off Site

By JAY ROSENSTEIN

BankAmerica Corp. owns more automated teller machines than any other banking firm in the United States, according to an *American Banker* survey.

The San Francisco-based company said it owns 1,350 ATMs, followed by Citicorp, with 1,200 ATMs. Closely trailing the New York company is Wells Fargo & Co., San Francisco, with 1,195 ATMs.

In the survey of the nation's largest bank holding companies and independent banks, firms were asked to report the number and location of their ATMs at midyear. The information represents only the companies' ATMs and not the machines of other banks in a shared network.

Some big institutions, including Chase Manhattan Corp., the nation's second largest bank holding company, did not respond to the request in time, making it difficult to provide a complete picture of ATM ownership by

BankAmerica: Page 46 ➔

Top 5 in ATMs

In-branch and off-site locations

Bank	Total ATMs
BankAmerica Corp.	1,350
Citicorp	1,200
Wells Fargo & Co.	1,195
MCorp	1,100
First Interstate Bancorp	1,064

Does not include shared network ATMs or franchisee ATMs.

ATMs at Top Banking Firms
Table on Page 32

Random Thoughts

By SANFORD ROSE

In an address to the Bank Administration Institute in mid-November, Jon Moynihan, managing vice president of the First Manhattan Consulting Group, offered the following rather negative assessment of the current state of interest rate risk policy in most major banks. Argues Mr. Moynihan: Although in published remarks the typical bank professes that it takes little or no interest rate risk, in point of fact it actually takes a fair amount. What's more, its rate bets are generally based on gap reports, which are seriously flawed.

Inside the buckets of a gap report there are large, though apparently unrecognized, differences in repricing characteristics. This is particularly true of the longer-maturity assets and liabilities, but it is also true even inside the shorter buckets.

A bank may reprice more assets than liabilities in a particular short-term time period but still may be liability not asset sensitive if the bulk of the liabilities reprice at the beginning of the period while the bulk of the assets reprice at the end of the period.

Random Thoughts: Page 4 ➔

Today

MARKETING

American Express Travel Related Services Co. is now insuring most goods bought with the American Express card for up to $50,000 against theft, fire, accidental damage, or loss, for 90 days. ____ 10

Valley National Bank, Phoenix, is offering lifetime safe deposit boxes that customers buy for one lump sum instead of renting them. ____ 10

With competition increasing, banks are targeting their products and services to specific age groups. ____ 11

INSIDE

Arab banks are closing branches in the U.S., restructuring management, and broadening their markets to remain competitive in the United States. ____ 2

The New York Automated Clearing House Association plans to institute a fully electronic payment system by Jan. 2, 1990. ____ 3

The weekly listing of financial services stocks features regional industry groups and price indexes. ____ 38

New state regulators air their views. ____ 48

KEEPING CURRENT

Executive Changes ____ 40
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Have You Commented ____ 8
In the News ____ 3

Quote/Unquote

It is no longer a competitive advantage to own ATMs . . . You got to make them different.

John MacMillan, a Trans Data Corp. associate in Salisbury, Md., on the need for marketing and adding services to automated teller machines.[Page 1]

Master Strategy

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RANDOM THOUGHTS

➜ Continued from Page 1

Thus a rise in rates can produce a decline not an increase in net interest earnings derived from the footings contained in the particular bucket. In other words, gap buckets are generally too broadly defined to assess the likely impact of rate changes. This criticism, considered rather tiresome by some AL practitioners, is still applicable to many banks, insists Mr. Moynihan.

The First Manhattan executive reports that most banks have no adequate reports of the impact of existing rate bets on income as well as no reports of the impact of past rate bets. Intermittently, he adds, a top executive of the bank will decide to shorten or lengthen the portfolio in anticipation of rate changes. After that has been done, there is very incomplete follow-up or feedback on the outcome of these adjustments.

If a particular rate bet is obviously successful, there is much applause. If it is obviously unsuccessful, the result is buried. Successful bets encourage more aleatory activity; unsuccessful bets encourage conservatism and limitations on future betting.

Overall, those very unsatisfactory gap positions tend to oscillate on an almost random basis from positive to negative to balanced. In part because of job turnover, a consistent policy is never adopted, and lessons are not learned from past mistakes.

What should banks do? Mr. Moynihan offers the following prescriptions: If banks must bet, which he does not necessarily advocate, they should do a far better job of measuring the overall impact of both current and past interest rate gambles on net interest earnings. They must also measure their impact on the overall value of the bank — that is, the discounted value of all future net-interest-earnings outcomes.

They should use the measurement system to remove the influence of rate bets from the financial statements of the individual business units. And they must use the measurement system to assign and track accountability for all maturity or duration mismatch decisions and their results. Interest rate risk management must be set up as a separate business within the bank with its own income statement.

To fill many of these prescriptions, banks need to understand duration, characterized by Mr. Moynihan as the "theoretically correct but fiercely disliked approach to asset-liability management."

□ □ □

Speaking at the recently held American Banker conference on cost control, Rick Spitler, a Booz Allen vice president, pointed out that the number and dollar amount of mergers and acquisitions in banking were higher than in any other industry from 1982 through 1986. In the past five years, some 5% of total bank capital has been reallocated. Adding in the portion of current capital that is due to the retained earnings generated from the reallocated capital, one can argue that the percent of current bank capital affected by the consolidation craze totals about 10%.

Not only is merger activity greater in banking than in other industries, the percent premium over market price is also larger. That premium averaged around 50% and has ranged from a low of about 30% to a high of 60% over the 1982-86 period. By contrast, the acquisition premium for all industries has been somewhat more modest, closer to 40%.

In some senses, the high acquisition premiums reflect an unintended interest rate bet, analogous to a large negative gap. Banks began buying other banks' earnings rather expensively in the early '80s. Then rates started to tumble, raising the present value of future earnings and justifying, in retrospect, the inflated prices. To a considerable extent, the fall in rates bailed out bad decisions and emboldened other acquirers to continue paying exorbitant prices.

Since it is unlikely that rates will continue dropping, potential acquirers must do more careful arithmetic in the future. Let us exclude the top 20 money-making banks and consider the average bank among the next 40 largest institutions. It had a market-to-book ratio of 1.3 times and a return on equity of 13.6% as of the end of 1986.

Assuming no immediate payback of capital from the acquisition, the acquirer of such an average bank that pays a 50% premium will have to raise its target's return on equity from 13.6% to about 18.7% in order to break even — that is, maintain the market value of the investment and avoid impoverishing its shareholders. Otherwise put, if one buys a large bank for two times book, one must add around 5 percentage points of return to restore the status quo ante.

Expressed in terms of cash flows, the acquirer will have to raise the acquiree's earnings by 75% in order to make back the premium. That 75% earnings increment translates into either a 25% reduction in expenses or a 19% to 20% increase in revenues — a truly remarkable challenge, adds Mr. Spitler.

□ □ □

It is a challenge that can be met in essentially three ways — by lowering the cost of capital and/or effecting capital economies, by augmenting revenue, or by trimming costs. Required capital can be reduced if the merger results in both an enlargement of the loan pool and a decline in borrower covariances, justifying a lower ratio of loss reserves to outstandings.

Improvements in diversification, resulting in part from larger size, may also lead to a better credit rating and ultimately a higher market valuation, cutting the cost of both equity and debt capital. Additionally, a merger may increase the efficiency of capital utilization by allowing its redeployment to higher growth markets.

Revenue gains can be achieved in the short run by raising prices and improving risk management. A good example of an acquirer who seeks and generally achieves an immediate gain in revenue is Banc One of Ohio. It boosts the loan yield of acquired institutions by selling them credit card receivables and by encouraging them to shift from commercial and industrial loans to consumer paper in general, since these yields are usually much more attractive. It also pushes new affiliates to hike service prices, often by more than they think possible.

Longer-term revenue gains can be made if, by becoming larger, an organization can focus more resources on specific businesses and increase its market share and strength sufficiently to command higher prices.

Near-term cost reductions are available from a variety of functions, depending on economies of scale. More importantly, during the course of a merger, an organization has the opportunity for fundamentally rethinking and restructuring not merely the back office, but also the complete branch and distribution systems.

□ □ □

The gains available from merger depend on its type. Booz Allen finds two relationships essential to understanding the potential impact of a merger. The first is the relative size of the institutions. The more equal in size the two partners, the more likely each is to have individual superiorities that should be preserved in a merger. Unfortunately, mergers among equals are also the most difficult to consummate.

The second relationship is the degree of market overlap. In regional banking, this translates into the extent of overlap in the same geographic area.

An intrastate merger of equals provides the greatest opportunity to realize cost savings. Consider the typical cost structure of a retail bank. Some 37% of the costs are in the branches, 18% in operations, 13% in general and administrative expense, 12% in systems, and 20% in miscellaneous.

In large intrastate mergers where there is considerable branch overlap, branch rationalization, by itself, says Mr. Spitler, can provide most of the savings needed to earn back the acquisition premium. He notes: "In terms of total percent of acquired bank expense available, the maximum cost savings could be as high as 30% to 40%, assuming that the operations and branches of the acquired institution are folded completely into those of the acquiring bank."

The 30% to 40% figure presupposes that all the costs of the acquired bank are scale sensitive. Since they typically are not, more realistic estimates of the maximum savings available in an intrastate marriage amount to about 15% to 20%.

In interstate mergers, however, which are now the most numerous, the potential cost savings fall off dramatically. In these types of mergers, the opportunities for branch consolidation are minimal. And since much of the operations costs are driven by the branches, economies in this area are also limited.

As a result, the cost savings from interstate or remote mergers are essentially confined to rationalization of systems. But systems expense, as noted, accounts for the smallest share of retail bank costs.

Much of the confusion about the gains from merger stems, suggests Mr. Spitler, from the recent switch in emphasis from intrastate to interstate consolidations. If a bank embarks on an interstate merger with a model of post-merger behavior derived from the experiences of intrastate combinations, it is likely to be disappointed in the merger results.

Ability to earn back the hefty acquisition premium depends, in the case of an interstate merger, less on cost savings than on a viable plan for significant revenue enhancements and capital economies. ■

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American Banker
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PULL OUT AND SAVE

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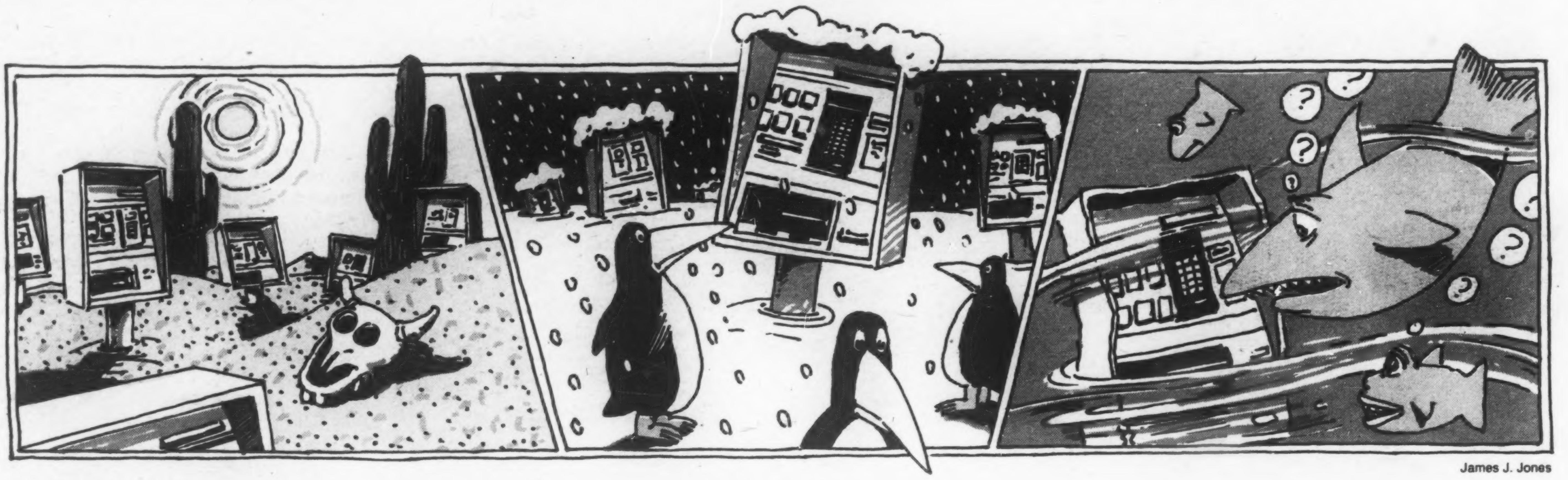

James J. Jones

HOW MUCH IS TOO MUCH?

A leading analyst investigates whether the ATM market has reached its saturation point or is poised for growth in nontraditional ways and less predictable territories.

By Linda Fenner Zimmer

THE AUTOMATED TELLER MACHINE industry has been on hold for the past few years as financial institutions come to grips with their environment — a world filled with deregulation, competition, mergers and acquisitions, and diminishing profits.

With few exceptions, any ATM progress in 1987 takes place at the networks rather than at individual banks, indicating that perhaps responsibility, direction, and planning have gradually shifted. Indeed, this change has occurred in the last several years, as the industry has shifted from a proprietary ATM structure to that of shared networks.

Areas ranging from management's commitment to growth, responsibility for maintenance, profitability and machine shipments have been affected by this restructuring.

With bank and network consolidations well underway and management's growing impatience regarding the allusive long-term payoffs from ATMs, a decline in machine shipments was fully expected. Indeed, there has been a downward trend in domestic shipments for several years. But it appears that the drop in annual shipments may well have bottomed out.

Projected shipments for 1987 are 9,000 units, an increase of almost 1,000 machines from the prior year, according to industry research. It seems that this developing upward shipment trend will continue for at least several more years. If 1987 ATM shipment projections are met, the net installed base by year end will be in the range of 75,460.

During the first quarter of this year, all domestic manufacturers were polled. They gave their evaluations of the present and past markets, as well as their views of next year's market. The responses indicate an increasing optimism for ATM shipment increases.

It remains to be seen whether or not shipments will match this optimistic forecast for 1988, but it would appear that 1987 projections are right on target. And certainly the machine replacement market is expected to play a major role in increased machine orders and shipments both this year and for several years hence. In 1986, 28% of all machine shipments were already replacement machines.

Market Saturation Theories

The average ATM handles between 5,000 and 5,500 transactions per month, excluding balance inquiries. Like ATM shipments, average machine volume may have bottomed out after having fallen over a five-year period from a 1982 high of 7,200 transactions per month.

Several industry observers suggest that the sharp and steady decline in transaction volumes could be attributed to market saturation.

Rather than saturation, the transaction volume decline could also easily be attributed to the growth and popularity of shared networks. Between 1982 and 1985, network growth resulted in a surge in ATM installations without a parallel marketing effort. As a result, ATM transaction volumes per machine were depressed.

If the individual ATM institutions and networks fail to provide the necessary promotional and customer-

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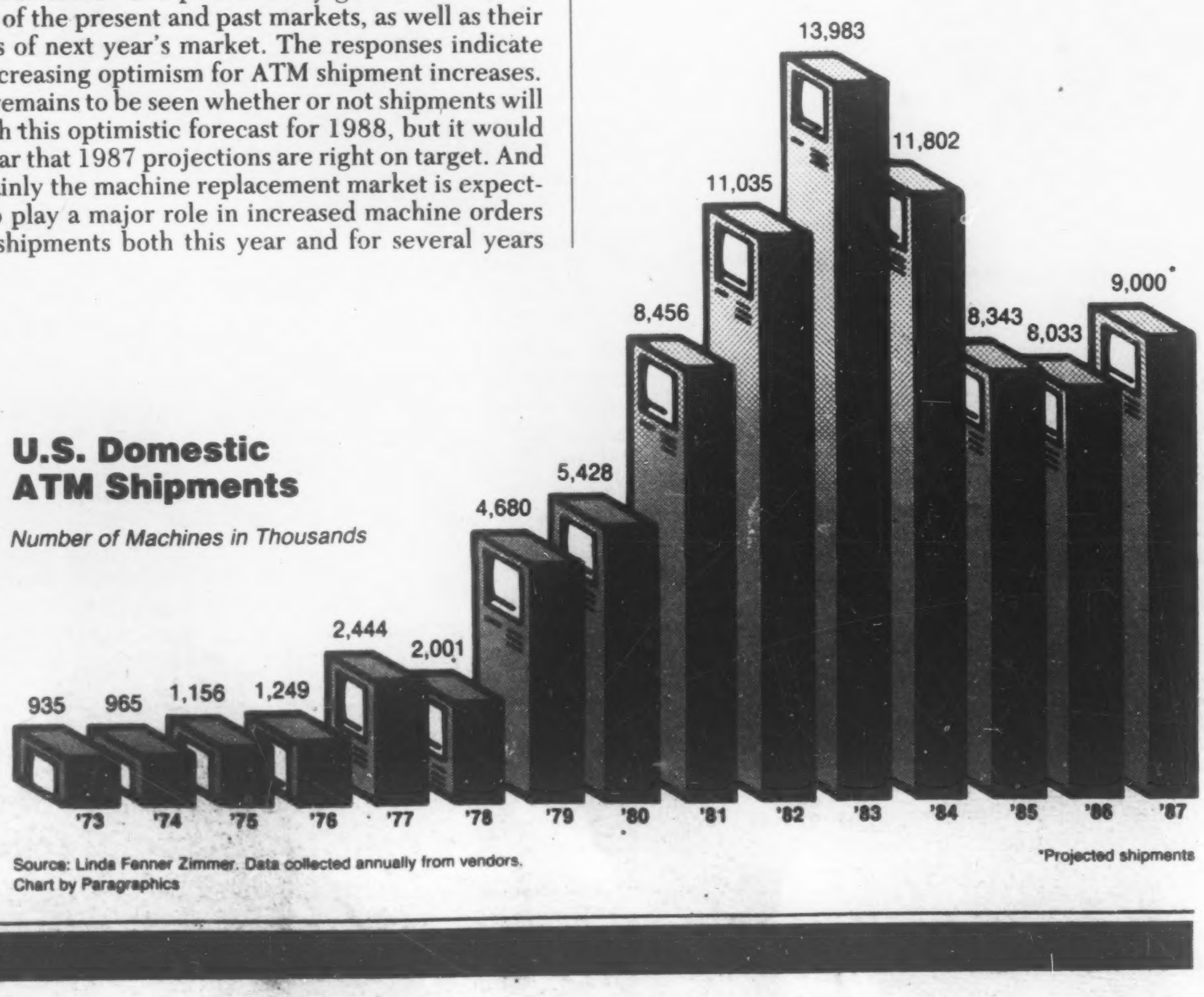
For 16 years, Linda Fenner Zimmer has been an independent researcher in the payment systems and services field, specializing in electronic banking and ATMs.

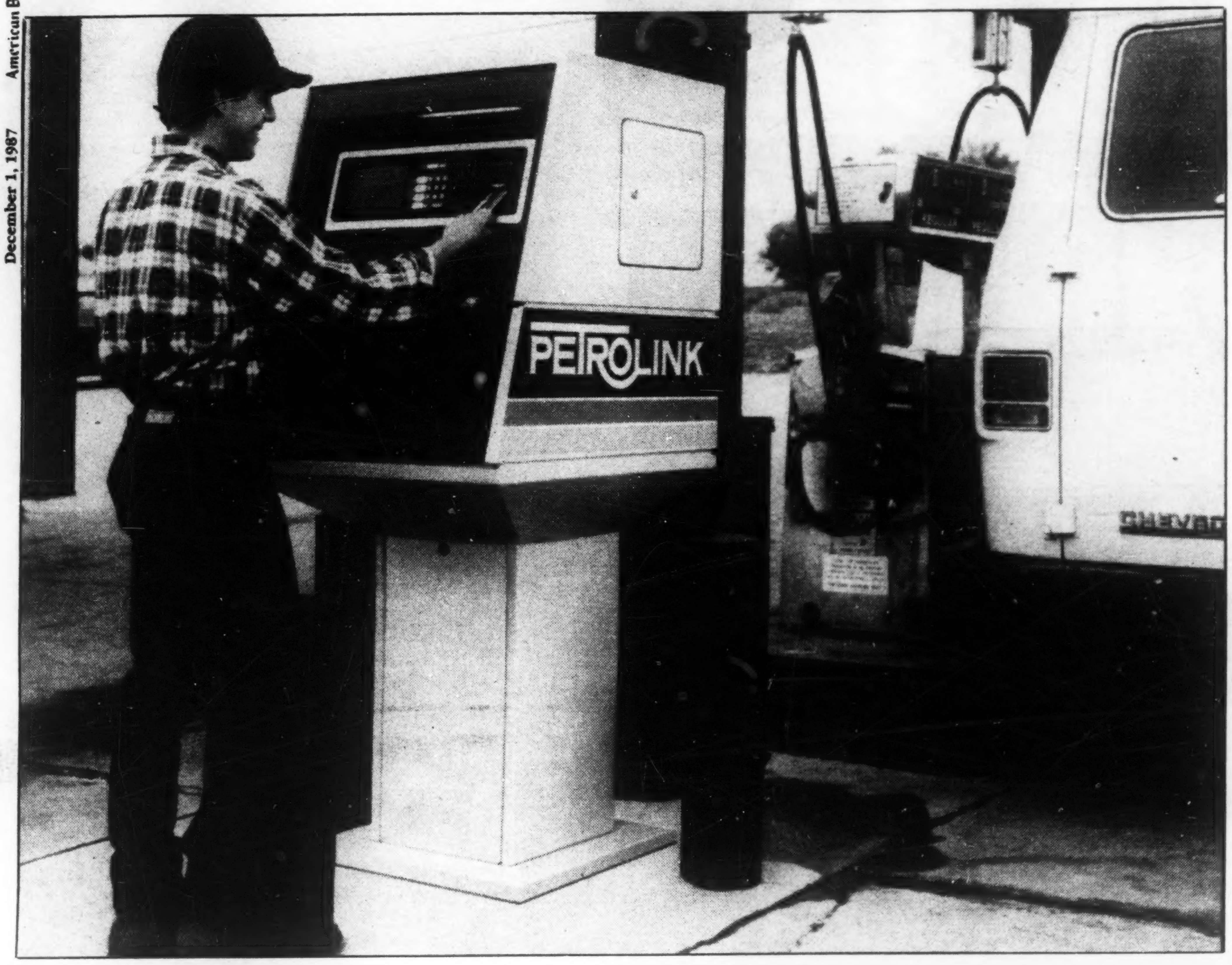


U.S. Domestic ATM Shipments

Number of Machines in Thousands

Source: Linda Fenner Zimmer. Data collected annually from vendors.
Chart by Paragraphics

*Projected shipments



In efforts to cross "the 33% wall" — the percentage of card-carrying customers that actively use ATMs — institutions have been placing the machines in nontraditional settings.

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education efforts and are satisfied with the current level of ATM transaction volumes and customer acceptance, then the ATM market is saturated.

However, if the industry commits itself to marketing and customer education, some analysts believe there is more than enough room for growth.

Ain't Seen Nothing Yet

In many respects, ATMs are like icebergs — we've only seen the tip so far.

The vast potential for ATMs to handle the bulk of routine financial transactions has barely been tapped. This is especially evident when one considers that only 33% of card-carrying customers actively use ATMs, with active defined as at least one use per month.

This 33% figure is often referred to as the 33% wall, since a number of institutions are unable to increase their percentage of users above that level.

Some intense market research might prove most revealing in explaining why the wall exists and how an ATM institution might be able to hurdle it. Such research carries even more importance if ATMs are laying the foundation for the world of self-service banking.

An institution's game plan and strategies emanate from top management. Yet electronic banking and ATMs, with few exceptions, do not rank very high on the priority list in the executive suite — if at all.

There are a handful of exceptions to this. Shawmut Bank of Boston and Dollar Dry Dock Savings Bank in New York City are in the process of restructuring their retail banking organizations and service delivery structures, with ATMs and platform automation playing key roles.

More than 25 years ago when the cashless society was catching the industry's fancy and attention, senior management was the one leading the parade. That involvement and commitment continued well on through the early 1980s.

Today that support, commitment, and, most importantly, direction are missing. If the financial industry plans to charge ahead in electronic banking and develop its full potential, analysts point out that senior management must once again become involved and provide the missing leadership and support. If not, the power will be abdicated to the networks, which is already happening at many institutions.

One way to recapture the enthusiasm and interest and, ultimately, the support of the senior echelons is through positive bottom line impact — by actually accomplishing some of the objectives for which ATMs were installed in the first place.

Waiting for the Payoff

In general, top management has lost its patience waiting for the allusive payoffs long promised from ATMs. In the early days of cash dispensers and automated tellers, the comment was frequently made that "we know ATMs are expensive, but the payoff is long term, not short term. We're in this for the long run."

That was how many years ago? How many models ago? How many dollars ago? And yet just about every ATM owner today is still searching for ATM profitability.

With an emphasis on capital preservation, survival, and positioning, 1987 brought with it a strong top management interest in the cost effectiveness and profitability potential of all aspects of banking, including ATMs.

And these same eyes are also watching the ATM networks. Buyers of the network services as well as the networks themselves are asking exactly what role the networks should take in the restructured market, and whether it has done its job and fulfilled its expectations.

Senior management's perception of ATMs is undoubtedly being carried over to point of sale. In many respects, POS has encountered rough waters because of lack of support and commitment from senior management.

Many look at the funds already put into ATMs and wonder just what the industry and the individual institutions have received in return for that investment. With little to show so far from ATMs, institution are often reluctant to plunge into POS.

New Sources of Income

With low ATM transaction volumes and high costs plaguing many institutions, a number of organizations are experimenting with revenue-generating services that might be added to their ATMs. Services being piloted include the disbursement of welfare checks and cents-off coupons, as well as the dispensing of airline, ski-lift, and theater tickets. Although generating some revenue for the ATM-owning institution and/or network, these services pose serious questions.

One really has to question what business the institution and networks are in and what business they want to be in.

And perhaps such questions have totally different answers, depending upon who's responding — networks, financial institutions, or third parties.

In many respects, the ATM industry in the United States could pick up some pointers and ideas from its counterparts around the world. Japan is a case in point.

The largest bank in Japan, Dai-Ichi Kangyo Bank, is currently involved in a project wherein its ATMs are being equipped to read smart cards, which are ordinary plastic transactions cards imbedded with computer memory chips. Each time a customer uses the smart card, its cash value is updated for later off-line use at retail stores.

In another project, Dai-Ichi Kangyo Bank is investigating the feasibility of equipping its machines with OCR (optical character recognition) readers in an attempt to totally automate the bill payment process. Deposits, cash, and bill payment invoices would all be machine-readable. The objective is to transfer the normal bill paying service from the teller window to the ATM.

Rather than try to add more options to ATMs, it may well be time to start expanding the self-service banking concept and begin developing a family of complementary and modular terminals. A combination of both approaches is in order.

In a survey conducted last year among 63 ATM pioneers, over half indicated plans for including additional service options on their ATMs, including:

Interim statements	74%
Money market rates	44%
Ticket dispensing	24%
Stock quotes	3%

In the same survey, the pioneers were asked to indicate what terminals they would include in an automated branch if given the chance:

Cash dispensers	93%
Balance inquiry	93%
Touch screen information	90%
Statement printer	88%
Interactive terminals	
Personal loans	67%
Mortgage application	59%
Coin dispensers	33%
Postage meters	26%

All of these services and terminals are only a hint of what the industry can expect in the 1990s.

Fewer Making the Commitment

But whether or not these services become a reality depends upon what the industry does today and whether or not it tackles the ATM iceberg or lets it drift away.

In the past, industry observers and participants agreed that there were certain mandatory steps for any ATM program if it were to be successful: written objectives and strategies combined with quantifiable goals and data feedback systems; top management support and commitment; continuous (or at least periodic) promotions and customer-education efforts; highly reliable equipment; and a secure ATM environment.

These factors are just as important today, if not more so, regardless of whether one is involved with a proprietary or shared ATM program. Yet fewer institutions than ever are fully committed to their programs.

In many respects, the future of ATM products and services, and the EFT services expected to grow from the ATM experience, is directly correlated with the results of the industry's continuing search for profitability, performance, productivity, and proper positioning.

Note also that the consumer really does not "care" about technology and all the bells and whistles. What the consumer wants is the desired financial services offered in an efficient, reliable, high-quality manner at a fair price.

Technology is not the problem. Rather, the industry is stumbling on how it prices, positions, and presents the chosen technologies to the consumer.

Because of the foundation and education built up by ATMs, the evolution toward electronic banking is expected to accelerate: Customer understanding and acceptance of POS transactions, home banking, and comparable developments will mature much faster than ATMs are growing.

But the question remains as to whether or not the financial industry is up to the challenge of finishing the job it started with ATMs. If not, progress toward electronic banking may well be slowed indefinitely on the retail side.■

> ***"The vast potential for ATMs to handle the bulk of routine financial transactions has barely been tapped."***

Continued from Previous Page

says use of the machines in Japan is "probably more sophisticated" than in the United States. But Mr. Browning predicts Americans will become more fond of electronic banking.

"Our figures show that in the United States, about 40% of consumers with checking accounts use ATMs," says Mr. Browning, who is also president and chief executive officer of Colorado National Bank, Denver.

"We have made great strides in this country in the last five years and the next five will be just as dramatic," he says. "With time and education, the consumer will become more comfortable with the ATM. But I don't think usage in the United States will parallel that in Japan."

Roots Planted in 1960

ATM use began in Japan in 1960, Mr. Yajima says, when Sumitomo Bank Ltd. installed the first Omron-built device at a branch in Kyoto. Over the next dozen years, growth was gradual.

But in 1972, the industry adopted a standard format for the machines and cards with magnetic strips, which aided growth by enabling consumers to use machines provided by different banks.

The big push came in the mid-1970s, Mr. Morache says, when Fujitsu developed the "zengin," or superswitch. The superswitch allowed ATM networks and bank branches to be processed on-line in real time.

Some 900,000 transactions throughout the country are processed every hour through mainframe computers operated by Nippon Telephone & Telegraph, Japan's phone company. Riding on high-speed phone lines, information from one branch or ATM location is available immediately throughout the banking system.

That means a worker who wants to obtain cash or make a deposit could go to virtually any ATM in the country and complete the transaction immediately. Consumers do not have to wait overnight for some items to be posted, Mr. Morache says, as they do in the United States.

Despite continuing advances in ATM technology and the ability of the machines to perform a wide range of services, experts say the Japanese market is maturing and is unlikely to be a growth area for machine sales.

But the market could improve dramatically, Mr. Yajima says, if Japan's government repeals a restriction barring off-premises ATMs — machines installed at supermarkets, gas stations, and other retail similar locations.

Some banks in Japan are experimenting with point-of-sale machines at some department stores in anticipation that restrictions will be relaxed, Mr. Yajima says.

At this point, however, the Japanese ATM market is "like the U.S., mostly a replacement market," according to Mr. Morache. "We are projecting growth of around 5% to 10% a year." ■

> ***"It is easier to carry cash [in Japan]. Companies deposit salaries directly to an employee's bank account. What happens on payday is the workers withdraw their salaries from the cash dispenser."***

MACHINE BANKING REVIEW

Europeans Plan Network That Will Span Continent

Foreign banks are hostile to U.S. credit card dominance, but most recognize the need for international standards.

By Linda K.S. Moore

Paris

BY 1990, MOST EUROPEans with bank accounts will be able to get cash from an automated teller machine in any of the 17 countries represented on the European Council for Payment Systems.

In October, the 40 major European banks that make up the council announced an accord to honor each other's Visa, MasterCard, and Eurocheque cards at their teller windows, in cash dispensers, and at the point of sale.

The accord is one of several steps being taken to establish a European ATM network comparable in scope, if not in size, to the shared U.S. networks.

The agreement will cover roughly 100 million customers out of an estimated 150 million bank cardholders in the European Economic Community, Switzerland, Austria, and Scandinavia. It may eventually be extended to include proprietary debit cards.

With approximately 35,000 ATMs installed, Europe has roughly half the number of machines the United States has. But these ATMs serve a combined population that is 50% greater than the States.

By 1990, the number of ATMs is estimated to increase to 50,000.

Despite some eye-catching futuristic branch installations, two-thirds of ATMs in Europe are through-the-wall. Fewer than 10% are off-site, according to London-based Battelle Banking Research Group, which tracks ATM developments in Europe.

Most Shared Nationally

Banks sharing cash-dispensing functions of ATMs within a country is the norm. But for close to a decade European banks have been seeking to establish a pan-European ATM network that would not be dominated by the American giants Visa and MasterCard. (MasterCard is distributed in England as Access and on the Continent as Eurocard. The Eurocard is different than the Eurocheque card, which is issued by a separate organization.)

In response, Visa and MasterCard gave more power to their European partners. But despite the relative autonomy of the European operations, the perception that the Americans control the international bank card game has not diminished. European bankers tend to prefer having their own network and many have supported a European standard for bank cards in the past.

The council's accord recognizes the need for international standards, and bows to Visa and MasterCard, as they already operate in an international environment.

And though calls for an only-European standard for bank cards have been on the wane, the desire remains strong to construct independent ATM networks serving Europe, operating much as Plus and Cirrus have in the United States.

These networks would be formed by reciprocal agreements among national shared networks rather than among banks. The Italian and French ATM networks, for example, are negotiating an agreement that would open at least some of their machines to each other's cardholders.

In France, universal sharing has been in effect for two years. All ATM and POS locations accept the Carte Bancaire, the product of the merger of the "Carte Bleue" (Visa) and "Carte Verte" (Eurocard) networks.

In Italy, the Societa Interbancaria d'Automazione, under charter from the Bank of Italy, runs the ATM and POS networks for all Italian financial service institutions. The Bank of Italy ruled in mid-1984 that all through-the-wall ATM installations must be shared, a move that was encouraged by the commercial bankers who thought that the savings banks were pulling too far ahead in automating retail services.

In West Germany, the savings banks are a considerable distance ahead in the electronic delivery of retail banking services. In fact, two-thirds of ATMs in the German shared network are owned by savings banks.

ATM Use in Europe

	No. of ATMs	Transactions Per Month
U.K.	10,800	6,040
France	9,600	4,318
Italy	4,300	1,059
Germany	3,400	4,090
Sweden	1,400	8,238
Belgium	700	7,968

Source: Bettelle Institute, Banking Research Group, London

They are also dominant in the issue of Eurocheque cards. The Eurocheque card is an ID card that is used to cash Eurocheques, a form of bank-guaranteed checks that is accepted throughout Europe, similar to a travelers check. Eurocheques is the predominant form of payment at merchant locations in West Germany.

Since 1984, the Eurocheque card has had a magnetic strip that makes it usable in ATMs. By yearend, 7,500 machines in Spain, Portugal, Denmark, Belgium, West Germany, and Great Britain will accept any of the 30 million Eurocheque cards for cash withdrawals.

The first ATMs to accept the Eurocheque card were in Spain, where three networks control the country's ATM and POS activity. These are Sistema 4-B, dominated by commercial banks; Servired, which is open to all types of financial services institutions; and Ceca, a savings bank network.

Spain welcomed [illegible] million tourists in 1986 — more than their population — and the country's bankers are vocal proponents of international sharing. ATMs have helped Spanish banks deal with seasonal demands for cash in resort areas; and they have also been installed by foreign banks catering to their clients on holiday. Barclays Bank and Citibank have been the most aggressive in installing automated facilities in areas such as the Costa Brava.

In Great Britain, Barclays is part of the largest shared network in the country. Along with Lloyds Bank, the Royal Bank of Scotland, and the Bank of Scotland, Barclays has placed 4,000 ATMs at the disposal of its customers.

The other major networks are the combined ServiceTill and AutoBank machines shared by National Westminster Bank and Midland Bank; the Trustee Savings Bank network, which will begin sharing with NatWest and Midland next year; Matrix, limited to building societies; and LINK, which includes American Express in its consortium.

Among those working out shared arrangements in Great Britain is the American network Plus, which hopes to gain access to 2,000 terminals.

Economics of Interchange Fees

Commenting on the number of reciprocal sharing agreements in the United Kingdom, Seymore Fortescue, head of U.K. retail banking activity for Barclays, notes that automated cash withdrawals have become a utility-type service. "We've seen the situation go from 'protecting one's turf' — as the Americans call it — to a situation where virtually any financial institution in the U.K. can have access to a shared network, and provide its customers with access to cash on a nationwide basis," comments Mr. Fortescue.

"Rather than being standoffish and saying we're going to keep these machines for our own customers," he adds, "it seems to me more sensible to open them to other people, particularly when you get reciprocal advantages and can try to make some money out of it."

In France, where the interchange fee is about 85 cents, most bankers feel that they are losing money on their ATMs. The interbank agreement forbids charging the customer for a Carte Bancaire transaction.

"Only the banks with really large ATM networks, the Credit Agricole and the post office banks, can hope to make money in this situation," observes Rene Houssais, head of retail bank marketing for the Banque Nationale de Paris. In feverish competition for interchange income, most French banks are planning to increase the number of through-the-wall cash dispensers.

With 9,400 cash dispensers and multifunction ATMs, 15 million bank cards, and a population of 55 million, France averages 4,318 transactions per machine per month.

French bankers worry that they are "overinstalled" with cash dispensers and question if they will be able to pump up enough consumer demand to justify the estimated 5,000 new machines that will be added to the network in the next five years. There are at present 170 ATMs per million inhabitants, compared to 270 in the United States.

The problems that the French banks have had in building ATM volume indicates that providing easy access to machines through sharing is not sufficient to spur consumer interest. Pricing is not a consideration either, since the French banks, like most European banks, do not charge for cash withdrawals.

Some analysts point out that the comparative success of ATMs in different countries suggests that high transaction levels come from the length of time the system has been in place, coupled with the efforts of bankers to instruct their customers.

Thus Sweden, which put a national ATM network in place more than a decade ago, has the highest transaction level in Europe. Great Britain and Belgium, where competing networks have aggressively promoted ATM usage, do better than West Germany, France, or Italy, where banks have tried to let the concept of universal sharing do the marketing for them. ■

Linda K.S. Moore is a business writer based in Paris.

MACHINE BANKING REVIEW

Insiders Debate Issues: Question the Future of POS

Despite the roadblocks, some banks execute new programs and vendors venture out into less predictable locations.

No illusions about POS: Stan Paur, president and CEO of Financial Interchange.

By Maureen Nevin Duffy

NOW THAT AUTOMATED teller machines have prepared us for easy access to our cash, point-of-sale systems that allow us to pay for goods at the time of purchase — straight from the same checking accounts — should fall right in place. But POS networks have never traveled an easy road.

It is to their credit that POS pioneers have more pilots than ever underway. And the longest-standing projects are considered successes.

Use of debit cards, which electronically transfer funds from the customer's account to the retailer's account at the point of sale, generates some $193.7 million in purchases and cash advances monthly, according to the "Nilson Report," a banking industry newsletter. And according to American Banker's 1987 "Consumer Survey," one-quarter of the public would use debit cards.

But behind the scenes, practically every aspect of debit sale services has met with controversy and debate.

Even Entree, the first nationwide debit network — thought by most industry leaders to be an essential step in debit card proliferation — is now the target of an antitrust investigation by the attorneys general of 14 states. Officials are questioning whether the project is restricting competition among other providers. Still, spokespeople for Entree's founders, Visa USA and MasterCard International, say they are proceeding with the program.

Nigel A.L. Brooks, a partner at Arthur Andersen & Co., one of the Big Eight accounting firms, has observed the evolution of POS and muses that today, "it appears to be either ahead of or behind the times."

Mr. Brooks, who heads the company's bank consulting division in the New York metropolitan area, notes that POS was once considered a "cheap" alternative to ATMs. "But now, with the preponderance of ATMs and networks, the concept of debit/-credit card issuers makes a lot of sense. Why not decide at the register whether to incur a debt or pay it off instantly?" he asks.

Players Seek New Ventures

Despite the roadblocks, banks are executing new POS programs, and vendors are producing more sophisticated terminals. Players are even venturing out from the gas station and grocery store successes of POS to less predictable locations, like fast-food restaurants and convenience stores.

"We're working on how to get customers to use ATM cards for POS," says William H. Petrarca, senior vice president of electronic funds strategy at National City Bank in Cleveland.

One of these strategies, the Dayton Project, will bring POS to fast-food places, discount gas stations, and several convenience stores in Dayton.

Mr. Petrarca, who took an active role in the American Bankers Association's original POS guideline committee, has formed a temporary partnership among savings and loans, banks, credit unions, and Ohio's Money Station Network. The only regional network in the state, Money Station, which is owned by seven different bank holding companies, has 2,400 ATMs, 8.5 million cards, and does about 3.5 million online transactions a month, directly with the member banks.

To bolster customer acceptance of the Dayton Project, the group is supplying employee perks, such as T-shirt contests and bonuses. At one store, clerks are awarded a quarter for every POS transaction. In addition, store managers are visiting locations and holding press conferences to endorse the product.

But despite high employee turnover, Mr. Petrarca contends that these markets are key. "The less-than-$20 trans-

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Maureen Nevin Duffy is a business and finance writer based in Edison, N.J.

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action makes the most sense as a target for debit cards," he says, because consumers would be less likely to write a check or charge such a small amount.

Mr. Petrarca hopes that the demand for ATMs in these stores will dwindle. "Most [cash machines] are close to being written off from a use standpoint anyway," he says.

Mr. Petrarca predicts that when fee structures for POS terminal use are put in place, merchants will see more POS than ATM transactions.

The Diebold 1060, "The Everywhere Teller Machine," addresses consumers' cash demands, usually satisfied with a trip to an ATM, with a simple, head-on approach. Not an ATM, the machine, now located in grocery stores, accepts debit, credit, or ATM cards. The consumer inputs a personal identification number, chooses an amount of money, and which account the money is to come from. Provided the funds are there, a draft is printed out in the store's cashier office, which the consumer signs, and the cashier surrenders for cash.

Fast-food restaurants are just one of the less traditional sites for terminals.

An interesting feature of the machines is that the merchant can replenish the machine with cash from the store, thus cutting down the costs associated with cash handling. The 1060 sells for less than $10,000 compared to ATMs, which sell for between $25,000 and $35,000.

The Everywhere Teller is part of Valley Bank of Nevada's pilot, "Card Cash." Dan H. Powell, vice president and product manager for Valley Electronic Banking Services Inc., expects to have 95 of the machines installed in Nevada by the yearend.

The present pilot routes transactions from ATM cards through Plus, Star, MasterTeller, and INN (In Nevada Network), a locally owned network. Credit cards pass through their own networks. The new project will involve only one store and use only INN.

Enhancing Credibility

The Pulse System, operated by Financial Interchange Inc. in Houston, kicked off a major grocery store chain POS program last month. Stan Paur, president of the interchange, hopes that the program with Randall Foods, which operates 39 stores in the Galveston/Houston area, will inspire other retailers and enhance the credibility of POS.

Pulse charges card-issuing institutions 4 cents a transaction, compared with fees charged by other networks that can range as high as 74 cents. Add to this the ongoing cost of support for ATMs, says Mr. Paur, which can run $2,100 or $2,500 a month, and POS appears far cheaper.

He has no "illusions" about POS. But he does believe POS has a base of consumers who will use it if it is properly deployed and priced. "Merchants are understandably cautious about POS," says Mr. Paur. "It is not an insignificant investment on their part and many are taking a wait-and-see attitude, which is quite reasonable."

The Honor System, an on-line processor owned and operated by Florida Interchange Group Inc., is publicizing its POS offerings and ATM services with a sweepstakes for Honor users. Starting in January 1988, the market push will include radio advertising and prizes from merchants, banks, and the network.

Major merchants include the Mobil, Shell, Exxon, and Tenneco gas stations, Circle K convenience stores and Publix supermarkets. Honor's fees to the issuer are 5 cents per POS transaction and 10 cents for each ATM transaction.

Obtaining Cash Is the Motive

For the consumer, obtaining cash is the driving force of POS. "Until the consumer sees what it means to use an ATM card at POS, we'll have to rely on those who normally cash checks or get cash at these locations" to generate the volume, says Christopher Vavricka, executive director of Interlink for Visa, which operates and manages it for the Interlink board.

Interlink is on-line to Lucky Stores, Wendy's restaurants, Payless Drugs, and the Arco Petroleum Co. It is also processing transactions for the California Automated Clearing House Association and looking to expand to other regional clearing houses. Interlink is charging CACHA an access fee of $400 a month, which includes access to VisaNet, a less-than-a-penny charge per transaction after the first 10,000, and no night premium.

"The system has played out best at oil, grocery, fast-food, convenience, and discount drug stores," says Mr. Vavricka. Coincidentally, he notes, "these markets are principally cash- or check-oriented." Also, says Mr. Vavricka, these stores have little to distinguish themselves from each other — gas is gas, milk is milk — and there is not a significant price margin to play with. Mr. Vavricka suggests that a store set itself apart from its competitors by offering better service through debit sales.

An Interlink roundtrip — request for payment and verification — takes less than 10 seconds. By contrast, it takes a minute and a half to pay by check. The quickness of POS is suited for gas stations where customers can now run their debit cards through a terminal, pump their own gas, and, in effect, never see a cashier.

The success of this market has not

Continued on Page 22

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Average Number of POS Terminals

Institutions Broken Down by Asset Size

	Under $50 Mil.	$50-$100 Mil.	$100-$500 Mil.	$500 Mil.-$1 Bil.	Over $1 Bil.
Shared	11	19	43	93	737
Not Shared	–	–	34	113	1,282

Source: American Bankers Association

Continued from Page 20

been overlooked by CitiCorp which, through its Citishare, is taking the risk that funds are not available in the consumer's checking account, off Mobil Oil's — and soon Exxon's — transactions. The 18-month-old Citishare program gives Mobil immediate authorization over a direct connect line between Citibank N.Y. and Mobil.

"It's not cheap to put in these connectives," says Allen Sausen, president of Citishare. "Banks want to put them in as [an enhanced service] to customers, but they make no economic sense unless we can find low-cost ways to do this. Logic, therefore, dictates that [POS] run off ATM networks, so that we're working off investments already made."

By next year the Citishare Mobil program will include Citibanks in Maryland, Maine, Utah, Nevada, Arizona, and the remainder of New York State, and Citicorp Savings in Florida, Illinois, California, and Washington, D.C. Plans are also in the works to bring Exxon on-line.

"The intent is to have all our consumers in these regions able to access all retailers," says Mr. Sausen. "Mobil is just one of them. We're focusing first on gas stations and supermarket areas." The service, he says, is not just payment but cash-back as well.

"The trend here is to use ATM cards for POS, as a transaction card versus a cash withdrawal card," says Richard Phegley, marketing adviser for Exxon Co. USA in Houston. Exxon's POS terminals can process ATM cards from networks that include Honor (Fla.), Pulse (Tex.), Mpact (Tex.), Cashflow, and cards issued by Valley National Bank and First Interstate of Ariz.

This August, Exxon started offering consumers the choice of either charging their Exxon account or debiting their checking accounts with the same card. Mr. Phegley believes Exxon is the first to put out a combination card for general use.

Fees for POS

Many believe that now is not the time to charge the consumer for POS transactions. In fact, an Honor spokesman says even the perceived possibility of a charge could have an adverse effect on POS transactions. In other words, if they're now being charged for nonproprietary ATMs, consumers may not want to try POS. None of the

Continued on Next Page

Vendors Revise POS Terminals

Fill local needs

In efforts to survive in a promising but problematic market, vendors are introducing equipment aimed at reducing costs while still supplying more options.

Many of the improvements are aimed at filling local networking needs. Changes allow transaction requests to be polled by a common unit, usually a controller, and concentrated into data packets for fast transmission over one, rather than several, dedicated lines.

Omron Business Systems Inc., Schaumberg, Ill., calls its newest unit the NAC 16. The 16 designates how many communications channels are available. It eliminates the need for an assembler/disassembler to packet the data, and it can support more than 80 terminals. Equipped with all 16 card slots, the NAC 16 costs about $16,000 for a single order.

By batching inquiries into large amounts, the company contends, the retailer is in a better position to negotiate with the authorization processor, since the processor does not spend as much time on the work.

Another feature of the NAC 16, according to Evan Reiffel, product line manager for Omron, is that it allows for point to multipoint transmission. Mr. Reiffel says this capability, for example, can eliminate such steps as sending an American Express transaction through the Visa network first. The transaction can be sent directly to American Express.

Another offering geared to local area networks is Verifone's TRANZiT, a controller that links up to 96 Verifone transaction terminals. It has been tested in a pilot at a major New York retailer, a spokesperson says.

Verifone also has a Zon II, the high end of its Zon Jr. line. In addition to an expanded memory, it can also handle three peripherals at once, a slip or roll printer, bar code reader, and pin pad.

Smart Card producer, Micro Card Technologies Inc., in Dallas, is also billing its product as an aid in reducing on-line time. The card's computer chip, says Paul Wittfeld, vice president of marketing, can be programmed with certain limits so that not all transactions have to be authorized.

Micro Card has also begun to supply component level read/write devices for integration into POS terminals. It also came up to production speed last month on its Card Acceptor Device (CAD 10), which allows retail merchants to verify cardholder identity. It is being delivered in large quantities in Europe first. The units sell for $200 and $100, depending on the quantity ordered.

A sign of the Smart Card's growing credibility is that the Electronic Funds Transfer Association's president, Dale Reistad, late last month directed its card council to examine the future role of "debit cards with a chip" - or smart cards.

Mr. Heckman, chairman of the card council, says the group will look at the test Micro Card will be running with the U.S. Marine Corps and at the various European pilots that have used smart cards. Some of the Marines are using the cards to access their pay.

Mr. Heckman expects a quasi research study to emerge, which may predict debit card use and its evolution 10 years down the road.

— Maureen Nevin Duffy

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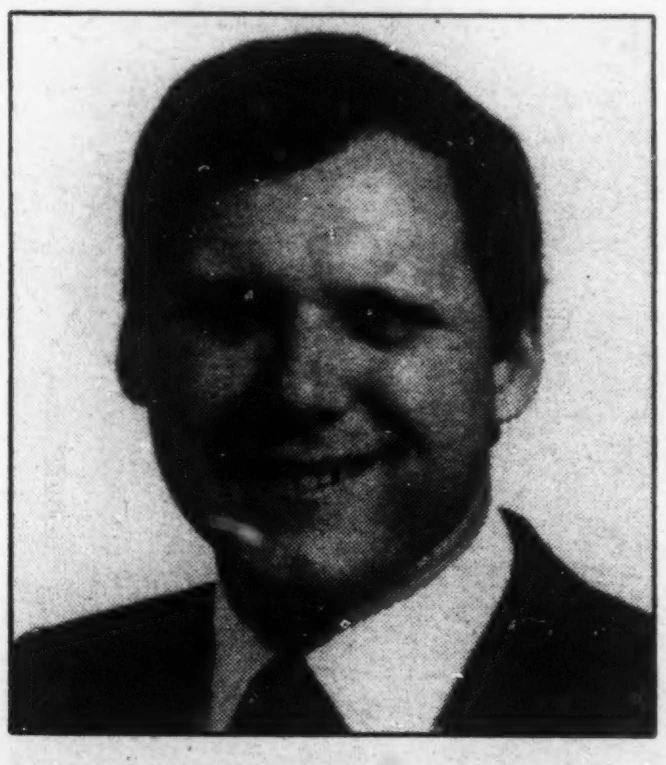

Seeking to run POS off ATM networks: Allen Sausen, president of Citishare.

Continued from Previous Page

major banks he knows of, he says, are charging for POS or for ATMs.

Robert Heckman, executive vice president of MTech Corp., owners of the Mpact network, calls fees "disincentives."

The answer, says Mr. Heckman, who is also chairman of the card council of the Electronic Funds Transfer Association, is to use methods that have worked. "We're charging for the debit card in direct conflict with what's been done successfully with charge cards." He believes an annual fee or monthly charge will encourage POS use.

"If POS is an alternative to cash, checks, and credit cards," agrees Mr. Paur of Pulse, "then the cost for its use must be comparable to the other available mediums."

But if the industry is to gain a wide debit customer base by offering initial free service, it must find ways to keep its own costs down. Consequently, clearing houses are trying to convince merchants that it is not necessary to stay on-line all the time. The merchant can save some money by taking risks with card approval. POS can also exist in the off-line environment.

At Internet in Reston, Va., which runs the Most ATM network, president David O'Connor takes the position that clearing houses and on-line services are complementary. He has combined the services of two automated clearing houses and several banks in order to offer consumers a variety of options including checks, debit and credit authorizations, data capture on-line, and online debit transactions.

All Eyes on Entree

For the immediate future, the eyes of the banking industry will be on the progress of Entree. Members will issue 17 million cards in the next three months. "Entree has given debit cards new life, with the huge support of Visa and MasterCard," says Paul Wittfeld, vice president of marketing for Smart Card producer Micro Card Technologies Inc., based in Dallas.

Entree also has support from many banks, thrifts, regional networks, and merchants. Charter members of the Entree network pay a one-time $1,000 licensing fee and 5 cents per card per year. Entree was started by a 37-member organizing committee, picked from the industry by Visa and MasterCard, to establish uniform standards and procedures countrywide.

Projections on significant POS implementation varies. Even F. David Brangaccio, MasterCard's head of Entree, says merchant acceptance of Entree is probably two to three years away. But some others are even less optimistic.

"POS, broadly, is still several years from any significant development," contends Floyd Egner, vice president of Payment Systems Inc., a research firm in Tampa, Fla. "Over the next 15 years, it's definitely going to be an expanding part of the marketplace. But in the near term there are major obstacles, a main one being to find a reason for merchants to accept those cards."■

MACHINE BANKING REVIEW

Midnight Pizza Runs Spur Opening of Student Bank

What started as a simple need to handle growing volume has turned into a full-service branch geared to students.

By Lynn Homa

EACH FALL A MAJOR migration occurs in New York City. Approximately 25,500 students descend upon Manhattan's Upper West Side to attend Columbia University, Teacher's College, and Barnard College.

Lynn Homa is an editorial assistant at American Banker.

Some are veteran graduate students who have established relationships with bank loan departments, others have just turned 18 and never opened checking accounts in their lives. Some are preoccupied with studies; others with parties. But all are in need of a safe place to deposit checks from home, and a quick way to grab cash for books, pizzas, and an occasional movie.

These special needs, plus a general surge in growth of the Upper West Side population, helped turn the Citibank at 111th Street and Broadway into one of the most highly-transacted branches in that part of the city. By 1985 lines had grown so long that the bank began pondering the idea of an off-site location for more ATMs.

"There was a feeling that a need was there," says Larry Rogers, manager of the new ATM annex. "We surveyed the customers and found they wanted more ATMs and shorter lines." By 1986 the bank was formulating plans to satisfy all of its customers — the general community and the students.

Continued on Next Page

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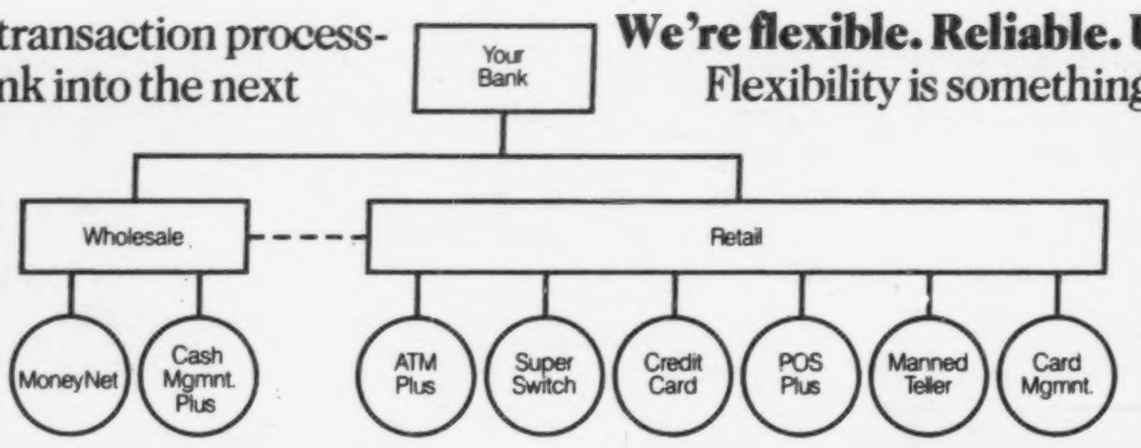

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	BHC Rank 6/87		Assets ($ Mil.) 6/30/87	Domestic Banks Controlled	Domestic Branches	Total ATMs	Total ATM Rank	ATMs In Bank Offices	ATMs Outside Offices	Outside ATM Rank
ALABAMA	74	**AmSouth Bancorporation, Birmingham**	6,463.5	4	178	94	71	66	28	46
	110	**Central Bancshares of the South, Inc., Birmingham**	3,492.9	5	N.A.	40	137	37	3	125
	84	**SouthTrust Corp., Birmingham**	5,282.5	29	161	63	105	56	7	97
	101	**First Alabama Bancshares, Inc., Montgomery**	4,205.3	3	136	75	90	N.A.	N.A.	N.A.
ALASKA	--	**National Bancorp of Alaska, Anchorage**	1,231.2	1	51	41	135	33	8	88
ARIZONA	46	**Valley National Corp., Phoenix**	11,030.5	4	296	215	31	187	28	45
ARKANSAS	--	**Worthen Banking Corp., Little Rock**	1,888.0	10	68	40	136	30	10	82
CALIFORNIA	122	**City National Corp., Beverly Hills**	3,031.3	1	24	28	155	28	0	169
	9	**First Interstate Bancorp., Los Angeles**	51,790.6	24	984	1,064	5	764	300	2
	--	**Imperial Bancorp., Los Angeles**	1,709.2	1	11	0	179	0	0	145
	7	**Security Pacific Corp., Los Angeles**	64,714.0	4	700	685	6	641	44	28
	42	**Union Bancorp, Los Angeles**	12,229.3	2	73	4	165	4	0	158
	3	**BankAmerica Corp., San Francisco**	96,923.0	2	1,053	1,350+	1	N.A.	N.A.	N.A.
	--	**Bank of California NA, San Francisco**	4,549.2	--	18	18	160	17	1	140
	--	**California First Bank, San Francisco**	6,000.3	--	135	163	43	163	0	143
	149	**Hibernia Bancshares Corp., San Francisco**	2,350.4	1	35	0	170	0	0	170
	--	**Sumitomo Bank of California, San Francisco**	3,413.5	--	46	63	104	62	1	141
	10	**Wells Fargo & Co., San Francisco**	44,721.3	1	449	1,195	3	1,151	44	27
COLORADO	145	**Affiliated Bankshares of Colorado, Inc., Denver**	2,476.4	29	0	52	118	N.A.	N.A.	N.A.
	--	**Central Bancorporation, Inc., Denver**	1,889.3	20	0	28	154	28	0	155
	133	**Colorado National Bankshares, Inc., Denver**	2,652.4	23	0	38	139	35	3	116
	78	**United Banks of Colorado, Inc., Denver**	5,764.7	46	0	109	59	71	38	31
CONNECTICUT	140	**Citytrust Bancorp, Inc., Bridgeport**	2,538.9	1	39	32	148	32	0	149
	39	**Hartford National Corp.**	14,095.9	8	250	191	37	172	19	61
	129	**Northeast Bancorp., Inc., New Haven**	2,837.3	3	60	80	82	52	28	47
DELAWARE	--	**Wilmington Trust Co.**	2,807.7	2	35	90	72	85	5	103
DISTRICT OF COLUMBIA	67	**First American Bankshares, Washington**	7,267.8	6	223	166	40	159	7	95
	75	**Riggs National Corp., Washington**	6,150.2	2	35	52	117	48	4	113
FLORIDA	27	**Barnett Banks of Florida, Inc., Jacksonville**	20,680.8	34	460	413	13	354	59	17
	66	**Florida National Banks of Florida, Jacksonville**	7,353.0	2	187	234	30	N.A.	N.A.	N.A.
	40	**Southeast Banking Corp., Miami**	12,648.0	5	185	156	45	142	14	68
	94	**First Florida Banks, Inc., Tampa**	4,586.6	2	136	175	39	75	100	9
GEORGIA	107	**Bank South Corp., Atlanta**	3,655.3	9	86	70	96	41	29	41
	30	**Citizens & Southern Corp., Atlanta**	18,819.3	3	464	350	15	276	74	14
	19	**SunTrust Banks, Inc., Atlanta**	25,560.6	51	630	571	9	499	72	15
	--	**CB & T Bancshares, Inc., Columbus**	1,558.7	12	66	35	144	30	5	107
HAWAII	85	**Bancorp Hawaii, Inc., Honolulu**	5,269.4	1	60	58	112	36	22	53
	106	**First Hawaiian, Inc., Honolulu**	3,678.5	1	46	47	124	46	1	135
IDAHO	114	**Moore Financial Group, Inc., Boise**	3,264.7	3	108	43	128	40	3	117
ILLINOIS	13	**Continental Illinois Corp., Chicago**	33,372.0	6	0	4	166	4	0	160
	--	**Exchange International Corp., Chicago**	1,856.9	1	1	5	162	5	0	152
	11	**First Chicago Corp.**	41,664.8	10	0	57	113	52	5	105
	50	**Harris Bankcorp, Inc., Chicago**	9,979.5	9	0	39	138	30	9	86
	62	**Northern Trust Corp., Chicago**	8,078.8	13	9	42	131	36	6	101
INDIANA	87	**Indiana National Corp., Indianapolis**	5,103.5	6	91	71	91	65	6	102
	105	**Merchants National Corp., Indianapolis**	3,865.6	12	105	70	95	62	8	90
IOWA	--	**Banks of Iowa, Inc., Des Moines**	2,183.8	14	25	70	97	60	10	80
KANSAS	142	**Fourth Financial Corp., Wichita**	2,514.0	10	0	34	146	16	18	62
KENTUCKY	92	**First Kentucky National Corp., Louisville**	4,781.8	8	94	75	87	72	3	120
	135	**Liberty National Bancorp, Inc., Louisville**	2,578.1	5	62	47	125	37	10	77
LOUISIANA	97	**Premier Bancorp., Inc., Baton Rouge**	4,503.1	8	100	71	93	43	28	43
	112	**First Commerce Corp., New Orleans**	3,427.1	5	67	89	74	68	21	57
	96	**Hibernia Corp., New Orleans**	4,542.5	1	66	48	120	44	4	112
	134	**Whitney Holding Corp., New Orleans**	2,610.0	1	34	4	167	4	0	162
MARYLAND	138	**Baltimore Bancorp**	2,543.9	1	30	32	150	31	1	131
	91	**Equitable Bancorporation, Baltimore**	4,903.4	3	129	166	41	156	10	84
	82	**First Maryland Bancorp., Baltimore**	5,392.5	2	184	118	58	89	29	40
	36	**MNC Financial, Inc., Baltimore**	14,966.6	2	196	125	55	125	0	153
	121	**Mercantile Bankshares Corp., Baltimore**	3,066.0	16	112	48	121	44	4	111
	--	**Citizens Bancorp, Riverdale**	1,695.7	1	113	49	119	38	11	75
MASSACHUSETTS	15	**Bank of Boston Corp.**	30,463.6	4	270	146	48	136	10	83
	18	**Bank of New England Corp., Boston**	27,051.3	14	479	467	12	348	119	8
	63	**BayBanks, Inc., Boston**	7,876.6	8	240	626	8	376	250★	3
	--	**Boston Safe Deposit & Trust Co.**	10,298.2	0	0	0	173	0	0	144
	49	**Shawmut Corp., Boston**	10,417.7	15	213	392	14	312	80	13
	69	**State Street Boston Corp.**	7,062.1	1	5	10	161	7	3	121
	146	**Multibank Financial Corp., Quincy**	2,371.7	6	82	42	132	41	1	139
MICHIGAN	52	**Comerica, Inc., Detroit**	9,701.0	19	184	256	27	228	28	44
	64	**Manufacturers National Corp., Detroit**	7,678.5	5	132	79	83	66	13	70
	24	**NBD Bancorp., Inc., Detroit**	22,564.8	33	350	310	20	N.A.	N.A.	N.A.
	61	**Michigan National Corp., Farmington Hills**	8,098.3	7	227	515	11	314	201	4
	--	**Citizens Banking Corp., Flint**	2,248.5	6	68	48	122	38	10	78
	79	**Old Kent Financial Corp., Grands Rapids**	5,674.0	25	188	99	69	98	1	138
	59	**First of America Bank Corp., Kalamazoo**	8,402.5	50	355	196	36	165	31	38
	148	**Security Bancorp, Inc., Southgate**	2,365.2	7	78	58	111	58	0	150
MINNESOTA	--	**Bank Shares Inc., Minneapolis**	1,694.8	6	9	N.A.	N.A.	N.A.	N.A.	N.A.
	16	**First Bank System, Inc., Minneapolis**	28,406.0	67	139	209	34	114	95	11
	29	**Norwest Corp., Minneapolis**	20,295.9	70	212	535	10	N.A.	N.A.	N.A.
MISSISSIPPI	117	**Deposit Guaranty Bancorp, Jackson**	3,225.3	2	120	31	151	28	3	124
	147	**First Capital Corp., Jackson**	2,365.8	1	64	24	157	20	4	114
MISSOURI	89	**Commerce Bancshares, Inc., Kansas City**	5,050.9	23	107	77	85	74	3	118
	115	**United Missouri Bancshares, Inc., Kansas City**	3,246.3	21	69	54	115	52	2	130
	51	**Boatmen's Bancshares, Inc., St. Louis**	9,742.2	36	151	97	70	90	7	98
	86	**Centerre Bancorp., St. Louis**	5,198.5	13	0	56	114	53	3	115
	72	**Mercantile Bancorporation, Inc., St. Louis**	6,618.0	33	103	62	107	62	0	151
NEBRASKA	--	**FirsTier Financial, Inc., Lincoln**	2,152.7	2	12	43	130	20	23	51
NEW HAMPSHIRE	--	**Amsokeag Bank Shares, Inc., Manchester**	1,669.5	3	19	35	145	18	17	63
	--	**First NH Banks, Inc., Manchester**	2,125.4	12	66	85	77	44	41	29
NEW JERSEY	33	**Midlantic Corp., Edison**	16,800.6	9	398	165	42	155	10	76
	--	**Constellation Bancorp, Elizabeth**	1,937.2	1	40	43	129	40	3	122
	98	**First Jersey National Corp, Jersey City**	4,415.5	5	114	138	51	113	25	49
	35	**First Fidelity Bancorporation, Newark**	15,367.7	5	317	130	54	125	5	106
	109	**Horizon Bancorp, Morristown**	3,562.7	6	125	25	156	24	1	132
	60	**United Jersey Banks, Princeton**	8,215.4	13	195	0	174	0	0	157
	--	**Citizens First Bancorp, Inc., Ridgewood**	2,068.2	1	46	20	159	19	1	136
	--	**National Community Bank of New Jersey, Rutherford**	2,854.6	--	82	41	133	39	2	126
	139	**Summit Bancorp., Summit**	2,539.7	7	63	N.A.	N.A.	N.A.	N.A.	N.A.
NEW MEXICO	141	**Sunwest Financial Services, Inc., Albuquerque**	2,528.1	12	85	100	67	48	52	21

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Automated Teller Machines at Top Banking Firms

On June 30, 1987

Compiled by American Banker Copyright 1987

	BHC Rank 6/87		Assets ($ Mil.) 6/30/87	Domestic Banks Controlled	Domestic Branches	Total ATMs	Total ATM Rank	ATMs In Bank Offices	ATMs Outside Offices	Outside ATM Rank
NEW YORK	55	KeyCorp, Albany	9,280.2	13	423	N.A.	N.A.	N.A.	N.A.	N.A.
	43	Norstar Bancorp, Inc., Albany	12,137.7	7	398	123	57	107	16	65
	123	First Empire State Corp, Buffalo	3,004.5	2	58	59	109	49	10	81
	22	Marine Midland Banks, Inc., Buffalo	24,395.4	2	324	265	26	209	56	20
	8	Bankers Trust New York Corp.	54,700.0	2	6	0	169	0	0	166
	26	Bank of New York Co., Inc.	22,156.6	2	189	67	99	63	4	108
	--	Bank of Tokyo Trust Co., New York	6,026.1	--	5	5	164	4	1	134
	125	Canadian Imperial Holdings, Inc., New York	2,962.7	2	4	0	176	0	0	161
	2	Chase Manhattan Corp., New York	98,860.1	7	400	N.A.	N.A.	N.A.	N.A.	N.A.
	4	Chemical New York Corp.	78,410.0	4	337	247	29	239	8	91
	1	Citicorp, New York	194,400.0	7†	500‡	1,200+	2	N.A.	N.A.	N.A.
	73	European American Bancorp, New York	6,582.2	1	86	36	142	36	0	156
	--	Fuji Bank & Trust Co., New York	4,552.2	--	3	2	168	2	0	164
	--	IBJ Schroder Bank & Trust Co., New York	3,146.5	--	0	0	172	0	0	148
	--	Industrial Bank of Japan Trust Co., New York	3,995.7	--	2	0	178	0	0	147
	23	Irving Bank Corp., New York	24,187.4	14	144	37	141	33	4	110
	--	Israel Discount Bank of New York	3,820.7	--	7	0	177	0	0	168
	6	Manufacturers Hanover Corp., New York	73,825.9	2	213	307	21	287	20	58
	5	J.P. Morgan & Co., Inc., New York	74,681.0	2	3	0	171	0	0	165
	--	National Westminster Bank USA, New York	11,263.6	--	135	101	66	82	19	60
	28	Republic New York Corp.	20,413.9	2	42	5	163	5	0	154
	128	U.S. Trust Corp., New York	2,885.9	2	3	0	175	0	0	167
NORTH CAROLINA	21	First Union Corp., Charlotte	24,523.9	21	724	N.A.	N.A.	N.A.	N.A.	N.A.
	20	NCNB Corp., Charlotte	24,624.0	6	560	280	25	242	38	32
	--	CCB Financial Corp., Durham	1,433.3	2	80	43	127	36	7	93
	126	First Citizens BancShares, Raliegh	2,962.7	1	317	84	78	81	3	119
	--	United Carolina Bancshares Corp., Whiteville	1,913.1	2	113	45	126	45	0	163
	111	Branch Corp., Wilson	3,435.0	1	166	86	76	79	7	96
	31	First Wachovia Corp., Winston-Salem	18,800.4	5	336	294	23	237	57	18
OHIO	143	First Bancorporation of Ohio, Akron	2,511.0	3	94	66	101	64	2	128
	95	Central Bancorporation, Inc., Cincinnati	4,547.5	7	123	100	68	60	40	30
	108	Fifth Third Bancorp, Cincinnati	3,642.5	8	93	105	65	88	17	64
	99	First National Cincinnati Corp.	4,341.9	14	125	131	52	110	21	55
	47	AmeriTrust Corp., Cleveland	10,567.5	14	211	151	47	136	15	67
	38	National City Corp., Cleveland	14,367.4	9	335	340	18	294	46	25
	57	Society Corp., Cleveland	8,931.1	4	221	255	28	220	35	35
	32	Banc One Corp., Columbus	17,692.7	37	470	349	17	297	52	22
	65	Huntington Bancshares, Inc., Columbus	7,615.5	8	198	105	64	103	2	127
	93	Trustcorp. Inc., Toledo	4,653.8	11	107	64	102	58	6	99
OKLAHOMA	119	Banks of Mid-America, Inc., Oklahoma City	3,155.3	2	4	30	152	9	21	56
	136	BancOklahoma Corp., Tulsa	2,558.6	10	4	213	32	51	162	7
OREGON	56	U.S. Bancorp., Portland	9,032.5	5	201	285	24	110	175	5
PENNSYLVANIA	150	Merchants Bancorp, Inc., Allentown	2,304.0	2	64	38	140	29	9	85
	132	Dauphin Deposit Corp., Harrisburg	2,680.0	2	75	33	147	30	3	123
	--	Keystone Financial Inc., Harrisburg	2,297.7	4	90	61	108	36	25	50
	118	Union National Corp., Mt. Lebanon	3,179.3	5	99	62	106	54	8	92
	130	Independence Bancorp, Inc., Perkasie	2,791.1	5	48	23	158	23	0	142
	37	CoreStates Financial Corp., Philadelphia	14,714.1	4	214	160	44	140	20	59
	44	Fidelcor, Inc., Philadelphia	11,692.4	3	189	108	61	N.A.	N.A.	N.A.
	81	First Pennsylvania Corp., Philadelphia	5,514.8	2	70	78	84	67	11	73
	144	Equimark Corp., Pittsburgh	2,510.5	1	73	89	73	44	45	26
	14	Mellon Bank Corp., Pittsburgh	33,164.7	7	361	628	7	354	274	2
	17	PNC Financial Corp, Pittsburgh	28,193.0	15	350	300	22	240	60	16
	71	Meridian Bancorp., Inc., Reading	6,999.3	2	156	140	50	93	47	24
	116	Pennbancorp, Titusville	3,232.4	3	132	83	79	69	14	69
PUERTO RICO	131	BanPonce Corp., Ponce	2,779.5	1	53	48	123	40	8	89
RHODE ISLAND	45	Fleet Financial Group, Inc., Providence	11,333.3	4	155	124	56	113	11	74
SOUTH CAROLINA	90	South Carolina National Corp., Columbia	4,922.2	1	161	130	53	117	13	71
TENNESSEE	77	First Tennessee National Corp., Memphis	5,938.6	2	151	107	62	85	22	54
	--	National Commerce Bancorp., Memphis	1,300.0	3	35	35	143	28	7	94
	137	Union Planters Corp., Memphis	2,547.0	5	57	67	100	35	32	37
	103	Commerce Union Corp., Nashville	4,160.4	10	103	63	103	33	30	39
	76	First American Corp., Nashville	6,059.7	13	124	87	75	75	12	72
TEXAS	12	First RepublicBank Corp., Dallas	34,400.0	105	17	350	16	260	90	12
	25	MCorp Dallas	22,163.7	57	5	1,100	4	N.A.	N.A.	N.A.
	80	Texas American Bankshares, Inc., Fort Worth	5,518.0	31	4	75	88	46	29	42
	58	Allied Bancshares, Inc., Houston	8,863.5	52	0	58	110	53	5	104
	41	First City Bancorporation of Texas, Inc., Houston	12,243.5	62	0	209	33	152	57	19
	120	Cullen Frost Bankers Inc., San Antonic	3,086.1	13	0	29	153	28	1	133
	127	National Bancshares Corp. of Texas, San Antonio	2,961.2	21	5	32	149	31	1	137
UTAH	88	First Security Corp., Salt Lake City	5,052.0	3	164	71	92	61	10	79
	--	Zions Bancorp., Salt Lake City	2,995.6	3	78	52	116	44	8	87
VIRGINIA	102	First Virginia Banks, Inc., Falls Church	4,197.9	21	270	105	63	105	0	159
	34	Sovran Financial Corp., Norfolk	16,443.1	4	357	313	19	288	25	48
	104	Central Fidelity Banks, Inc., Richmond	3,971.1	2	146	67	98	65	2	129
	54	Crestar Financial Corp., Richmond	9,490.4	3	232	144	49	140	4	109
	48	Signet Banking Corp., Richmond	10,508.4	3	237	188	38	165	23	52
	68	Dominion Bankshares Corp., Roanoke	7,267.4	11	234	109	60	76	33	36
WASHINGTON	--	Peoples Bancorporation, Seattle	2,269.2	1	71	196	35	30	166#	6
	53	Rainier Bancorporation, Seattle	9,589.6	4	181	154	46	56	98	10
	--	Old National Bancorporation, Spokane	1,983.1	2	76	76	86	26	50	23
	113	Puget Sound Bancorp, Tacoma	3,388.2	5	92	75	89	69	6	100
WISCONSIN	--	Valley Bancorporation, Appleton	2,182.9	34	77	41	134	25	16	66
	70	First Wisconsin Corp., Milwaukee	7,010.8	32	101	70	94	70	0	146
	100	Marine Corp., Milwaukee	4,304.2	22	79	80	81	44	36	33
	83	Marshall & Ilsley Corp., Milwaukee	5,314.5	30	61	82	80	47	35	34

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MACHINE BANKING REVIEW

Vendors Face Harder Sell, Must Offer Snazzier Models

Fierce price-cutting and a sluggish market for new orders has brought down two manufacturers in the last year.

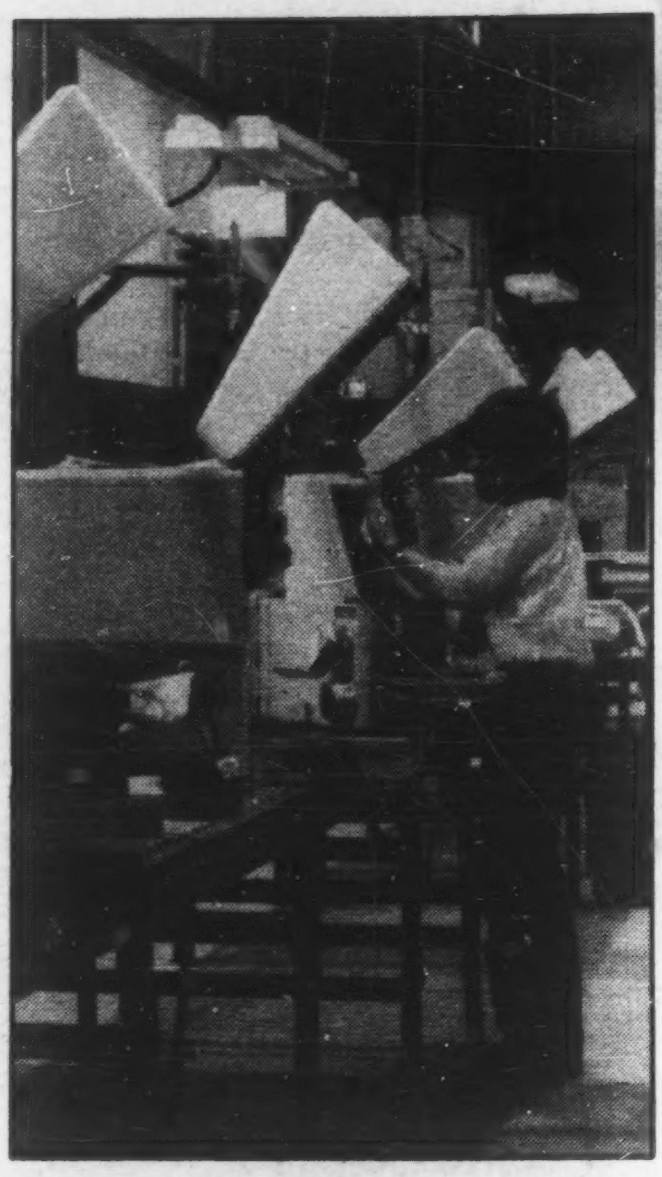
By Thomas P. Fitch

LIKE MANY CONSUMER banking innovations, the automated teller machine has become more sophisticated in the past 10 years.

One way of gauging the maturity of the ATM is to look at the hardware available — there has been a veritable explosion in its technology over the past decade. Most noticeable are the visual options: ATM screens that flash a bank logo, advertising message, or even a sweepstakes announcement aimed at frequent users. Some ATMs have color or touch-sensitive screens; others print checking account statements at the touch of a button.

More significant, though, are the design improvements that the customer does not see, such as a feature on some ATMs that unclogs a jammed paper receipt and keeps the machine functioning. The modular design of some newer models makes it a snap to switch parts as they wear out.

The ATMs of a decade ago were about as inviting as an armored car door with stainless steel buttons, and not easy to use. The menu of banking services they offered was equally rudimentary: ATMs dispensed cash on demand, took deposits, and occasionally gave balance information. Banks were just beginning to install "on-line" systems allowing customers to interact with a mainframe computer to obtain account balances or transfer money between accounts.



Diebold's production plant operates between 70% and 80% capacity, with 425 employees.

Just as noticeable as the evolution in ATM technology is changes in the manufacturing industry that supplies the hardware. Fierce price-cutting and a sluggish market for new orders — the ATM market in the United States peaked in 1983 at just under 14,000 ATMs delivered — brought down two ATM manufacturers in the past year.

Olivetti USA Inc. withdrew from the U.S. market after acquiring Docutel Corp., the Dallas company that almost single-handedly pioneered the ATM industry in the United States.

Earlier this year, Inter Innovation, a Swedish technology firm, acquired Lefebure Inc. In the United States, only Lefebure, a latecomer to the ATM market, and Citicorp are manufacturing touch-screen ATM technology.

Stay in Touch with Your Market

Joining the three leading U.S.-based suppliers of automated tellers — Diebold Inc.. NCR Corp., and International Business Machines Corp. — in the battle for market share are two Japanese firms, Omron Financial Systems Inc. and Fujitsu Systems of America Inc. Both are backed by well-capitalized parent firms, Omron Tateisi and Fujitsu Ltd., and are intent on breaking into the U.S. market with technologically sophisticated ATMs.

But the Japanese firms may be hurt by the continuing softness of the dollar, which makes their ATMs more expensive in the United States. Since Omron and Fujitsu machines are assembled in Japan, a declining dollar has forced them to absorb a 45% difference in the dollar-to-yen exchange rates over the past two years to keep from being priced out of the U.S. market.

Omron Financial Systems and its sister company, Omron Business Systems, which manufactures terminals, have already factored the currency fluctuations in their strategic planning.

"The most radical changes have already happened to us," says Robert Drennan, president of Omron Financial. In a move prompted by the decline of the dollar, the company's touch-screen video terminals are now manufactured in McKinney, Tex., a Dallas suburb. Eventually, it may build ATMs in the United States as well.

Competition from Abroad

The competition from Japan is understated, says Robert Barone, senior vice president of marketing at Diebold. "We don't see a lot of them," he says. "But I think that's a reflection of the size of their sales organizations."

Omron and Fujitsu have been able to

Thomas P. Fitch is a Stratford, Conn.-based reporter.

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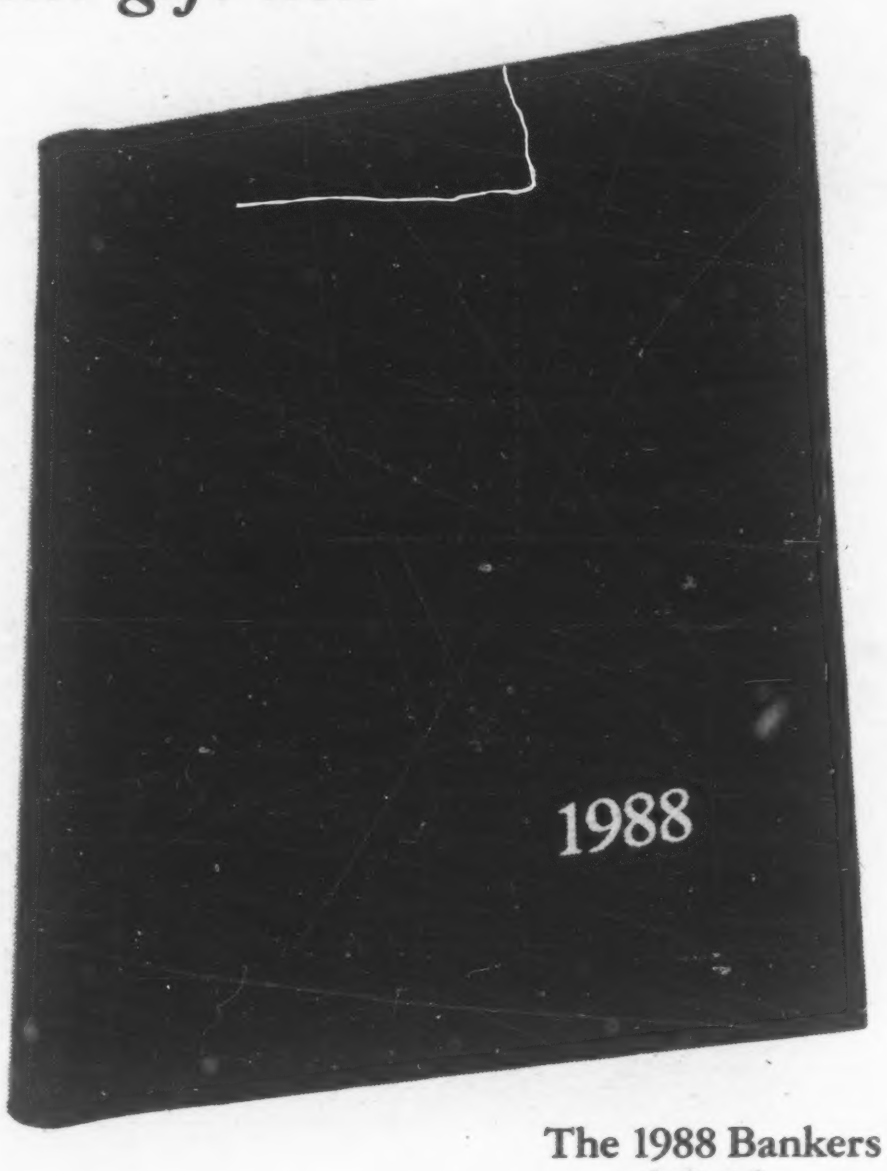

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win some choice contracts in the last two years with major institutions like Chemical Bank, Manufacturers Hanover Trust Co., and Seattle-First National Bank. But Diebold continues to hold the largest share of the U.S. market, followed by NCR and IBM.

Still, the competitive balance can change quickly in the ATM business. Mr. Drennan remembers what it was like on top of the heap when he was a marketing manager at Docutel, the company that once led the industry.

"Some other vendors came out and really didn't do much more, but they did it better," he says. "They did it in a way that was more appealing to the buyer as well as the consumer."

His advice to other vendors? "Stay in touch with your market," he says. "Don't rest on your laurels."

The prevalence of shared networks is also putting pressure on ATM manufacturers to build machines less prone to breakdowns. To meet network reliability standards and the demands of ATM owners for more flexible systems, manufacturers have put more software control, or "intelligence," into the ATM itself.

"We think the customers want a very cost-effective system," says Jeffrey Novotny, manager of financial marketing support for Fujitsu. "They want a machine that can perform traditional ATM services and has the capability to add newer features."

Although the technology is improving, the purchase of ATMs and annual maintenance is steadily declining. Today, the average price per machine is between $25,000 and $30,000; it was $35,000 in 1980. Annual maintenance costs have been pared to $2,500 per machine, a quarter of what they were seven years ago.

The prospect of further price declines may give a boost to the market for off-premises cash dispensers in high-traffic retail locations. From mid-1986 to mid-1987, Diebold shipped 5,000 ATMs worldwide from its Newark, Ohio, assembly plant — the largest ATM factory in the world.

Some of these units were Diebold's no-frills cash dispenser, the Diebold 1040 terminal. Mr. Barone says financial institutions are just beginning to install these dispensers. He predicts more will be sold when the unit price drops a few thousand dollars to $9,000 a unit.

Do Enhancements Help?

Even if they are not sure if expensive enhancements like color-screen graphics will attract new users of ATMs overnight — color adds about $1,000 to the price of an ATM — manufacturers are pressing ahead with them.

Fujitsu claims that institutions that place color units next to monochrome-screen ATMs are getting more use at the color models.

"There's nothing scientific, but there may be some more reliable data coming from some of the larger banks," Mr. Novotny says. Among those who have bought Fujitsu's color units recently are Manufacturers Hanover, Seafirst, and California First Bank, San Francisco.

But Mr. Barone of Diebold sees problems with Fujitsu's color screens. "They haven't solved the glare problem," he says. Diebold would like to add color when that flaw is corrected, but "I would say that they aren't any farther along than we are."

Citibank, steering an independent course, is stepping up installation of its touch-screen ATMs to replace more than 600 of its units in the New York metropolitan area. It is relying on hardware supplied by NCR Corp.

Touch-screen ATMs are probably useful for Citibank, which displays a lot of nontransaction information on its ATM screens, Mr. Drennan says. But he doubts the New York bank will have many imitators in the near future, and says Omron has no immediate plans to add a touch-screen capability.

Meanwhile, IBM has been promoting a new version of its 4730 lobby ATM, a machine capable of cashing checks to the penny. Color graphics and other screen enhancements apparently do not weigh in IBM's plans.

"In my opinion, they influence the banker more than the consumer," says Robert E. Coates, an IBM product manager. "I don't really believe that those things change the consumer acceptance. They may make it more appealing, but I can't imagine anyone saying, 'The reason I'm not depositing in that machine is that it doesn't have color.'"

Instead, IBM is trying to streamline the design of the 4730, a machine that even Mr. Coates admits was too bulky to fit into a branch.

IBM plans to sell a version of a machine already in use in Europe in the United States. The U.S. model will read the MICR line on checks, enabling it to cash encoded checks to the penny or deposit them into customers' accounts.

Forecasts by ATM manufacturers of a surge in replacement orders for aging, if not obsolete, hardware vary considerably.

The bulk of Fujitsu and Omron orders have been replacement orders, yet Mr. Drennan of Omron says he does not expect the market to pick up fully until 1989. Thousands of ATMs installed from 1978 to 1982, the boom period for networks, are reaching the end of their useful lives. And many of those the banks are discarding are the older IBM and Docutel models.

Diebold forecasts a 10% increase in ATM revenue this year, slower than its bank security and point-of-sale terminal sales but still respectable.

Mr. Barone says there is "no question" that replacement orders are picking up. ATM replacements currently account for about one-third of Diebold's sales volume, he says, and may some day reach 50% of sales.

But persuading a satisfied customer to turn in an older machine is a daunting task. "Right now our toughest sell is our own customer," Mr. Barone says. "He's very happy with what he's got." ■

Banks Belonging to Networks

Institutions Broken Down by Asset Size
(Percentage of banks using networks)

	Less Than $100 Mil.	$100-$500 Mil.	$500-$1,000 Mil.	$1,000 Mil.-$5,000 Mil.	$5,000 Mil. or More
Local Network	18.1%	35.7%	32.6%	43.3%	31.3%
Regional Network	47.0	57.1	75.9	76.1	96.9
National Network	56.1	57.1	58.6	56.7	81.3

Source: American Bankers Association

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➥ **Continued from Page 1**

major firms. A Chase spokeswoman said in a recent interview, however, that the New York company owns 399 ATMs nationwide.

High on the list is MCorp of Dallas, which reports 1,100 ATMs. Next is First Interstate Bancorp, Los Angeles, with 1,064 machines. After the top five institutions, there is a large gap. The company trailing First Interstate on the list is Security Pacific Corp., of Los Angeles, with 685 ATMs. (The ATM tables appear on pages 32 and 33.)

Off-Site Locations

The survey also breaks out the number of ATMs in banking offices or facilities and the number in supermarkets, convenience stores, gas stations, and other locations.

The large banking companies reported 21.3% of the machines were off premises (of those with specified locations). Bankers and vendors in interviews said this percentage of off-site placement has been relatively stable industrywide in recent years.

Some bankers question whether off-site ATMs are being used enough to be cost effective. But Al Dominick, senior vice president of Shawmut Bank of Boston, said in an interview he expects off-site ATMs to "expand markedly" in the coming years.

"The cost of the technology is coming down, so it's cheaper to put machines in off-site locations," said Mr. Dominick, who is chairman of the retail delivery system conference for the Bank Administration Institute being held this week in New Orleans.

"And I think the evolution of networks will make a difference," he added. "With the networks that are evolving — regional and national — you have access to an entire population, versus a segment of a population, your own customers."

According to the *American Banker* survey, First Interstate Bancorp in Los Angeles reported the most off-site ATMs. It has 300 machines off premises, or 28.2% of its 1,064 total ATMs.

Next in sheer number of off-site ATMs was Mellon Bank Corp., Pittsburgh, which said 274 out of 628 machines, or 43.6%, were outside bank locations. BayBanks Inc., Boston, reported 250 off-site, or 39.9% of its total 626 machines.

Top 5: Off-site ATMs

Bank	Off-site ATMs
First Interstate Bancorp	300
Mellon Bank Corp.	274
BayBanks Inc.	250
Michigan National Corp.	201
U.S. Bancorp	175

Does not include shared network ATMs or franchisee ATMs.

ATM leader BankAmerica did not specify where its machines were located.

Some institutions reported more off-site than on-site ATMs. U.S. Bancorp, Portland, Ore., reported 175 off-site ATMs, versus 110 on the premises.

Reaching for Cost Effectiveness

Banking industry officials are struggling with the question of how to increase consumer usage of ATMs to make ownership more cost effective. Many banks are hoping that ATM usage will enable them to control increases in the number of tellers and branches, as well as penetrate new markets.

A recent study conducted by Carmody & Co. for Diebold Inc. concluded that an institution with a customer base of 100,000 could save $2.2 million a year if 66% of its customers used ATMs instead of tellers for routine retail transactions between seven and nine times a month. The New Jersey and Ohio-based consultants concluded that the net value to the bank, primarily cost savings, is $2.84 per customer using machines the seven to nine times a month.

Mr. Dominick of Shawmut said growth patterns in ATM ownership could depend largely on the economy and demographics.

"If you think about ATMs," he said, "they're really a fixed-cost delivery device versus a variable-cost delivery device like a human being.

"Probably the most significant factor is going to be the population shift, which is occurring as the baby boomers mature and the number of people entering the work force at the clerical level is declining," he said. "So I think the industry will be faced over the next five years with an acceleration in self-service devices, caused primarily by its inability to hire people to deliver — tellers and even personal bankers or junior level customer service representatives."

B. Lamar Ball Jr., MCorp group chairman for retail and marketing in Dallas, added that the future could bring "a proliferation of ATMs," especially with cash dispensers and other cheaper, more limited-service machines. An example, he said, might be more cash dispensers at firms with which a bank has a commercial relationship.

"We could deliver a perk to the employees and at the same time tie in the employees to the bank through a facility on site," Mr. Bell said.

"I think there are going to be uses and features available five years from now that we can't even imagine today," he said.

Citicorp Additions in New York

Citicorp has begun a dramatic increase in ATMs in the last few months. It now owns about 650 machines in the New York metropolitan area. Spokeswoman Susan Weeks said in an interview that plans are for more than 1,000 units by yearend 1988 in the metropolitan area alone.

She said new technology has resulted in smaller machines, allowing three ATMs to fit in the space formerly occupied by two and thereby reducing customer waiting time.

But a word of caution comes from John MacMillan, an associate with Trans Data Corp., Salisbury, Md. Trans Data is a research affiliate of *American Banker.*

He said preliminary data from a study still in progress shows that 88% of banks and thrifts with more than $750 million in deposits are issuing ATM cards, and of those, 98% own or lease their machines.

"It is no longer a competitive advantage to own ATMs," Mr. MacMillan said. "It is no longer a situation where you can simply attract market share by plopping ATMs out there. You got to make them different" by more marketing or by adding services.

He said research also shows that customers who use ATMs more than four times a month rank ATM availability as their No. 1 criterion in choosing a bank. "So if you can distinguish your ATM system," he said, "it is likely that, on average, you'll retain customers for a long time." ■

October 27, 1987

First National Bancorp, Inc.

has sold its subsidiary

First National Bank of Arizona

to

Bancorp Hawaii, Inc.

We initiated this transaction and acted as financial advisor to
First National Bancorp, Inc.

PaineWebber Incorporated

Mass. Mortgage Firm To Donate to Homeless

NEW YORK — Commonwealth Mortgage Co., Wellesley Hills, Mass., said it will donate $50 to New England's homeless population for every mortgage application the firm receives in December and January and ultimately approves.

"While most of us anticipate the festivities of the holiday season, our homeless neighbors can only dread the severity of another long New England winter," said chief executive officer John J. Sousa.

A Commonwealth spokesman said the program is expected to raise at least $50,000. The company will coordinate the donation with advocacy groups for the homeless in each of the six New England states. ■

Arab Banks Fight to Survive In US Market

➥ **Continued from Page 2**

large flow of Middle Eastern capital to the United States, investment funds have not been channeled through Arab banks. Instead, Arab investors have preferred using U.S. banks and brokers.

With time, however, some Arab banks may be able to woo a share of this lucrative investment management business. But, the question is, do sophisticated investors really want to make use of Arab banks in the area of investment?

At one point, Middle Eastern banks played an important role in recycling petrodollars through the syndication of loans to less developed countries. But, unlike Japanese banks, most of the Middle Eastern institutions have not hurried to set up investment advisories.

"Arab banks had the money, but they didn't know how to place it," said a New York banker. "They didn't have access to products, and they faced tremendous competition from experienced firms. Moreover, they did not want to pay a premium for expert personnel."

Arab Bank Attracts Arab Investors

National Bank of Kuwait SAK, Kuwait City, believes that it is one Arab bank positioned to attract Arab investors. Kuwait's largest and oldest indigenous bank launched its global operations in the early 1980s with branches in London, New York, and Singapore. With combined assets of $10 billion, National Bank of Kuwait SAK has $1 billion of assets in the United States.

"Our primary goal is not to service the *Fortune* 500, but to sell trade and investment products to clients in Kuwait," said George Nasra, deputy general manager of the New York operation of the National Bank of Kuwait SAK.

"Every Kuwaiti institution and individual with substantial wealth is a potential client for the U.S. branch. We are working to manage some of Kuwait's vast wealth. NBK has had a portfolio-management company in place for three years, and we have proven that the bank can compete with Swiss and U.S. players on a performance basis."

Dr. Odeh Aburdene, Arab Bank branch manager for New York, said he believes that Arab banks in the United States must have the ability to make their own decisions without having to take direction from the main office.

"We can commit larger amounts of money to a transaction, within 48 hours, than any other Arab bank," he said. "Because of this, we have developed a solid reputation.

"Other banks take two weeks to make a decision, and they have no power at the bargaining table. As far as presence, our main competition is Citibank." ■

Strategic Dates

Jan. 31, 1988

NEW IRA FORM: Starting today, the Internal Revenue Service requires credit unions to send out to consumers a new form providing a summary of individual retirement account activity for the year. The new forms, which must be sent along with the old Form 5498, will have to list all IRA contributions during the calendar year, all distributions, and the value of the IRA at the end of the year.

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Today

TECHNOLOGY

A team management philosophy has helped Security Pacific Corp. to reduce back-room and systems costs for two years in a row, at the same time that it was assimilating $700 million in out-of-state acquisitions. ______ 2

The CIO is making the executive acronym list, as chief information officers — those who integrate information technologies into the corporate strategy — gain stature. ______ 10

Charles Schwab Corp. has named AT&T American Transtech as transfer agent and registrar for its common shares. ______ 10

Data processing organizations are using performance agreements to gauge quantity and quality of services. ______ 13

Dominion Bankshares Corp. agreed to open 14 branches in Kroger supermarkets in Virginia. ______ 14

Philips International will market Diebold Inc.'s automated teller machine systems outside the United States until 1992. ______ 14

INSIDE

Most banks will be unable to comply with the provisions of the Financial Accounting Standards Board's proposal to increase disclosure of their financial risks, industry observers said. ______ 2

New England bankers are predicting slower loan growth next year as the region's torrid real estate market cools. ______ 2

The entry of commercial banks into securities activities will not have a major impact on investment banks' profits, according to one bank analyst. ______ 3

Two commercial banks, Morgan Guaranty Trust Co. and Bankers Trust Co., acted as investment bankers in a Japanese company's acquisition of a stake in PaineWebber Group Inc. ______ 3

COMMENT

Management leadership that emphasizes entrepreneurship is needed to confront the current volatile environment of the financial industry, writes Paul A. Willax. ______ 4

The Fed should continue to resist inflation — not because it is a riskless policy, but because the alternatives are worse, writes Robert J. Samuelson. ______ 4

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Quote/Unquote

There are major advantages to proceeding on an incremental basis, starting with securities powers where the rationale for change has been clearly established.

Fed Chairman Alan Greenspan speaking on the expansion of bank powers before the Senate Banking Committee. [Page 1]

Banks Are Wary of Latest Technology

Systems Must Have Proven Usefulness

By YVETTE D. KANTROW

Third of a Series

Bankers are pessimistic about the ability of highly touted technology breakthroughs to improve their daily operations, according to an *American Banker* survey.

They are attracted to technologies that help them operate more efficiently and that improve customer service, the survey found. But bankers are putting less emphasis on high-tech, consumer-oriented products that require major marketing efforts to promote.

The *American Banker*'s first annual technology survey asked bankers to predict whether nine technologies would emerge as staples of the banking industry within the next five years.

Out of the nine, only three — desktop publishing, automated voice response systems for customer service, and 24-hour global trading systems — are considered likely to be in widespread use in the opinion of over 40% of 187 senior operations managers at commercial banks.

The technology survey was based on telephone interviews with senior operations managers at 344 financial institutions — 187 commercial banks and 157 thrifts — with $250 million or more in deposits.

Managing TECHNOLOGY

These are the institutions most likely to run their own operations rather than farm them out to service companies.

The survey was conducted in June and July by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper.

This is the third of a five-part series reporting some of the survey results. The complete findings will be pub-

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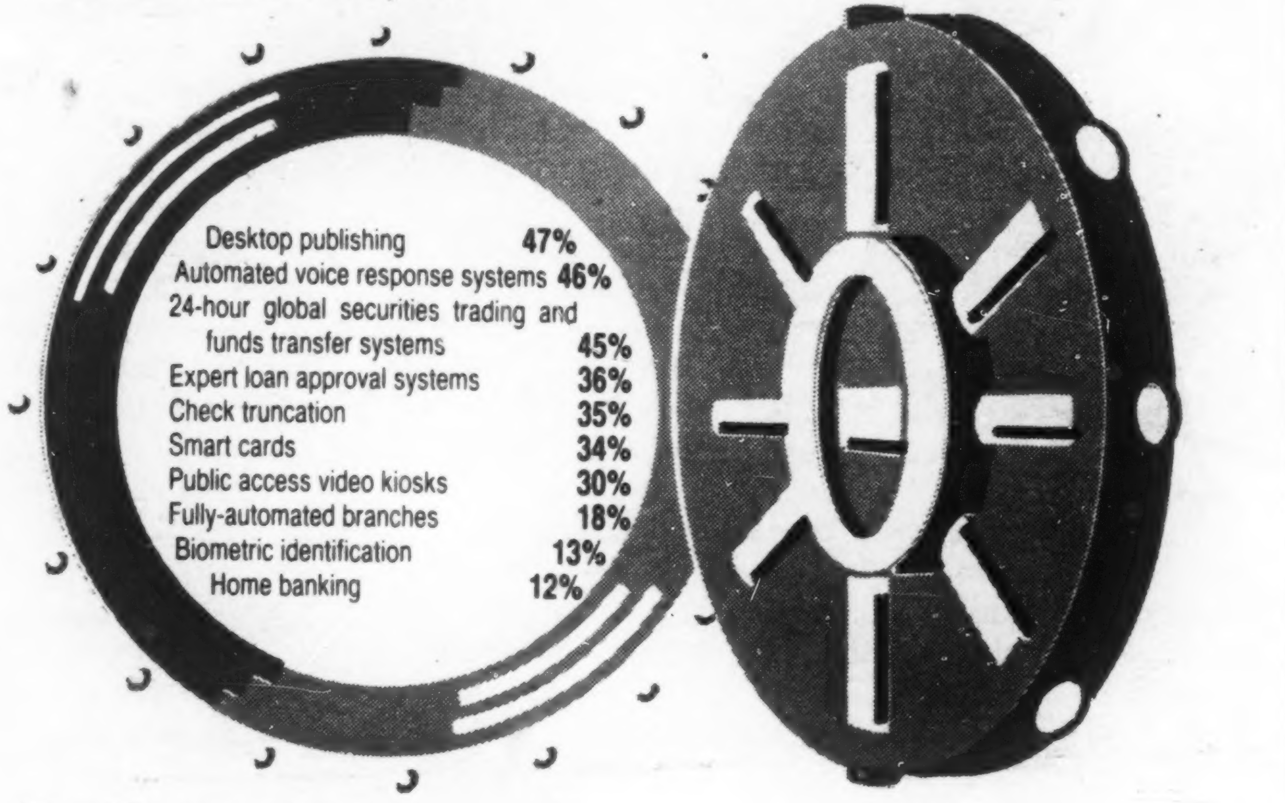
What's in Store for the Future

Almost half of the nation's bankers say desktop publishing and automated voice response systems are likely to be in widespread use within the next five years.



Base: 187 commercial banks

Source: *American Banker* Technology Survey 1987

Greenspan Urges Banking Committee To Concentrate on Securities Powers

By ROBERT M. GARSSON

Washington Bureau

WASHINGTON — Federal Reserve Board Chairman Alan Greenspan told the Senate Banking Committee Tuesday that it should focus on legislation permitting banks to affiliate with securities firms and leave more ambitious measures for another day.

In his testimony, the central bank chief specifically endorsed a bill sponsored by Sen. William Proxmire, D-Wis., and Sen. Jake Garn, R-Utah, that would repeal sections of the Glass-Steagall Act that prevent banking concerns from underwriting most types of securities.

More comprehensive legislation introduced by Sen. Timothy Wirth, D-Colo., and Sen. Robert Graham, D-Fla., has desirable features that could be added to the Proxmire-Garn bill, Mr. Greenspan said. But it permits banks to enter too many fields too quickly.

"It seems to us that there are major advantages to proceeding on an incremental basis, starting with securities powers — where the rationale for change has been clearly established," he said.

The Graham-Wirth bill would permit banks to affiliate with a broader array of financial services firms, including insurance companies. It was

Greenspan: Page 22 ➼

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IN THE NEWS

Court Backs FDIC in Loan Suit

WASHINGTON — The Supreme Court on Tuesday bolstered the power of federal regulators to collect debts owed to failed banks that are taken over by the government. The court ruled 8-0 against a Louisiana couple seeking to avoid repayment of a $468,000 loan that financed the purchase of a farm. The couple argued the loan is invalid because the now-closed bank had misrepresented the value of the property. Justice Antonin Scalia, writing for the court, said the Federal Deposit Insurance Corp. must be able to rely on bank records when it takes over a failing bank, and that a loan secured by alleged misrepresentations is not canceled in such circumstances. The FDIC is therefore entitled to repayment of the loan, the court ruled.

Customs Starts Taking Cards

WASHINGTON — The U.S. Customs is accepting Visa and MasterCard as payment for customs duties at four international airports in the United States. Ten other major airports will begin accepting the cards beginning Feb. 1. The Treasury Department last October signed an agreement with four banks to handle payments to the government by Visa or MasterCard. Customs has selected Security Pacific Bank, Los Angeles, to handle its credit card program.

PaineWebber to Get Upgrade

NEW YORK — The long-term debt ratings of PaineWebber Group Inc. were put on review for possible upgrade by Moody's Investors Service. About $375 million of securities could be affected. The rating agency said, "The review has been prompted by PaineWebber's announcement of a $300 million capital infusion, in the form of preferred stock, by the Yasuda Mutual Life Insurance Co. of Japan."

Primerica on CreditWatch

NEW YORK — Primerica Corp.'s senior debt, subordinated debt, preferred stock, and commercial paper have been placed on Standard & Poor's Corp.'s CreditWatch with negative implications. About $740 million of debt is affected. Primerica recently announced a 5 million share stock repurchase, which may lead financial leverage to remain at higher levels than the rating agency had previously anticipated. And, Smith Barney, Harris Upham & Co., a Primerica unit, has underperformed S&P's expectations and probably will require capital support from Primerica.

Atlanta Thrifts to Merge

ATLANTA — First Liberty Financial Corp. has signed a nonbinding letter of intent to acquire Valdosta Federal Savings & Loan Association for $21 a share in cash, or $9.5 million. The merger is subject to approval by Valdosta's shareholders and federal regulators. Valdosta has assets of $62 million, and First Liberty has $1.06 billion in assets.

Arizona S&L to Be Acquired

PHOENIX — Prime Financial Partners has signed a letter of intent to acquire all of the outstanding stock of Universal Savings and Loan Association, Kingsman, Ariz., in an exchange of securities. The value of the deal was not disclosed. Universal has $118 million in assets.

— Compiled by Orest Mandzy

INVESTMENT BANKING

Money Center Banks' Trading Revenues

1982-1986 (millions of dollars)

Trading Account Profits[1]	1982	1983	1984	1985	1986
Bankers Trust	$81	$42	$66	$15	$166
Chase Manhattan	31	24	29	31	66
Chemical Bank	34	21	1	23	47
Citicorp	125	82	143	210	162
J.P. Morgan	50	30	52	78	97
Subtotal	**321**	**199**	**290**	**357**	**539**
Estimated Net Carry	73	135	315	337	311
Total Gross Income After Carry	**394**	**334**	**606**	**694**	**850**
Investment Banks Gross Income	692	1,228	936	1,290	1,536
Commercial Banks/Investment Banks	57%	27%	65%	54%	55%
Foreign Exchange Profits[1]					
Bankers Trust	46	28	68	108	57
Chase Manhattan	131	117	119	173	222
Chemical Bank	56	40	61	101	103
Citicorp	241	274	258	358	412
J.P. Morgan	57	74	30	173	230
Total	**530**	**533**	**535**	**913**	**1,025**

[1] Includes profits before carry for trading in U.S. government securities, municipal obligations, foreign securities, and interest-rate swaps.

Sources: Corporate reports, Sanford C. Bernstein estimates.

There's Life After Glass-Steagall For Wall Street, Report Says

In Short Term, at Least, Profitability Shouldn't Suffer

By JED HOROWITZ

NEW YORK — Commercial bankers, bolstered by Reagan administration and congressional support, say they smell victory in their attack on Glass-Steagall Act restrictions. But at least one analyst thinks investment banks should not lose sleep over bank competitors.

"The impact of the commercial bank entry would probably be felt most severely in corporate equity and debt underwriting, producing pressure on spreads," wrote Michael Goldstein in a new report for Sanford C. Bernstein & Co. However, he added, "it seems unlikely that commercial bank entry will significantly worsen profitability."

Mr. Goldstein offered a somber explanation, however. The big Wall Street houses, he wrote, already are seeing return on equity sag because of "existing competition and cyclical forces." Commercial banks, at least in the beginning, will be a negligible influence.

Nevertheless, in areas where commercial banks now meet Wall Street head to head, they have made some progress. Mr. Goldstein compiled statistics on market share in government bond trading, Eurobond underwriting, municipal bond underwriting, private equity and debt placements, and swaps.

"Commercial banks have a composite market share of 10% to 30% in most of the businesses in which they now compete directly with the investment banks," he wrote in a report titled "The Investment Banking Industry."

And in one area — currency and interest rate swaps — banks are dominant. Major commercial banks arranged 70% of all currency and interest rate swaps in 1986.

In the related area of foreign exchange trading, the banks also display a Midas touch. The five largest U.S. banks reaped $1.7 billion in revenue from foreign exchange trading over the past 18 months, including almost $700 million in the first half of 1987. Investment banks' currency trading revenues pale by comparison.

Mr. Goldstein predicts that banks will subsidize their push into new underwriting areas with foreign exchange trading profits. However, he wrote, the securities industry has little to fear from their competitors in the short term.

Commercial Bank Market Shares

	1986
U.S. Securities Trading	20%
Municipal Bond Underwriting	27
Private Placements	19
Private Debt Placement	26
Swaps	70
Eurobond Underwriting	10

Sources: Federal Reserve Board, Investment Dealers Digest, Euromoney, Sanford C. Bernstein estimates.

The brass ring for banks is the right to underwrite corporate securities. But initially, they are moving into less profitable areas — underwriting commercial paper, mortgage-backed securities, other asset-backed securities, and municipal revenue bonds. Mr. Goldstein predicts that the banks eventually will win 20% to 30% of the total municipal bond market, and a somewhat lesser share of the commercial paper and mortgage-backed markets.

"The implications for investment bank profitability [in these areas] are relatively minor," he concluded. The top investment banks — First Boston Inc., Morgan Stanley Group, and Salomon Brothers Inc. — earned only about 7.5% of their profits, or $400 million, from the three areas in 1986.

Many brokerage firm officials say banks can have these markets. Profit margins are slim or nonexistent, in part because money center banks already have whittled fees through their placement of commercial paper and other securities. Salomon Brothers' well-publicized move out of municipal bond underwriting and commercial paper, followed by trimming by several other firms in these areas and in mortgage-backed securities, typifies the attitude.

Few Wall Streeters, however, doubt that the banks have the muscle to compete in the corporate market. In Europe, where there are no Glass-Stea-

Investment: Page 8 ➸

Banks Helped PaineWebber Find Investor

By DAVID NEUSTADT

NEW YORK — Two commercial banks, Morgan Guaranty Trust Co. and Bankers Trust Co., filled the investment banking roles when a Japanese company acquired a stake in PaineWebber Group Inc.

Morgan represented PaineWebber, while Bankers Trust worked with Yasuda Mutual Life Insurance Co.

This transaction shows the strength of commercial banks in international merger and acquisition work, according to Stephen Goodman, a managing director at Bankers Trust. For example, foreign companies participated in 23 of the 41 public deals Bankers Trust handled in 1986. Only about 30% of Wall Street's deals involve foreign companies, Mr. Goodman said.

Yasuda is buying 6.7 million shares of PaineWebber preferred stock and warrants for $300 million, which will give the Tokyo-based company an 18% stake in the brokerage firm. If converted into common stock, the warrants would increase its holding to 25%.

PaineWebber, one of the few remaining independent brokerage firms, will get a friendly stockholder, which should block any takeover attempts. The firm's capital will increase to $1.45 billion, which will help expand its merchant banking and trading activities.

Yasuda, Japan's fifth largest life insurance company, will get international investment expertise and can expect a good return on its investment.

"The key point from our client's perspective is the financial return," said Mr. Goodman. "The preferred stock has a 7% coupon, and there is some potential for capital appreciation."

Other Wall Street firms have sought ties with Japanese companies. Nippon Life Insurance has invested in Shearson Lehman Brothers Holdings Inc. and Sumitomo Bank in Goldman Sachs.

Decision Made in June

PaineWebber decided in June to seek a Japanese investor and tapped Morgan to conduct the search. When asked if Morgan was picked to avoid giving the sensitive job to an investment banking competitor, PaineWebber chairman Donald Marron said no. Morgan has "the best range of relationships in Japan" among both investment banks and commercial banks, he said.

Morgan did its analysis well, Mr. Marron said. The firm picked Yasuda as the best fit, and it was the first and only Japanese company approached, he said.

Morgan has been active in Japan for many years. In the 1920s, it helped the Japanese government arrange its first U.S. dollar-based borrowing. The bank set up an office in Japan in 1961 and helped Sony issue American depository receipts in 1962, a first for a Japanese company.

Bankers Trust has been increasing its activity in the Far East. Earlier this year, it opened a merger office in Tokyo.

Yasuda picked Bankers Trust as its adviser after it was approached by Morgan, according to Mr. Goodman. "Probably, there was the feeling that in dealing with a securities firm, [Yasuda] might be slightly better off with someone that was not directly a competitor," Mr. Goodman said.

Bankers Trust has also been involved in several other cross-border financial services transactions, according to Mr. Goodman. ■

MARKETING MANAGEMENT

Managers Must Pique the Entrepreneurial Spirit

By PAUL A. WILLAX

ALAS, AMONG THE scores of vendor booths at the recent U.S. League annual conference in New Orleans, I was able to find only one sales outlet offering the commodity most essential to the future success of the savings industry.

There, amid the key chains, computer consoles, and cash machines, was a lone purveyor of management talent — an executive recruiting firm offering to hunt for the kinds of managerial resources that the attendees would have to gather around them if their institutions are to survive the tumult of their near-term future.

Perhaps the small representation of the executive recruiting industry reflected the fact that most of us attending the conference were confident that, if we participated in all the sessions, listened intently, and tried real hard to implement what we heard, everything would come out all right once we got back home.

Many of us, I'm sure, were convinced that, with a little help, our heads could function just as well — probably better — than the new ones the hunter in the exhibition area was offering to find for us.

Tom Bloom

This simplistic conclusion of course sidesteps the fact that, as senior managers, we must be concerned with the quantity of our management as well as its quality.

There must be a sufficient amount of management in our shops to supplement our own talents, whatever they may be. For purposes of this article, however, we'll leave that topic undisturbed, and focus on a related but even more critical issue: Given that quality and quantity standards can be met, what kind of manager are we looking for? What characteristics mark the type of executive leader that is essential to our task?

It is clear, this writer believes, that more than a traditional B-school manager is called for. While good management has always been the vital ingredient in the business process (To paraphrase Harry Truman: "All bucks stop there."), a unique brand of management leadership is needed now, because we are confronted with totally new and different and threatening circumstances where:

- Volatility and rapid change plague our marketplaces.
- Rebuilding and refitting our basic institutional structures is a primary task.
- Traditional planning is encumbered by a discontinuity of events.
- Opportunity exploitation is an essential key to "winning."
- Risk is unavoidable.
- Competition is advantaged; unburdened by regulation or impedimenta of the past.
- A single decision can make or break a company.

Given this daunting environment, and the enormity of the tasks that must be accomplished within it, it is this writer's belief that today's and tomorrow's generations of thrift managers — our "new generations of leadership" — must be entrepreneurs, innovators, and doers who are true to a compelling vision.

On one hand, they must be big-picture strategists willing to invest copious amounts of sweat equity in a relentless drive toward the mountaintop that others perceive only dimly in the distance. On the other hand, they must also be pragmatic, hardworking, risk-managing, street-smart tacticians who not only can see the forest for the trees but can spot the shortcut through the bushes.

Those 'E Words'

To be sure, "entrepreneur" and "entrepreneurial" have become the somewhat overworked "E words" in the business world, rivaling the all important "Y word" in our consumer marketplaces. But it can be argued that the comprehensive, on-point definition of entrepreneur has been frequently misunderstood and misused, thereby depriving it of its rightful significance in the affairs of our contemporary savings industry.

In most instances, we have tended to think of an entrepreneur as the ingenious founder of his or her own business — the builder of the better mousetrap or the Model A Ford.

However, in his research as a professor at the Center for Entrepreneurial Leadership at the State University of New York at Buffalo, your writer has learned that the builder of a better mousetrap is only one species in the genus "entrepreneur" — the classic entrepreneur, who sees a need and acts to fill it at a profit. This type is often thought to be born, not made. (And research tends to support this conclusion.)

But there are two equally important species of entrepreneurs, and both are more important from our industry's standpoint. First, we have the "intrapreneur," who works within the organization, developing new functions and product lines and exploring new business opportunities.

Secondly, there is the "change-agent," who manages renewal efforts and charts the turnaround of enterprises that are striving to remain competitive, viable, and profitable in a changing environment.

By way of illustration, if your business was in rodent control, the change-agent might be engaged in making your old traps better, cheaper, and more salable, while the intrapreneur might be involved in the engineering of a new type of "flute-tooting trap" that charms the mice into your company's diabolical devices.

Willax Says:

The 'intrapreneur' works within the organization, developing new functions and product lines and exploring new business opportunities. The 'change-agent' manages renewal efforts and charts the turnaround of enterprises that are striving to remain competitive, viable, and profitable in a changing environment.

Unlike mice or classic entrepreneurs, neither intrapreneurs nor change agents are necessarily the products of their respective genetic pools. They can, in contrast, be "grown" to the extent that their potential for entrepreneurship is recognized and encouraged.

Therefore, despite the inevitable "nature versus nurture" debates, there is documented evidence (this writer's employer among the examples) that a company can nurture an entrepreneurial spirit and make business leaders out of its managers.

Dual CEO Title

Obviously, any attempts to cultivate a pervasive entrepreneurial esprit must begin at the top of the shop with a transformation of the "chief executive officer" to the "chief entrepreneurial officer."

This change in title cum mind-set is essential in order to effectively short-circuit the traditional managerial lock-

Marketing: Page 18 ➳

Mr. Willax is the chairman and chief executive officer of the Empire of America Federal Savings Bank, Buffalo, N.Y.

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ECONOMIC PERSPECTIVE

Twin Threats Pose a Test For Greenspan

By ROBERT J. SAMUELSON

IT'S HARD TO ENVY Alan Greenspan, the new chairman of the Federal Reserve Board. The Fed regulates interest rates, but in the wake of the stock market crash, dangers lurk no matter how Mr. Greenspan moves rates. Higher rates could threaten an economic slowdown or recession. Lower rates could cause a dangerous collapse of the dollar and higher inflation.

In some ways, Mr. Greenspan was one of the big winners of the stock market crash. It enabled him to escape quickly from the shadow of his predecessor, Paul Volcker. No one ever doubted Mr. Greenspan's intelligence or his credentials as an economist. But crisis management is an art — not a science — and everyone wondered whether Mr. Greenspan had the needed instincts and skills. For the moment, he has quieted the critics.

When the market dropped sharply, he acted decisively. The Federal Reserve made added credit available to banks, which could lend to hard-pressed brokers or mutual funds. The financial panic did not feed on itself because securities firms became insolvent. Despite this impressive performance, the basic question about Mr. Greenspan's leadership remains unanswered: *How will he cope with the twin threats of inflation and recession?*

His freedom to maneuver is modest. In the weeks since the crash, the global dimensions of the economic impasse have become clear. For the first half of the 1980s, the world economy grew in a dangerously unstable way. The United States' huge appetite for imports propelled other economies. The immense U.S. trade deficit corresponded to the enormous trade surpluses of West Germany, Japan, Taiwan, and other countries. The question now is whether this pattern of global growth can be gracefully reversed or whether it ends in a worldwide recession.

Traditional Medicine

Lower interest rates are the traditional medicine for an economic slowdown. Indeed, the Fed cut a key interest rate after the crash as a means of providing short-term emergency credit. The so-called Fed funds rate was reduced from about 7.5% to 6.75%. Mr. Greenspan's dilemma is that he can't go much farther down this path — maybe he's already gone too far — without creating as many problems as he solves.

All the evidence points to continuing U.S. prosperity. There's already something of a mini-export boom. In the third quarter, gross national product grew at a brisk 4.1% annual rate. Of course, the stock market crash could change the outlook. Overburdened by debt and alarmed by the crash, consumers may delay spending. But unless the effect is dramatic, lower interest rates risk overheating the economy and worsening inflation.

The unemployment rate is now 6%. Factory utilization is rising sharply. The economy can't tolerate both an export boom and strong domestic spending without fostering inflationary pressures. All inflation indexes are rising

Perspective: Page 17 ➳

Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

Fed Approves Four Mergers, Dismisses Redlining Complaints

By BARBARA A. REHM
Washington Bureau

WASHINGTON — The Federal Reserve Board has approved merger applications by four bank holding companies, despite concerns of diminished competition and protests of poor community investment records.

After review, the Fed dismissed the reinvestment complaints.

Valley National Corp., Phoenix, was given approval on Monday to acquire California Valley Bank, Fresno. With $9.2 billion in deposits, Valley National is Arizona's largest banking firm. California Valley Bank, with $170 million in deposits, ranks 170th of 432 banking concerns in that state.

The Fed did not raise any issue about the possible effect of this merger on competition, but it did weigh protests by PPEP Housing Development Corp., Tucson, and the Salt Lake Citizens Congress, Salt Lake City. These groups claimed that Valley National's subsidiary bank does not cash government checks for all people with valid identification and does not have a reasonable reinvestment record in rural areas.

"A review of [Valley National Bank's] loan portfolio indicates that there is a reasonable distribution of loans between urban and rural areas, given the fact that over 75% of the state's population resides in Phoenix or Tucson," the Fed said.

Valley Bank of Nevada, Las Vegas, with $1.3 billion in deposits, also gained Fed approval on Monday to merge with Security Bank of Nevada, Reno, with $429 million in deposits. In this case, the Fed cited concerns of concentration of assets and deposits and reduced competition, because the two banks serve four common markets. However, thrifts in each of these areas "exert a significant competitive influence that mitigates the anticompetitive effects of this proposal," the Fed concluded.

Equimark Corp., Pittsburgh, also got the go-ahead from the Fed to acquire Liberty Financial Group Inc., Horsham, Pa. Equimark is the 11th largest Pennsylvania banking organization, with $2.1 billion in deposits. Liberty is the state's 33d largest banking company with deposits of $357.8 million. The Fed approved the merger on the condition that Liberty discontinue investing in real estate through its subsidiary, Wynnewood Plaza Inc.

Finally, the Fed approved the acquisition of Delaware Trust Co., Wilmington, by Meridian Bancorp, Reading, Pa. Meridian is Pennsylvania's fifth largest banking company, with deposits of $5.4 billion. Delaware Trust is that state's third largest with $952 million in deposits. The Fed noted no concentration problem with this merger, because the two "do not compete directly in any banking market."

The Fed dismissed community reinvestment complaints charging discrimination in lending against both Meridian and Delaware Trust. Both concerns have favorable records, the Fed said, and have outlined specific future steps to improve their community investment practices. ■

Maryland Bank Plans Issue Backed by Credit Cards

By EVELYN WALLACE
The Bond Buyer

NEW YORK — Maryland Bank's $500 million of securities backed by credit card receivables, targeted for pricing next week, is an issue that promises to bring some new twists to the now-familiar asset-backed format.

The proposed deal will be the first public asset-backed sale for Newark, Del.-based Maryland Bank, which has a $2.4 billion portfolio of credit card receivables. Maryland is the sixth largest bank credit card issuer, the third largest MasterCard issuer, and the largest issuer of premium MasterCards in the country, according to the bank.

The First Boston Corp. will lead manage the MasterCard and Visa-backed deal, which could possibly be priced late this week. Goldman, Sachs & Co. will act as comanager.

Although credit card-backed securities were not offered publicly until last January, the market has gotten off to a promising start. To date, about $1.9 billion have been issued, according to First Boston. Securities backed by auto loans, which were first sold publicly in May 1985, comprise the bulk of the $20.5 billion market for nonmortgage asset-backed securities, a First Boston analyst said.

Depending on market conditions and investor preference, Maryland Bank may offer its pass-throughs with a floating rate based on the one-month London interbank offered rate, a feature new to the public market for credit card-backed deals.

This would offer institutional investors one of the highest short-term yields available, without the risk of investing with a branch of a foreign bank, said Vernon Wright, a vice president and manager of capital markets at Maryland National Bank, the Baltimore-based sister bank of Maryland Bank.

Maryland National, Maryland Bank, and Washington, D.C.-based American Security Bank are the three major subsidiaries of Baltimore-based MNC Financial Inc.

The deal would also be the first in the public or private secondary market for credit card receivables to offer investors protection against irregular payments. For the first 36 months of the deal's life, investors would receive uniform interest payments, while principal payments are reinvested in other receivables, said Robert Houghton, an associate in the asset finance group at First Boston.

During the final 12-month amortization period, investors get back one-twelfth of their initial investment each month, Mr. Houghton said. This payment certainty allows institutional investors to better plan their reinvestment schedules.

Ground was broken for this type of structure in the collateralized mortgage obligation market, where planned amortization classes, or Pacs, have been popular since they were invented last year.

Maryland Bank expects to win a triple-A rating for its deal from Moody's Investors Service and Standard & Poor's Corp. The rating would be based largely on a letter of credit from a bank. The issue would be the second largest such deal to date, second only to First Chicago Corp.'s $800 million issue in September.

Selling assets gives the bank an alternative funding source to, say, issuing certificates of deposit or long-term debt, Mr. Wright said. It also allows the bank to continue expanding its portfolio.

Even though Maryland Bank has yet to participate in the public market for asset-backed securities, it has placed several issues privately. Last December, for example, Morgan Guaranty Trust Co. sold $175 million of its securities backed by Visa card receivables. ■

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Investment Banks Will Weather Storm

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gall-like barriers, the capital-rich commercial banks are formidable competitors. Citibank, Morgan, Chemical, and Bankers Trust are in the top ranks in many Euromarket activities.

Closer to home, commercial banks have long been allowed to trade and sell government and government agency securities. Mr. Goldstein finds, however, that their "commitment to the trading businesses (as measured by long inventories) has grown at a rate well below that of the investment banks."

From 1979 through 1986, commercial banks' government bond portfolios grew at an annual rate of 19%, compared with 37% for the top investment banks. The growth rates fell to 17% and 23%, respectively, for other debt securities. On the other hand, commercial bank profits from trading activities have risen at about the same rate as those of their investment banking cousins, Mr. Goldstein wrote.

Many commercial bankers this year are bragging about their relative meekness. Their cautious bond trading saved them from heavy losses earlier this year when volatile interest rates lowered the value of bond portfolios, they say. Not all commercial banks, of course, were so conservative. J.P. Morgan saw profits in its $12 billion investment portfolio slide from an enviable $840 million at the beginning of the year to $47 million at the end of September. The recent drop in interest rates, however, has no doubt replenished some of Morgan's unrealized gains.

Mr. Goldstein did not discuss commercial banks' merger and acquisition advisory activities. But he supports the general wisdom that over the next five years the "supports of the mergers and acquisitions business" will be undermined by a variety of economic and fiscal factors. This can hurt the top investment banks, which he says garnered 50% of their net profit through merger fees and risk arbitrage from 1982 to 1986.

Commercial banks, however, spy opportunity. Since the market crash on Oct. 19, for example, the names of Morgan Bank, Chase Manhattan Bank, Chemical Bank, and Bankers Trust have dominated tombstone advertising in newspapers. Though commercial banks are still minor players in the mergers game, they are sending a clear message — we do friendly deals and offer long-term advice, they say. We have the capital and the talent to help with financing. ■

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NEWS MONDAY WEEKLY REVIEW

Washington Briefing

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As time goes on, the walls we create — be they "fire" or "Chinese" — have a tendency to develop holes and crumble.

Robert Forrestal, president of the Federal Reserve Bank of Atlanta, saying current problems cannot be solved with new institutional structures. [Page 1]

CoreStates Moves into Nationwide Point-of-Sale

Toledo Trust Is First Bank Customer for Philadelphia Company's Access System

By JEFFREY KUTLER

Corporate Strategy

NEW ORLEANS — CoreStates Financial Corp., Philadelphia, a national power in electronic banking through its Mac automated teller machine network, is trying to make a similar mark in the point-of-sale payments business.

CoreStates, the parent holding company of Philadelphia National Bank, has signed the Toledo Trust Co. as its first national point-of-sale customer. After three months of testing, the Ohio bank is using CoreStates' system to deliver transaction processing services to credit-card-accepting merchants in five states.

The arrangement gives Toledo Trust access to technology that would be costly to develop on its own. It has attracted merchant customers as far away as Niagara Falls, N.Y., and Tampa, Fla.

Outlays for Electronic Delivery Systems
Page 16

For CoreStates, the deal represents an initial foray into a market that several giant telecommunications providers are turning into a competitive free-for-all.

Those companies include GTE Corp., McDonnell Douglas Payment Systems Co., J.C. Penney Systems Services Inc., and Sears Payment Systems Inc.

Citicorp, MCorp, Mellon Bank Corp., and Security Pacific Corp. are among the few banking companies that Douglas Anderson, executive vice president of Philadelphia National Bank, considers direct competitors for CoreStates' point-of-sale program. CoreStates' program is called Access.

"We feel we are far enough along the learning curve that we have an advantage," Mr. Anderson said.

CoreStates has received little notice outside the Mid-Atlantic region but has been gathering electronic point-of-sale experience since 1983 when it conducted a test for Sun Co. gasoline stations around Philadelphia.

Its point-of-sale network has grown to 5,000 terminals nationwide, with thousands more on order. The number does not yet compare to McDonnell Douglas' 160,000, but it is a strong beginning from a regional base.

Mr. Anderson said many of his competitors are concentrating mainly on the data communications aspect of

CoreStates: Page 16 ➡

Expanded Powers Will Require Curbs On Deposit Insurance, Fed Official Says

By PETER MANTIUS

ATLANTA — Federal deposit insurance needs to be scaled back before banks are granted additional powers in the securities business, according to Robert Forrestal, president of the Federal Reserve Bank of Atlanta.

That concept is a clear departure from recent proposals to reform the nation's financial system. The chairmen of the Federal Deposit Insurance Corp. and the Securities and Exchange Commission support plans that would let banks operate securities affiliates that are legally separate from banking operations.

The president of the Federal Reserve Bank of New York, E. Gerald Corrigan, wants to see three types of holding companies that would have distinctly different powers.

But Mr. Forrestal, speaking at the Connecticut Economic Club's annual convention in Stamford, expressed doubts that so-called walls between types of institutions or divisions within one institution can effectively control risks to insured deposits.

"We need to free ourselves of the idea that we can solve current problems with new institutional structures," Mr. Forrestal said. "As time goes on, the walls we create — be they 'fire' or 'Chinese' — have a tendency to develop holes and crumble."

As an alternative, Mr. Forrestal proposed limiting deposit insurance to $100,000 in a single transaction ac-

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Consumer Groups Ready for Fight On Disclosure Bill

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Consumer groups plan to battle lenders over a provision in a credit card disclosure bill that would prohibit states from imposing tougher laws than the federal government.

The Senate Banking Committee last Wednesday approved a bill by voice vote that would would require credit card issuers to disclose the annual fee, the interest rate, the method of calculating the balance, and the grace period during which no interest is charged on an unpaid balance.

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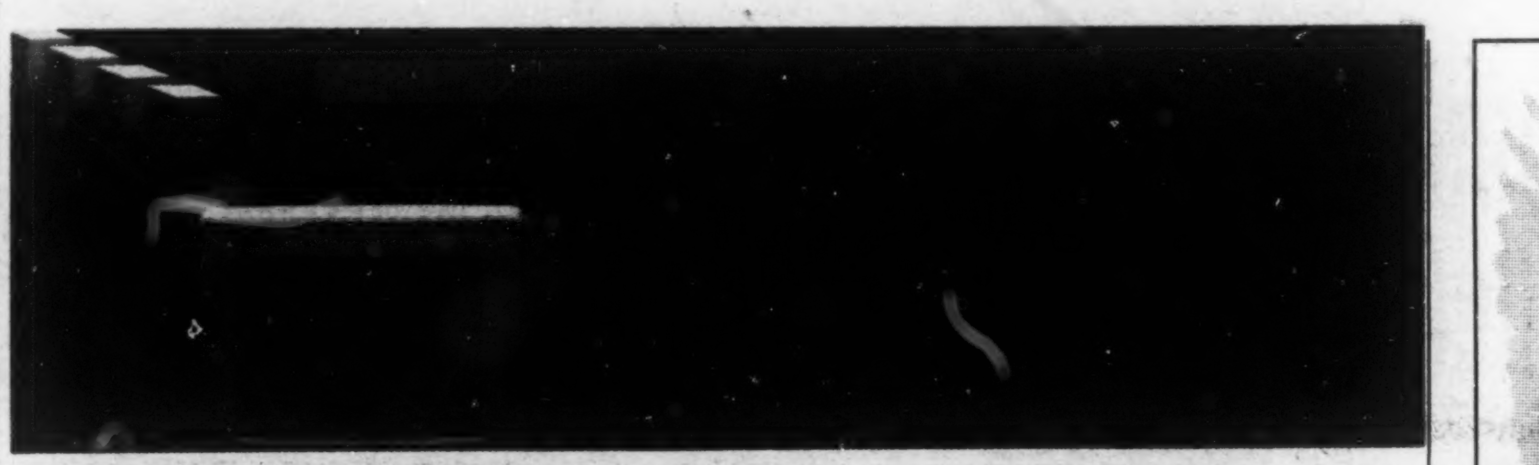

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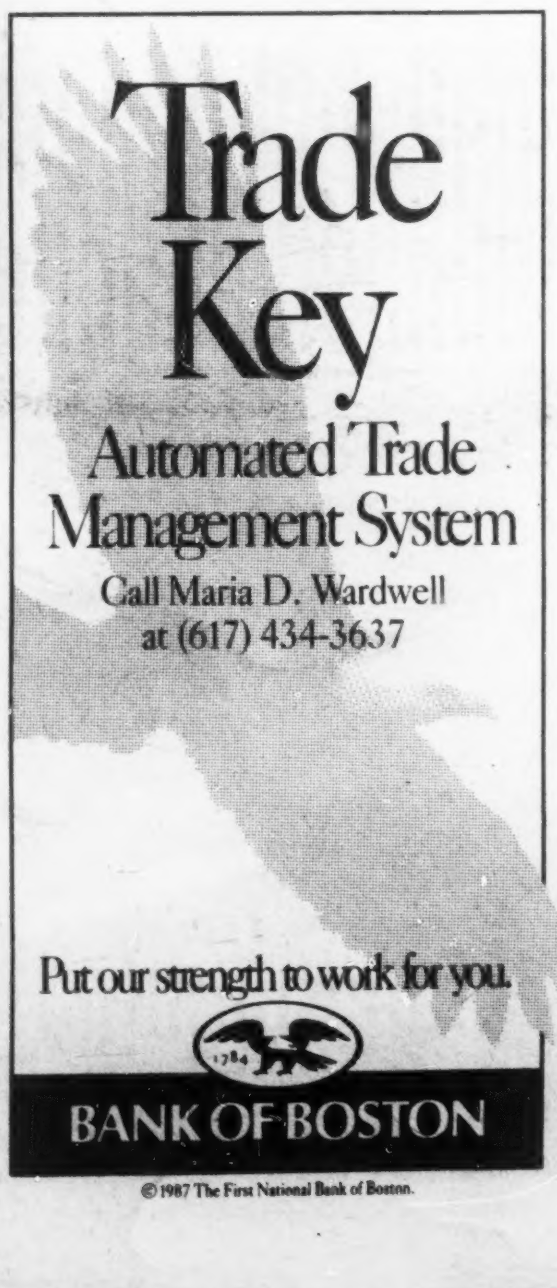

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BANKING TRENDS

Mergers May Open Door for Superregional Trade Associations

By DR. PAUL S. NADLER

FOR A QUICK STUDY of what is happening to banking, it is worthwhile to take a look at what is happening to banking's state trade associations.

The associations have always been the backbone of smaller banks, to which they have turned for ideas and help both in operations and in winning a favorable environment from legislators.

It is sad that the major banks seldom show much support for the group at state association meetings any more. When the associations hold investment seminars and management development programs, the states' leading banks are usually represented only by correspondent officers who are there to do business rather than to learn. It is as if the large banks want everyone to know they have nothing to learn from the ideas that are important to their smaller brethren.

One trend that has developed in the past few years is the growth of the state independent bankers associations. These groups, which focus on the problems and goals of community banks, have grown in strength and size, and some have become more useful to local bankers than the regular state associations.

To some outside observers, the growth of the independent bankers groups seems unnecessary because the state associations are themselves largely devoted to the problems of the community banks. They are not captives of the largest banks in the state by any means.

But human nature being what it is, having state associations of independent banks gives the bankers another organization to join and, more important, another set of "chairs" to work through on the way to being state president for a year.

There is a lot of honor in being state president and a lot of challenge and fun. So having two associations in the state gives the banker who wants to look outside of his home bank for challenges that much more opportunity to make a name for himself in the state.

Being an executive in a state trade association is no easy task. They have to lead and pretend they are following. Their areas of concern range from what legislation is the wings to whether the hotel overcharged for drinks at the convention and who should sit where at the annual banquet.

Tenure is something that simply does not exist in trade association work. And more than once an unsuspecting trade executive has been asked to step outside of the meeting for a minute only to be told upon his return that he has been fired. Keeping fences mended with the bankers of the state is thus a key part of the trade executive's job, and those who do not make every effort to understand what their constituents want, and want now, find their tenure brief indeed.

Nadler Says:

What worries the leaders of banking groups today is how the changing structure of banking under deregulation is likely to affect their associations.

But what worries the leaders of banking groups today is how the changing structure of banking under deregulation is likely to affect their associations.

Already we have seen some thrift associations combine with other thrift groups, and even, in some states, bank associations combine with thrift groups. With deregulation and the similarity of powers it has brought to banks and thrifts, there is diminishing need for two associations to handle the same activities.

Another worry for trade execs is whether the geographical expansion of banks and the development of superregional firms will make it necessary for state associations to combine into regional groups to avoid expensive duplication of functions.

"We don't need six trade associations in New England all providing full service to the banks that are operating in several of the states," says Paul Foley, president and top trade executive of the Massachusetts Bankers Association.

"Why should a major superregional pay $60,000 a year to each state association for membership?" he asks.

Profitable Activities

Mr. Foley says we are likely to see superregional associations develop with representatives situated in each state capital to deal with specific legislative issues.

Maybe this helps explain why more associations are looking at developing activities that generate a profit, such as regional schools or compliance programs, instead of depending on dues for most of their funds. As the banking industry tries to curb noncredit expense, association dues certainly are open to cuts.

But as associations try to remain viable and justify the continued receipt of dues, they are becoming leaders in developing new programs an pushing for new ways to serve their bankers. This has led to far more imaginative banking conventions and programs and far less emphasis on the traditional convention — where socializing was the key motive for attendance.

And if the bankers feel they can honestly make a deeper wedge into the areas of real estate and insurance, and they feel their state associations can help them in this regard, then the present fears of a lessened role for state associations in our banking structure could well be terminated almost overnight and be replaced by greater dependence on the state associations than we have witnessed in a long time. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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OVERVIEW

Severity of Contraction Depends on Washington

By H. ERICH HEINEMANN

THE RISK is rising that the United States economy may face a serious drop in business activity in 1988. The odds still strongly favor a short, relatively mild contraction.

The longer policymakers procrastinate in taking actions needed to defuse the burgeoning crisis in world financial markets, however, the greater the likelihood of a substantial decline. Washington is paralyzed. Wall Street seems mesmerized as the drama spins toward an uncertain conclusion.

The international value of the dollar is the key to the business and financial outlook — as well as Washington's Achilles' heel. Martin Feldstein, once chairman of President Reagan's Council of Economic Advisers and now one of the administration's sharpest critics, warned last week that "investors around the world are no longer willing to finance the trade deficit implied by the dollar's current level."

Nonetheless, Federal Reserve Chairman Alan Greenspan is under pressure from the White House and governments in Japan and Europe to stem the dollar's decline. This implies higher U.S. interest rates and more downside risk to the economy.

Much of the trouble can be traced to the popular but illusory idea of international economic cooperation. If only the Good Fairy from the Group of Seven would wave her magic wand, all those nasty troubles in the financial markets would go away. In effect, the White House has been trying to sell the world the notion that Tokyo and Bonn, not Washington, are the critical players in the dollar game.

Heinemann Says:

If only the Good Fairy from the Group of Seven would wave her magic wand, all those nasty troubles in the financial markets would go away.

President Reagan summed up his case in his address to the annual meeting of the International Monetary Fund in September: "I call on the surplus countries . . . to find the political gumption to stimulate their economies without reigniting the fires of inflation . . .

"The health of the world economy does not hinge solely on U.S. budget policy. As the U.S. budget and trade deficits decline, other countries must take up the slack, particularly on imports from developing countries."

This sounds fine, especially in a unidimensional report on the evening TV news. As a practical matter, though, the result has been to shift the onus for constructive action from Congress to the Bundesbank, the West German central bank, and/or from the White House to the Ministry of Finance in Tokyo. The outcome was predictable — paralysis and counter-productive action.

For example, Congress is still bogged down in wrangling over the details of a modest packet of fiscal reforms. Even if fully implemented, these would hardly make a dent in the Treasury deficit.

In reality, the outlook for the federal deficit is bleak. First and foremost, the budgeteers have assembled a typical package of measures based on blue smoke and mirrors.

These include asset sales, accelerated revenue collection, improved tax collection techniques and reduced interest rates. Even if the presumed benefits from these measures were all realized (doubtful at best), it's unlikely they will be very helpful to the capital markets.

Moreover, should the U.S. economy slide into a recession next year, spending cuts and revenue increases would go out the window. Federal borrowing requirements would rise sharply.

The Federal Reserve has responded to the pressure to "defend" the dollar (against what was never quite clear) by propping up short-term interest rates. The Fed is keeping rates steady despite

Overview: Page 10 ➔

H. Erich Heinemann is chief economist of Moseley Securities Corp.

Study Shows Gradual Hikes in Bank Funding for Electronic Services

By JEFFREY KUTLER

NEW ORLEANS — Commercial banks are redeploying assets away from branches and toward electronic delivery systems — but only gradually.

A Bank Administration Institute survey, using data from 117 U.S. banks of all sizes, found that they will increase investments in retail payment and customer-service systems significantly over the next three years.

But a minority of those funds will be spent on electronic technologies such as automated teller machines and point-of-sale terminal networks, according to bankers' projections.

For the average bank, the vast majority of capital spending on delivery systems — roughly 80% to 90%, depending on the bank's size — will remain in brick-and-mortar branch facilities through 1990.

Delivery systems were defined in the survey as branches, ATMs, point-of-sale terminals, and less entrenched technologies such as automatic voice response and home banking.

The survey, based on a detailed questionnaire mailed last spring that took retail bankers more than an hour to complete, revealed that bankers are slowing their ATM investments relative to point-of-sale and the other high-technology alternatives.

The largest banks — with $1 billion or more in assets — expected an average decline in ATM investments of 21%, to $318,000 per institution in 1990. Their POS and higher-tech spending will double or triple, while total delivery system investments rise 20% to an average of $3.2 million.

At midsize banks, between $100 million and $999 million in assets, ATM investments are expected to rise over three years by an average of 65%, to $38,300, while POS and other high-tech investments are predicted to rise more than tenfold. These banks' total delivery system spending is slated to rise to $336,300 per institution in 1990, 37% higher than in 1987.

The Bank Administration Institute, based in Rolling Meadows, Ill., collaborated on the survey with the Boston University School of Management. Some findings were released at the institute's retail delivery systems conference here last week. They will be published next month in a book called "The Future of Retail Banking Delivery Systems."

Investments in Retail Delivery Systems

1987-1990, by asset group (per average bank, thousands of dollars)

	Under $100 Million			$100 Million-$1 Billion			Over $1 Billion		
	1987	1990	Incr.	1987	1990	Incr.	1987	1990	Incr.
Branch offices	$43	$88	107%	$222	$282	27%	$2,169	$2,554	18%
Proprietary ATMs	5	10	102	23	38	65	404	318	(21)
Point-of-sale	0	0	...	1	7	1067	47	100	112
Other[1]	1	2	85	1	9	1350	84	277	228
Totals	**49**	**100**	**107**	**246**	**336**	**37**	**2,704**	**3,249**	**20**

Dollars rounded to nearest thousand; percentages based on unrounded amounts. [1]Other self-service technologies, including interactive terminals, voice response systems, and home banking. Sample: 117 banks.

Source: Bank Administration Institute survey, "The Future of Retail Banking Delivery Systems"

Big Banks and Automated Systems

The move to greater investments in electronics is most pronounced at large and midsize banks.

By 1990, the $1 billion-asset and larger banks will be devoting an average of 21% of their annual retail delivery system investments to automated systems, up from 19% in 1987.

In dollar terms, the large banks' electronic investments — including the dampening effect of ATM cutbacks — will rise by an average $160,000 or 30% over the three years. This is faster than their anticipated 18% growth in brick-and-mortar investments.

At banks with $100 million to $999 million in assets, the electronic proportion will rise to 16% in 1990 from 10% this year, and the dollars by an average of $30,000, or 121%. That compares with only 27% growth in the brick-and-mortar area. Banks under $100 million in assets showed almost no change in the branch-electronic mix. Although their total delivery system spending is projected to double by 1990, to $100,000 per institution, the same 88% is going toward brick and mortar in both 1987 and 1990.

While the survey seems indicative of industry changes that have shown up in other reports, its small sample relative to the total of 14,000 banks may limit the statistical reliability of the findings.

This is especially true in the under-$100 million category, where only 32 banks participated out of a "universe" of over 12,000.

Service Quality an Issue

While they prepare for a future in which more services are delivered electronically, bankers are growing increasingly concerned about maintaining service quality, the survey said.

As retail services are delivered in an automated, impersonal fashion, it becomes essential to employ educated workers to fill the gaps and respond to consumer complaints and inquiries.

Bankers in the survey said their top employment priorities were to maintain employee morale, institute effective training programs, and retain qualified personnel.

The bankers do not see automation as a means to sizable staff reductions. They do regard a high-quality staff as a competitive asset.

Asked to list competitive priorities in order, the 117 surveyed bankers rated courteous service first with a score of 6.5 on a scale of 1 to 7.

Convenient service, broadened customer relationships, accurate and timely information all scored 5.9 or higher on that scale.

"We cannot automatically assume that staff levels will fall in proportion to automation," said Marjolijn van der Velde, managing director of retail financial services at BAI.

"Automation actually increases inquiries," Ms. van der Velde added. "The number of support staff may have to remain stable, or may even grow over the next few years" to meet the demand for customer service.

Ms. van der Velde said that the proportion of customer inquiries handled by branch tellers and platform representatives will likely fall to 59% in 1990 from 68% today. Many of those inquiries are shifting to ATMs, whose share of the inquiry load will rise to an estimated 15% from 9%.

But calls to the customer service area are seen holding steady, at 16% in 1990 compared with 15% today.

The study said banks that develop a responsive work force "can effectively use these [branch] structures as a focal point for interacting and managing relationships with customers."

Brick-and-mortar facilities thus become more productive and their cost structures less burdensome. The branches become part of an upgraded delivery system that blends people skills with computers.

"Management in the 1990s will have to be more communicative and flexible" if they are to avoid morale problems among customer-contact personnel, the study concluded. ■

Strategic Dates

Oct. 10, 1988

NATIONWIDE BANKING: Michigan legislation providing for nationwide interstate banking goes into effect today.

CoreStates Financial Moves into Nationwide Point-of-Sale Business

➙ **Continued from Page 1**

point-of-sale payments. CoreStates offers a complete turnkey package that makes implementation theoretically trouble-free for users like Toledo Trust.

"The turnkey aspect makes a big difference," Mr. Anderson said. "We immunize our banks and merchants from all worry about telecommunications and service.

"We can go anywhere in the country at the drop of a hat, or the drop of a terminal," he said.

Flat Fee for Each Transaction

Access users buy or lease their merchant terminals and pay CoreStates a flat fee per transaction, which the company has not publicly disclosed.

"Access is designed for good-size banks like Toledo Trust that can compete but may not be able to afford the technology," said Jeffrey Connelly, senior vice president and manager of electronic payment services for CoreStates.

"We provide a solution — including terminal leasing, servicing, ongoing support, customer setup — that makes them [banks] competitively strong," Mr. Connelly said.

"We now have the ability to compete for merchant business with a high-quality, cost-effective point-of-sale product line, without having to shoulder the product development cost," said George Russ, vice president of merchant services at Toledo Trust.

Toledo Trust is taking advantage of CoreStates technology to build a business reaching far from its home base.

"Not everybody can participate directly in the technology explosion," Mr. Russ said in an interview this week during the Bank Administration Institute's retail delivery systems conference.

"I want to be in a national market, but I can't get on a plane for Tampa if something suddenly goes wrong down there," he said.

CoreStates, as a regional banking company, prefers to sell the Access service to other regional banks rather than trying to penetrate those markets itself. "Regional banks know their own markets best," Mr. Anderson said.

"CoreStates has defined the service so well that we can drop-ship a terminal to anywhere in the country, and the store people can read the directions and have the terminal connected in a couple of hours," Mr. Russ said.

Toledo Trust has 70 branches in Ohio and 2,500 merchant credit card customers. Access allows the bank for the first time to offer data capture, which speeds the funds-transfer process by replacing paper payment drafts with electronic data communications.

Access also provides on-line card authorizations, debit card acceptance, and check guarantees at the user's option. The network can authorize any combination of debit cards, private-label store cards, and credit cards including American Express, Discover, Diners Club, Carte Blanche, MasterCard, and Visa.

Mr. Russ said Toledo Trust chose a proven system that can enhance the bank's deposit relationships with retailers.

Value-Added Services

Besides transaction processing, Access can deliver what Mr. Russ calls value-added services. These include sales reports, data collection, electronic mail, and cash consolidation reports — cash management services that yield additional fee income to the bank.

"These merchant customers are depositors in our bank, and deposits are the name of the game," Mr. Russ said. "The POS data capture service, which we call Vista Access, is a door-opener to Toledo Trust's existing family of corporate-service products."

Access is an outgrowth of Mac, the ATM network with 2,400 machines serving six million cardholders in Delaware, New Jersey, New York, and Pennsylvania.

Through Mac, CoreStates has been in the ATM/debit card business since 1979. Mac handles 16 million transactions per month for more than 300 financial institutions and is the fifth largest shared ATM network in the country, according to the newsletter *Bank Network News*.

Also in CoreStates' Mac product line is an in-home computer banking service, currently being delivered by seven financial institutions to about 600 consumers.

Toledo Trust is one of four banks outside the Mac network's home territory that will be on the Access point-of-sale system by yearend. Another 10 Mac members are users.

"We'd like to double the total to 28 in 1988," Mr. Connelly said.

Most of the current 5,000 terminals are at petroleum retailing outlets bearing the Sun, Getty, Atlantic, and other brand names.

"We expect to double or triple that number [of terminals] in 1988," Mr. Anderson said.

Most of the 3.5 million monthly point-of-sale transactions now processed by the Mac/Access switch are credit card items, but Mr. Anderson anticipates rapid growth in debit card transactions.

In a related development, Philadelphia National Bank announced this week that it is installing a point-of-sale network linking Texaco jobbers across the United States. In the petroleum industry, jobbers are independent marketers.

The electronic terminals will provide authorization and data capture of transactions made with Texaco, Visa, MasterCard, American Express, and Discover credit cards, and various debit cards.

"The network will benefit consumers by offering faster services and convenience in purchasing," Mr. Connelly said. "And it will benefit Texaco jobbers by providing greater security and efficiency in payment for their products." ■

12/11/87 C0125-1 A

American Banker

The Daily Financial Service

TOP 100 CREDIT UNIONS
— TABLES BEGIN ON P. 14

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VOL. CLII NO. 242 Friday, December 11, 1987 152nd Year

Today

THRIFTS & MORTGAGES

Credit unions significantly outpaced savings banks and savings and loans in deposit growth for the fourth year in a row. In the 12 months ended June 30, deposits at credit unions jumped 18.7%, compared with a 2.9% gain at savings institutions. ______ 8

Bank Board Chairman M. Danny Wall went to Hong Kong, Seoul, and Tokyo to discuss FSLIC bonds, while HUD Secretary Samuel Pierce talked to Mikhail Gorbachev about selling housing materials to the Soviet Union. ______ 8

Peregrine Construction Co., Southfield, Mich., serves as a go-between for mortgage lenders and insurers in fire-damage claims on properties in default. Through its Peregrine Plus service, the builder negotiates with the insurer, repairs the property, and takes a profit off the top of the insurance payout. ______ 10

INSIDE

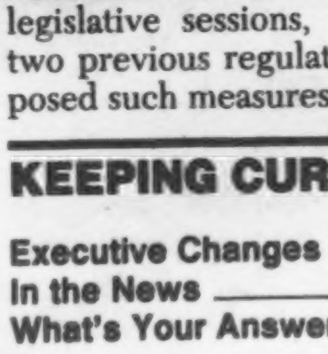
E. Gerald Corrigan, president of the New York Federal Reserve Bank, threw his support behind the Proxmire-Garn bill to dismantle the Glass-Steagall Act. ______ 3

Colorado Gov. Roy Romer announced he would seek $5 million in state funds to help repay 9,000 depositors at 15 industrial banks. The institutions are insured by the Industrial Bank Savings Guaranty Corp., which has become technically insolvent. ______ 3

IRA and Keogh plan assets grew more slowly in the year ended June 30 than in the previous year, according to the Employee Benefit Research Institute. Total assets in these accounts increased 24%, compared with 35.6% a year earlier. ______ 3

Mexico gets video banking in the form of an on-line service for midsize and small businesses offered by Banco Nacional de Mexico, a $6.6 billion-deposit bank. ______ 19

Edward L. Tubbs, who became Iowa superintendent of banking on Nov. 1, intends to stay out of legislative skirmishes over interstate banking. Iowa has been the site of heated battles on the issue for several legislative sessions, and the state's two previous regulators actively opposed such measures. ______ 24



Edward L. Tubbs

KEEPING CURRENT

Executive Changes ______ 23
In the News ______ 3
What's Your Answer ______ 4

Quote/Unquote

Everybody is on board. It's a document that everybody is prepared to subscribe to.

Peter Cooke, of the Bank of England, who chaired a committee that produced an international proposal on capital adequacy standards. [Page 1]

26 Big Banks Face Need to Raise Equity

What the Central Bankers Are Proposing

By JOHN J. DUFFY
London Bureau

LONDON — The proposed new standards of capital adequacy for international banks released Thursday are modeled closely on the U.S.-British capital accord of February, but the rules go further in several important respects.

The proposals drawn up by central bank representatives of the Group of Ten countries specify what constitutes capital and what minimum capital standards banks are expected to achieve by 1990 and by 1992. The Anglo-American accord shied away from precise figures.

The report, prepared by the so-called Cooke Committee, was unveiled by the Bank for International Settlements, a central bank for central bankers. Under the agreement, international banks in Group of Ten countries would be permitted to count core capital and supplementary capital. Core capital, the more important of the two, would consist of common equity capital and reported reserves. Such capital would have to constitute at least 50% of a bank's total base capital.

Supplementary capital would consist of five general elements:

- Unpublished or "hidden" reserves. Such reserves, which are permitted in West Germany but not allowed in the United States, would count as capital as long as they are passed through the

26 Big Banks: Page 2 ➸

Regulators Seek 4% Minimum Level

By BARBARA A. REHM
and JOHN J. DUFFY

More than two dozen major U.S. banks do not have enough common equity to meet the capital adequacy standards expected to go into effect in 1992, bank analysts say.

Under a compromise plan developed by central bankers from major Western countries and unveiled by U.S. bank regulators on Thursday, banks dealing in international markets would be required to hold 4% of their capital in common equity and disclosed reserves.

Under the plan, minimum capital requirements would be set at 8%, with the additional 4% makeup of capital being determined by regulators in individual countries.

Tiering capital requirements — 4% equity capital and 4% other types of capital — lets individual countries retain their various national accounting and regulatory quirks.

Many of the major U.S. money center banks will have to raise their equity to meet the new capital standards. The banking consulting firm Keefe, Bruyette & Woods Inc. calculated the common equity-to-assets ratios of 197 U.S. banks. These ratios exclude goodwill, which is being dropped as a part of equity under the proposal.

Using June 30 data, the firm found that at 26 banks common equity accounted for less than 4% of total capital. Among those 26 are Manufacturers Hanover Corp., Continental Illinois Corp., BankAmerica Corp., and Citicorp. (See table on page 2.)

Analysts said the new proposals are going to have widely differing effects, depending on the individual country,

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Excerpts from Text of Proposals
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Banks Below Proposed 4% Equity Ratio
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A VIEW FROM OUTSIDE

MARTIN MAYER

Marking to Market

AMONG the most popular of fairy-tale themes is the idea that a curse rests on the man who gets what he asked for. I think that's utter nonsense, but I have been reconsidering my position since the Financial Accounting Standards Board announced it was going to seek to impose mark-to-market procedures on accountants who audit banks.

On the surface, that's good news in two ways. It takes off the backs of the accounting board at least one of the monkeys left there by a resigning member who said the board was adopting rules that favored the providers over the users of audited statements. Mark-to-market accounting, after all, is something the banks don't want at all and the evaluators of banks need very, very badly.

It's been fascinating this year to watch the brokerage houses without exception intensify their buy recommendations on money-center bank stocks as the market has driven them farther and farther down, never thinking that maybe the market knows something the analysts don't.

In the light of events this year, one must worry that the availability of regulatory accounting may be giving us some very misleading numbers. Banks as well as Merrill Lynch were involved with interest-only, principal-only strips of collateralized mortgage securities.

Merrill, having guessed wrong, had to swallow its losses because it was required to mark to market. Banks under regulatory accounting could, and some probably

View: Page 4 ➸

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A VIEW FROM OUTSIDE

Marking to Market

Continued from Page 1

did, sell the half that went up in price, booking a profit. They could then continue to carry at one hundred cents on the dollar the half that had sunk into the sea. No way for us'ns to know, now — which is, indeed, why the Securities and Exchange Commission asked the accounting board to invent some rules.

Worse. The upheavals of Oct. 19 must have changed dramatically the values of the interest rate swaps in which many banks had taken positions. There was nothing in regulatory or SEC accounting procedures that compelled banks to mark these positions to market, and one doubts that they did — at least, after the positions began to show a loss.

Indeed, the fact is that in many instances U.S. bank examiners don't know the extent of the contingent liabilities our banks have accepted in their foreign offices so they can play in this business.

AT PRESENT, we know nothing of the letter-of-credit obligations the banks have accepted. John Reed said the other day that Citibank had greatly expanded its loans to the market on Black Monday. No doubt it did — because the specialists and brokers had lines of credit at Citibank for which they had been paying commitment fees, and because the bank had deposited letters of credit in lieu of cash in the margin accounts of the futures and options firms.

Today, letter-of-credit fees drop like manna on the bottom line. But as the Bank of England pointed out a year ago and a number of banks learned with some discomfort in late October, money is a business where nobody gives nobody nothin'. The accounting board rules might help us find out who has nothin' and what he carries it at on his books.

I have no serious doubt that somewhere in these daisy chains of swaps the Aboriginal Bank of Alice Springs has promised to pay fixed-rate deutsche mark in return for floating-rate Swiss franc, and the American bank on the other end of the transaction is blissfully booking profits on it.

A British banker said to me a year or so ago that U.S. banks thought they were going to earn their way out of the Latin debt problem through swaps. What they didn't understand, he said, was that swaps were the Latin debt crisis of the '90s. We need accounting procedures that enable us — maybe, even, enable the banks — to keep track of such things.

It's an important subject. As noted in this column a few weeks ago, mark-to-market accounting that keeps close track of the value of the loan and investment portfolios would allow a more professional Federal Deposit Insurance Corp. than we now have to track the government's risk much more closely. To the extent that portfolios will increasingly be securitized, the fiction that everything is worth par will be increasingly unconvincing to the outside world and should not satisfy an insurer, either.

ONCE THE FDIC can keep track of the fluctuating market values of the banks' assets and can deal dynamically with developing changes, a real risk-related insurance premium (not the joke the incumbent administration of the agency has proposed) can be assessed, and the variety of assets a bank may hold can be increased.

Assume the SEC has full powers to force the maintenance of the capital ratios at an investment banking affiliate, whether the bank regulators like it or not. Assume also that the capital put into the affiliate is real money, not Mickey Mouse from the bank.

Then. significant reform of deposit insurance can indeed lead the way to securities powers for holding companies that have insured depositories as their major subsidiary. Without such reform, of course, it is really impossible to believe that even Congress could be dumb enough to do anything major about Glass-Steagall.

Mark-to-market accounting would also get rid of the "goodwill" items on the asset side of the ledger, which look very silly when stock sells below book value. On the plus side, it would permit the banks to assign a true value to items such as the commercial land and buildings they use, and the operating subsidiaries for which there is a market. Equity would look a lot stronger if banks could carry their older assets at a higher fraction of what they are now worth.

The objection that it's hard to put a value on loans per se is not to be taken very seriously, coming from lenders who are either reasonably expert at this or should find some other line of work. Anyway, the law of large numbers will get you out of this problem easily enough: We don't want to know what the $2,000 surviving piece of a three-year auto loan is worth, just what the portfolio of consumer loans is worth.

We would still have problems with the regulators, who are disgracing themselves abroad these days by insisting that banks alone among commercial enterprises should be permitted to capitalize their bad accounts receivable (also known as "loan-loss reserve") despite the commonsense objection of the German authorities that when your horse makes dung you clean it up yourself. But, of course, if banks had to value the Latin debt at market they wouldn't have any loan-loss reserve left to capitalize, anyway.

ALL THOSE GOOD THINGS. And yet . . . . A bank with too many holdings of low-coupon U.S. instruments will indeed suffer reduced earnings in a high-rate environment. But such holdings are not likely to make the bank insolvent, which is what mark-to-market accounting might indicate.

Even on the question of Latin debt, there are inescapable doubts. Do we really want to send our banks into negotiations with these guys under circumstances where a comment by one of the debtors coming out of the meeting can clobber the market price of the debt, with severe consequences for the creditors?

Still more difficult problems come on the liability side. If we're going to tell a bank that a 9% mortgage must be written down to market in a 12% interest environment, then we can't insist that the two-year $100,000 certificate of deposit at 7.5% is a real $100,000 liability. And we have to find some way to account for what the British call "the endowment,' the transaction balances that pay no interest at all and become increasingly a source of profits when rates rise.

Certainly, something quite different from today's mendacious reporting of the condition and profitability of a bank will some day be required. The important part of the accounting board announcement is that the first step has been taken.

But it's going to be a very long journey. And we're going to need some Cossacks with whips to make sure the big banks stay on the path. ■

Mr. Mayer is the author of "The Bankers" and "The Money Bazaars."

WHAT'S YOUR ANSWER?

Brokerage Liable for Bad Investment Advice

By CHARLES G. DALEY

Can a stock brokerage firm be held liable under the Texas Deceptive Trade Practices Act for giving erroneous tax and investment advice to a customer when it is coupled with other services?

YES. John D. Youngblood was employed by Sherwin-Williams Co. Sherwin-Williams established an approved tax-shelter plan called the Employees Stock Purchase and Savings Plan, a pension plan in which Sherwin-Williams agreed to match, up to a specified percentage, contributions made by an employee into the plan.

The company's contributions to the plan were not taxed to the employee when made, only when withdrawn. The employee contributions came from his or her salary, which had already been taxed, so they were not taxed when withdrawn. Mr. Youngblood had participated in the plan since 1969. His plan held approximately $30,000 in his own contributions and $70,000 in employer contributions in 1982.

In October of that year, Mr. Youngblood contacted Nich Swanson, an E.F. Hutton broker, about the feasibility of removing the entire $100,000 from the plan and investing it in other securities to obtain a higher return.

Mr. Youngblood had been doing business with Mr. Swanson at Hutton since 1981, investing in and selling other securities.

Calling E.F. Hutton's New York office, Mr. Swanson spoke with Karen Badger, a broker in Hutton's Employee Retirement Income Security Act (ERISA) office. Ms. Badger told Mr. Swanson that the contemplated withdrawal, coupled with investing the proceeds in E.F. Hutton's Bond and Income Series, would qualify as a tax-free rollover, with the result that Mr. Youngblood would not incur any tax liability on the transaction.

Mr. Swanson passed this information on to Mr. Youngblood. Accordingly, Mr. Youngblood liquidated his Stock Purchase and Savings Plan and received checks from Sherwin-Williams totaling $100,780.

His contributions, which had already been taxed, totaled $30,364, and his employer's contributions came to $70,415. The sum of $70,415 was invested, pursuant to Mr. Swanson's recommendations, in E.F. Hutton's Bond and Income Series, which was essentially a mutual fund composed of bond investments.

It was this withdrawal that brought about the adverse tax consequences that Hutton had told Mr. Youngblood he would not suffer.

A short time later, Mr. Youngblood referred a coworker to Mr. Swanson for liquidation and rollover of the funds in his plan. Once again, Mr. Swanson called the New York office for advice.

This time he learned from the ERISA department head, Gary Strum, that the transaction did not qualify as a rollover but instead would be taxed. Mr. Swanson testified that when he informed Mr. Youngblood of the news, the Sherwin-Williams employee replied, "That's what the IRS said."

Mr. Youngblood subsequently withdrew the money from the Bond and Income Series and reinvested it in Hutton's Cash Reserve Management Account, a money market type of fund. Mr. Youngblood was required to pay $31,200 in taxes on the $70,415 improperly withdrawn from the plan.

Thereafter, Mr. Youngblood sued E.F. Hutton for damages under the theories of common law negligence and fraud and under the Texas Deceptive Trade Practices Act. The jury found that both parties were negligent: E.F. Hutton was 60% negligent and Youngblood was 40% negligent.

The court rendered judgment against Hutton, and the firm appealed. The Court of Appeals of Texas affirmed the judgment and gave attorney's fees to Mr. Youngblood. ■

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THRIFTS & MORTGAGES

AN AMERICAN BANKER WEEKLY FEATURE

Who's News

Crestmont Savings and Loan Association, Edison, N.J., has hired **James J. Childers** as executive vice president and real estate lending division manager. He was previously with First Federal Savings and Loan Association of Rochester, N.Y., as senior vice president and chief lending officer and had earlier served as an executive vice president with the Kissell Co., Springfield, Ohio. At the $1.4 billion-asset Crestmont, Mr. Childers will be responsible for mortgage banking and commercial real estate lending.

James J. Childers

Jeffrey S. Tallackson has joined American Savings Bank, New York, as executive vice president, general counsel, and secretary. He was previously a partner at the New York law firm of Milbank, Tweed, Hadley & McCloy, which he joined 17 years ago.

John Roberds, formerly an arbitrage trader at Merrill Lynch specializing in futures, government securities, and swaps, has joined Franklin Savings Association, Ottawa, Kan., to help with its trading of mortgage-backed securities and related hedging instruments. Mr. Roberds, the third ex-Merrill employee to join the fast-growing thrift since September, is expected to be named a senior vice president.

Darrell W. Meyer has been named senior vice president of loan administration at C.L. Clements Mortgage Co., Miami. Previously a vice president, he has been with the company and its parent, Chase Federal Savings & Loan Association, for seven years.

Newswatch

Convertible ARMs Soar

Convertible adjustable-rate mortgages, which began gaining popularity earlier this year, are now offered by three out of every four mortgage lenders, according to a survey by the Federal Home Loan Mortgage Corp.

The loans, which let borrowers convert to fixed-rate mortgages within certain time periods, were the only adjustable-rate mortgages offered by 21% of the lenders surveyed. Another 55% offered both convertible and nonconvertible ARMs, the survey found. While 30% offered the conversion option at no cost — charging a fee only at conversion — most charged higher initial rates or more origination points.

Michigan Thrift Reaches Pact

D&N Savings Bank, Hancock, Mich., said it reached a temporary agreement with its largest stockholder group to prevent it from acquiring any more shares of the thrift. D&N had filed a lawsuit alleging that the group is planning to take control of the $1.76 billion-asset institution.

Under the agreement, the group — consisting of Southfield, Mich.-based Seligman & Associates Inc. and members of a family that owns 76% of that firm — will refrain from acquiring any more D&N securities either until a preliminary hearing is held or until Jan. 18, whichever comes first. The group has denied it is seeking to take control.

Tennessee Acquisition Planned

First Federal Savings and Loan Association, Chattanooga, Tenn., has reached an agreement to acquire United Federal Savings Bank, Fayetteville, Tenn. Terms were not disclosed. First Federal has assets of $600 million, and United Federal has assets of $18 million.

— Phil Roosevelt

Deposits Soar at Credit Unions

Their Growth Outpaces Savings Institutions' For 4th Year Running

By L. MICHAEL CACACE

NEW YORK

FOR the fourth year in a row, credit unions significantly outpaced savings banks and savings and loans in deposit growth. In the 12 months ended June 30, deposits at credit unions jumped 18.7%, compared with a 2.9% gain at savings institutions. A year earlier, credit union deposits rose 18.2%, while savings institutions had a 5.8% gain.

As a result, credit unions have increased their deposit share. Of the deposits held by savings banks, savings and loans, and credit unions, the latter had a 13.3% share in 1987, up from 9.9% in 1983.

These are some of the findings of the *American Banker's* annual survey of the top 100 credit unions, which reports data as of June 30.

Major reasons for the substantially larger growth in deposits at credit unions were the higher interest rates offered and the capital pressures placed on savings institutions.

According to data from the Credit Union National Association, or CUNA, the average rate on regular savings shares at credit unions was 6.10% at midyear. The rate on money market deposit accounts was 5.71% at savings institutions insured by the Federal Savings and Loan Insurance Corp.

Top 100 Credit Unions Ranked
Pages 14,16

In addition, the thrift industry has been under regulatory pressure to raise capital-to-assets ratios to 3%. One way to boost the ratio is to limit the growth of assets. Because deposits fund assets, institutions striving for smaller asset growth have smaller deposit growth.

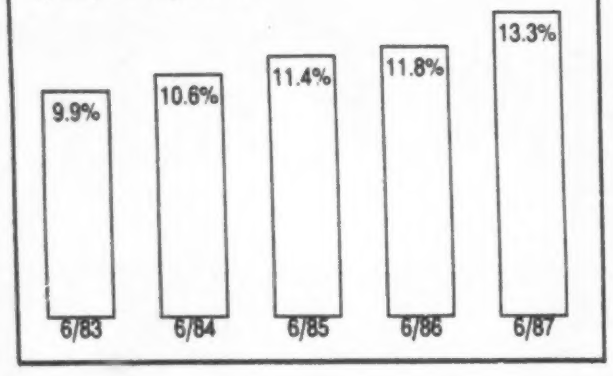
Among the other major findings of the survey:

- The Navy Federal Credit Union, Washington, D.C., remains the top U.S. credit union in total assets, member savings, total capital, number of regular accounts, and individual retirement account deposits. At midyear, Navy Federal had $2.86 billion in assets, up 19% from $2.4 billion the previous year. The institution had $2.58 billion in member savings, up 19% from $2.17 billion, and $191.4 million in capital (all reserves plus undivided earnings), a 27% increase. Its number of regular share accounts was 821,694, an increase of 10.8%. In addition, the Navy credit union had $509.9 million in IRA deposits, up 18.9% from $428.7 million at midyear 1985.

Navy Federal ranked 60th among savings and loans, savings banks, and credit unions in deposits at midyear, up from 69th position a year earlier. Its IRA deposits, however, placed it among the top 25 in this broad group of institutions.

Credit Unions' Share Of Thrift Deposits

6/30/83-6/30-87



- The largest percentage gain in assets among the top 100 credit unions was posted by Pennsylvania State Employees Credit Union, Harrisburg. Its assets rose 53.9%, to $392.9 million from $255.3 million. The Pennsylvania institution moved up 14 places to 28th position among credit unions.

"The marketing effort and a real attractive dividend rate over the period were the main reasons for the gain," a spokesman for the credit union said. From midyear 1986 to midyear 1987, the number of regular share accounts rose 13.3%, to 99,160 from 87,498, and member savings soared 54.4%, to $382.7 million from $247.8 million.

Credit Unions: Page 11 ➸

WASHINGTON BRIEFING

Globe-Trotting Regulators Seek Business For US in Asian Nations and Soviet Union

By JIM McTAGUE

WASHINGTON

LAST WEEK, bankers in Hong Kong, Seoul, and Tokyo welcomed Federal Home Loan Bank Board Chairman M. Danny Wall and asked him about stripping.

Here in the nation's capital this week, the Russians invited HUD Secretary Samuel Pierce to hobnob with Mikhail and Raisa. After all, he's been to Moscow more times than Secretary of State George P. Shultz.

As financial life becomes more complicated and global, the lives of regulators are becoming more glamorous. So glamorous, in fact, that they might effectively be served up by tabloids for shoppers caught in checkout counter gridlock. Imagine a headline screaming "Seoul Bankers Want Wall Street Strippers."

Actually, the strippers in question are not of the burlesque show variety. Bankers in Far Eastern capitals last week were wondering why Wall Street firms were not stripping the 30-year bonds being issued by the Financing Corp., or FICO, to recapitalize the Federal Savings and Loan Insurance Corp. M. Danny Wall, chairman of the Federal Home Loan Bank Board, said the question was raised in Seoul and Hong Kong, where investors prefer shorter-term investments.

M. Danny Wall

Mr. Wall, board member Roger Martin, and several other Bank Board people spent last week in Asia hawking the 30-year FICO bonds. The chairman reported Tuesday that the reception was good, especially in Japan, where 180 people attended a function set up for 100.

Mr. Wall added that in Hong Kong, where investors generally prefer bonds that mature on or before 1997 (the year the crown colony is repatriated to China), bankers "took down a bundle of the last $600 million FICO bond issue."

Wall Street has given some thought to stripping the Financing Corp. bonds, but Scott Sorenson, a spokesman for Goldman, Sachs & Co., said the time is not ripe for a firm to do it now. The reason? Skittish investors, worried about the viability of the savings and loan industry, would demand too high a yield to take down interest rate strips representing the longest end of the investment.

S&Ls are paying the debt service on the bonds in the form of higher assessments to the FSLIC.

On the other hand, Mr. Sorenson said, the portion of the stripped bonds representing principal payments could be priced aggressively by Wall Street firms, because the principal is fully collateralized.

"Strip the bonds? It's not impossible, but it's probably not economical now," he said.

Mr. Wall said Japanese investors

Washington: Page 15 ➸

Credit Unions Report 18.7% Growth in Deposits

➙ **Continued from Page 8**

• Progressive Consumers Federal Credit Union, Malden, Mass. — whose 64% gain in assets last year was the largest among the top 100 credit unions — had the second largest gain in assets this year. Its assets rose 45%, to $316.1 million on June 30, from $217.8 million a year earlier. Progressive moved up 20 places to be ranked the 42d largest credit union.

Over the past two years, Progressive has been the fastest-growing credit union in the top 100. From midyear 1985 to midyear 1987, its assets have soared 138%, and Progressive has advanced 65 places in rank. A spokesman for the credit union said, "Basically the growth is due to an aggressive campaign to attract CDs, which are used to finance mortgage lending."

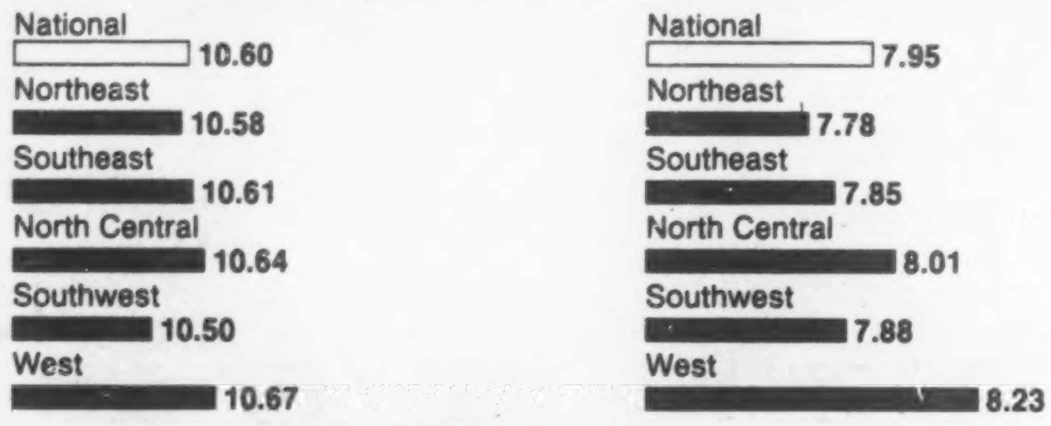
• Among the top 100 credit unions, the $204.7 million-asset Melrose Credit Union, Queens, N.Y., had the highest capital-to-assets ratio, 17.9%.

Melrose, which is ranked 89th, is a community credit union making loans of all types, including loans to finance medallion taxicabs. It had total capital — reserves plus undivided profits — of $36.6 million on June 30, up 0.5% from $36.4 million a year earlier, when its capital-to-assets ratio was 21.8%.

• Orange County Teachers Credit Union, Santa Ana, Calif., which ranked 17th in assets with $506 million, had the second best capital-to-assets ratio among the top 100 credit unions, at 13.4%. In addition, Orange County Teachers is the second largest credit union in capital with $68 million on June 30.

• The average capital ratio for the top 100 credit unions was 5.46% on June 30, up 36 basis points from 5.10% a year earlier. ■

Mortgage Database



Mortgage data for the week ended Dec. 4 provided by Federal Home Loan Mortgage Corp. Fixed-rate mortgages are 80% loan-to-value conventional 30-year mortgages. Adjustable-rate mortgages are one-year Treasury indexed conventional 30-year mortgages.

Selected Interest Rates

6-Month Treasury Bills	6.12%
1-Year Treasury Bills	7.02%
3-Year Treasury Notes	8.04%
5-Year Treasury Notes	8.40%

Average rates for the week ended Dec. 4 compiled by the Federal Reserve Board.

Connecticut Institution Becomes Central Bank

MERIDEN, Conn. — The Central Bank for Savings, the wholly owned subsidiary of Cenvest Inc., has changed its name to Central Bank.

"This change merely brings our corporate name into conformity with what has become in common usage our trade or service mark," said James H. Doak Jr., chairman and chief executive officer of Central Bank and Cenvest. "Second, we have now made a commitment to expand our commercial banking posture." ■

Thrift in Pennsylvania Adds Mortgage Units

JOHNSTOWN, Pa. — Johnstown Savings Bank has completed its acquisition of the residential loan origination and servicing divisions of Standard Mortgage Corp. of Georgia.

Johnstown Savings Bank, based here, will continue to operate the acquired divisions under the name of Standard Mortgage Corp., which is based in Atlanta. Standard Mortgage's commercial real estate division will change its name to Shoptaw-James Inc. and will continue business under existing management. ■

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Top 100 Credit Unions in the U.S.

Ranked by Total Assets on June 30, 1987, Compared with June 30, 1986

Compiled by American Banker Copyright 1987

Rank 6/87		Insur. Type	Total Assets 6/30/87	Total Assets 6/30/86	Rank 6/30/86	Gain in Rank	Member Savings 6/30/87	Total Capital 6/30/87	No. of Reg. Share Accounts 6/30/87	IRA Accounts 6/30/87	Ratio of Capital To Assets 6/30/87
1	**Navy FCU, Washington, D.C.**	1	2,860,543,554	2,401,310,494	1		2,583,071,618	191,425,786	821,694	509,948,786	6.69
2	**United Air Lines Employees CU, Chicago**	5	1,571,362,658	1,303,249,226	2		1,303,308,117	37,452,746	82,756	293,299,134	2.38
3	**State Employees CU, Raleigh, N.C.**	2	1,518,262,000	1,169,417,000	4	+1	1,455,277,000	60,347,000	250,000	201,610,000	3.97
4	**Pentagon FCU, Alexandria, Va.**	1	1,325,326,355	1,298,795,044	3		1,239,908,674	62,960,251	356,469	285,307,387	4.75
5	**Alaska USA FCU, Anchorage**	1	869,184,988	650,084,759	6	+1	602,600,578	30,965,304	241,166	99,980,516	3.56
6	**Boeing Employees CU, Seattle**	2	810,607,000	676,509,000	5		600,753,000	54,147,000	113,998	150,105,000	6.68
7	**Eastern Airlines Employees FCU, Miami**	1	786,702,365	630,440,144	8	+1	637,099,702	65,773,837	94,109	117,229,073	8.36
8	**Hughes Aircraft Emp. FCU, Manhattan Beach, Calif.**	1	786,166,326	640,084,657	7		749,510,658	34,980,903	117,506	171,397,756	4.45
9	**American Airlines Employees FCU, Dallas**	1	705,480,742	600,569,322	9		657,142,060	38,128,304	66,526	120,112,759	5.40
10	**IBM Poughkeepsie Employees FCU, N.Y.**	1	577,418,410	510,616,000	11	+1	549,909,906	23,363,534	91,749	105,400,000	4.05
11	**LMSC FCU, Sunnyvale, Calif.**	1	574,881,693	487,694,727	13	+2	516,654,072	47,028,709	49,232	92,793,253	8.18
12	**Telephone Empl. CU of So. Calif. Ltd., Pasadena**	2	562,102,470	508,326,686	12		514,028,826	42,625,689	88,332	95,429,664	7.58
13	**San Antonio CU, Tex.**	2	523,502,245	546,030,212	10		N.A.	(17,199,561)	138,269	N.A.	(3.28)
14	**Lockheed FCU, Burbank, Calif.**	1	519,664,000	407,703,000	19	+5	441,250,000	21,748,000	72,437	106,329,000	4.18
15	**Golden One CU, Sacramento, Calif.**	2	516,604,340	427,566,601	16	+1	483,038,002	28,168,302	125,201	66,658,446	5.45
16	**Tinker CU, Oklahoma City**	2	512,648,745	472,240,524	14		468,335,282	37,797,858	118,909	54,191,345	7.37
17	**Orange County Teachers CU, Santa Ana, Calif.**	1	506,047,577	385,028,858	20	+3	434,042,851	68,027,442	55,814	56,491,441	13.44
18	**TWA CU, Kansas City, Mo.**	3	471,684,334	422,205,692	17		457,939,450	14,086,432	43,862	72,083,742	2.99
19	**State Emp. Credit Union of Maryland, Inc., Towson**	2	470,803,958	383,405,525	21	+2	375,191,862	18,970,567	108,772	74,506,239	4.03
20	**Construction Equipment FCU, Peoria, Ill.**	1	469,333,487	431,486,060	15		445,438,805	17,913,398	110,018	41,606,909	3.82
21	**America First CU, Ogden, Utah**	2	463,210,495	418,719,901	18		420,428,040	36,949,616	127,966	59,597,220	7.98
22	**Redstone FCU, Huntsville, Ala.**	1	449,045,612	363,698,732	23	+1	424,214,546	18,040,448	118,414	76,055,743	4.02
23	**Delta Employees CU, Atlanta**	2	447,990,525	381,844,565	22		417,138,740	30,641,192	57,347	56,311,926	6.84
24	**Teachers CU, South Bend, Ind.**	2	415,804,077	348,313,218	25	+1	389,665,940	18,801,270	96,233	59,181,018	4.52
25	**Bethpage FCU, N.Y.**	1	410,153,972	348,203,092	26	+1	383,296,974	26,661,040	69,995	92,603,011	6.50
26	**ENT FCU, Colorado Springs, Colo.**	1	403,789,146	361,965,217	24		375,525,514	22,296,095	86,181	43,005,776	5.52
27	**Suncoast Schools FCU, Tampa, Fla.**	1	399,966,129	313,987,233	31	+4	312,039,399	23,546,292	82,233	58,255,087	5.89
28	**Pennsylvania State Employees CU, Harrisburg**	2	392,910,527	255,283,072	42	+14	382,710,331	9,808,525	99,160	56,500,293	2.50
29	**Dearborn FCU, Mich.**	1	384,942,608	339,970,000	27		N.A.	18,000,000	106,000	58,000,000	4.68
30	**IBM Endicott/Owego Employees FCU, Endicott, N.Y.**	1	383,886,115	319,656,926	29		315,569,141	23,263,462	35,951	37,288,422	6.06
31	**Texins CU, Richardson, Tex.**	2	377,427,536	320,185,903	28		351,080,812	20,574,122	80,161	105,020,587	5.45
32	**Security Service FCU, San Antonio, Tex.**	1	369,458,000	289,191,000	36	+4	264,641,216	21,792,761	188,894	35,032,111	5.90
33	**Georgia Telco CU, Atlanta**	3	368,050,944	315,291,652	30		346,831,848	20,424,626	60,350	46,759,129	5.55
34	**Police & Fire FCU, Philadelphia**	1	364,130,586	283,703,333	38	+4	351,921,490	11,301,746	54,813	57,041,731	3.60
35	**Provident Central CU, Burlingame, Calif.**	2	355,378,984	297,946,966	33		322,110,296	28,476,650	67,693	56,014,020	8.01
36	**Tower FCU, Annapolis Junction, Md.**	1	349,201,000	305,082,000	32		327,609,000	15,535,000	67,827	66,082,000	4.45
37	**Jax Navy FCU, Jacksonville, Fla.**	1	342,129,454	295,673,706	34		321,098,570	17,916,179	119,187	34,447,194	5.24
38	**Atlanta Postal CU**	3	319,576,619	244,539,549	48	+10	301,524,819	18,986,385	51,038	33,490,661	5.94
39	**Dallas Teachers CU**	2	319,435,000	286,055,081	37		297,599,000	16,681,000	90,419	44,927,000	5.22
40	**Municipal CU, New York**	2	318,872,158	224,662,885	58	+18	301,907,970	11,379,825	264,729	30,265,892	3.57
41	**McDonnell Douglas West FCU, Torrance, Calif.**	1	318,636,000	252,086,743	43	+2	292,792,000	21,804,000	53,159	55,245,000	6.84
42	**Progressive Consumers FCU, Malden, Mass.**	1	316,051,091	217,775,000	62	+20	297,768,936	14,678,486	15,000	16,848,313	4.64
43	**North Island FCU, San Diego, Calif.**	1	313,881,314	289,930,000	35		N.A.	22,025,170	109,752	37,848,160	7.02
44	**Travis FCU, Travis A.F.B., Calif.**	1	306,244,185	256,985,061	41		279,086,066	22,575,370	69,728	49,917,415	7.37
45	**Langley FCU, Hampton, Va.**	1	304,012,730	250,046,310	44		249,574,394	23,999,547	112,789	40,152,430	7.89
46	**Bellco CU, Denver**	2	292,903,327	257,058,967	40		271,931,431	19,918,340	69,977	54,202,557	6.80
47	**Los Angeles Teachers CU**	2	291,140,287	259,209,137	39		249,820,278	18,046,262	29,450	22,424,247	6.20
48	**Northwest FCU, Vienna, Va.**	1	290,480,000	245,607,000	47		N.A.	13,519,000	N.A.	N.A.	4.65
49	**Randolph Brooks FCU, Universal City, Tex.**	1	290,315,221	249,458,000	45		214,654,271	24,802,760	63,099	44,205,730	8.54
50	**Patelco CU, San Francisco**	2	282,225,110	221,027,785	61	+11	267,826,676	13,485,264	61,417	31,898,637	4.78
51	**Charleston Naval Shipyard FCU, S.C.**	1	278,378,870	248,971,198	46		259,193,960	21,445,348	114,000	18,800,000	7.70
52	**Mission FCU, San Diego, Calif.**	1	278,013,337	236,639,000	51		220,297,018	20,287,657	60,299	35,777,934	7.30
53	**Digital Employees FCU, Maynard, Mass.**	1	273,000,000	225,997,000	57	+4	259,000,000	8,200,000	122,000	41,000,000	3.00
54	**East Hartford Aircraft FCU, Conn.**	1	269,425,148	232,434,405	53		250,440,448	1,536,931	148,965	35,217,964	0.57
55	**Andrews FCU, Suitland, Md.**	1	265,327,196	228,883,000	55		245,160,627	12,855,805	88,854	39,685,561	4.84
56	**MAX FCU, Montgomery, Ala.**	1	261,691,756	236,725,154	50		243,635,825	15,115,480	89,842	23,836,626	5.78
57	**Government Employees Credit Union of El Paso, Tex.**	2	260,824,717	238,793,931	49		239,242,917	12,552,073	71,558	N.A.	4.81
58	**IBM Interstate Employees FCU, Rye, N.Y.**	1	257,340,549	236,442,155	52		244,002,933	10,456,202	49,132	75,947,794	4.06
59	**Marquette CU, Woonsocket, R.I.**	5	255,512,944	189,066,783	79	+20	218,736,314	12,537,517	34,946	4,520,051	4.91
60	**Newport News Shipbuilding Employees CU Inc., Va.**	2	255,279,364	204,255,848	70	+10	234,316,314	20,721,636	43,641	54,180,558	8.12
61	**MacDill A.F.B. FCU, Fla.**	1	253,793,576	208,328,591	67	+6	N.A.	10,304,485	53,698	N.A.	4.06
62	**Desert Schools FCU, Phoenix, Ariz.**	1	251,092,236	200,414,354	73	+11	234,835,467	15,085,799	80,365	26,459,253	6.01
63	**Robins FCU, Warner Robins, Ga.**	1	249,498,041	224,252,426	59		220,056,466	24,896,833	68,119	25,109,390	9.98
64	**Teachers FCU, Farmingville, N.Y.**	1	242,559,914	211,886,169	63		192,466,227	6,229,180	74,527	42,473,990	2.57
65	**Portland Teachers CU, Ore.**	2	241,113,912	206,459,073	68	+3	226,003,740	13,897,309	59,027	34,476,184	5.76
66	**Bank Fund Staff FCU, Washington, D.C.**	1	239,212,000	202,111,000	72	+6	223,696,000	14,125,000	22,815	3,350,000	5.90
67	**TRW Systems FCU, Redondo Beach, Calif.**	1	237,777,969	227,034,569	56		229,060,229	7,734,817	45,614	64,901,514	3.25
68	**Dow Chemical Employees CU, Midland, Mich.**	2	236,154,121	208,631,671	66		209,797,503	22,454,847	24,754	0	9.51
69	**America's First Credit Union, Birmingham, Ala.**	2	235,846,098	224,243,780	60		200,263,601	12,459,827	90,050	21,831,849	5.28
70	**Electric Boat Community FCU, Groton, Conn.**	1	233,540,019	177,102,807	88	+18	226,083,890	6,646,228	56,743	34,304,728	2.85
71	**Litton FCU, Chatsworth, Calif.**	1	232,092,101	211,345,000	64		217,318,342	11,162,553	59,969	55,803,859	4.81
72	**Nevada FCU, Las Vegas**	1	228,600,000	187,060,681	80	+8	217,500,000	11,500,000	73,756	28,880,000	5.03
73	**Rockland FCU, Mass.**	1	227,699,800	203,707,921	71		218,350,740	6,265,860	56,800	32,121,530	2.75
74	**Wright-Patt CU, Inc., Fairborn, Ohio**	2	226,874,012	195,717,859	75	+1	185,786,079	14,014,418	102,076	25,885,805	6.18
75	**Lockheed Georgia Employees FCU, Marietta**	1	226,060,161	192,880,670	76	+1	213,483,176	9,725,478	52,206	20,529,567	4.30
76	**Educational Employees CU, Fresno, Calif.**	2	226,025,248	180,800,367	82	+6	210,911,615	12,130,952	42,000	17,461,608	5.37
77	**Eastman CU, Kingsport, Tenn.**	3	223,251,064	198,141,565	74		179,958,275	19,157,518	23,707	20,110,989	8.58
78	**Naval Air FCU, Virginia Beach, Va.**	1	222,561,242	190,438,566	78		210,833,613	9,738,576	88,116	24,637,929	4.38
79	**Rockwell FCU, Downey, Calif.**	1	220,169,963	210,207,260	65		205,322,953	N.A.	63,603	27,471,163	N.A.
80	**Kern Schools FCU, Bakersfield, Calif.**	1	218,890,310	179,948,421	83	+3	N.A.	16,318,546	48,842	N.A.	7.45
81	**Detroit Municipal CU**	2	218,223,878	178,237,423	84	+3	179,663,537	9,421,051	29,983	29,088,895	4.32
82	**Northwest Airlines CU, Bloomington, Minn.**	2	216,605,091	163,822,328	103	+21	199,373,741	16,497,562	34,292	26,596,573	7.62
83	**St. Mary's Bank CU, Manchester, N.H.**	2	216,192,112	164,923,064	101	+18	194,252,127	9,648,328	29,980	11,807,396	4.46
84	**United Services of America FCU, San Diego, Calif.**	1	215,630,239	231,851,292	54		203,312,253	(392,600)	103,898	25,469,209	(0.18)
85	**Municipal Employees Credit Union of Baltimore, Inc.**	2	213,737,986	192,482,858	77		193,810,383	19,169,908	47,166	24,698,606	8.97
86	**First Community CU, St. Louis, Mo.**	5	209,939,619	204,651,793	69		194,841,020	10,069,350	46,965	25,503,622	4.80
87	**School Employees CU, Sacramento, Calif.**	2	208,095,478	169,147,011	94	+7	193,061,864	11,331,467	58,204	20,636,506	5.44
88	**State Department FCU, Arlington, Va.**	1	205,989,309	177,477,585	87		141,935,994	6,542,375	47,266	51,209,987	3.18
89	**Melrose CU, Queens, New York**	2	204,719,032	167,290,000	96r	+7	N.A.	36,622,957	12,500	N.A.	17.89
90	**IBM Mid America Employees FCU, Rochester, Minn.**	1	204,425,277	175,229,309	89		188,187,392	14,092,278	45,068	24,593,000	6.89
91	**Tulsa Teachers CU, Okla.**	2	204,066,546	183,529,993	81		166,274,358	10,027,860	40,859	27,446,023	4.91
92	**Pacific Service Employees CU, San Francisco**	2	203,564,796	158,667,894	113	+21	149,505,254	11,941,403	34,695	36,227,238	5.87
93	**Commonwealth CU, Frankfurt, Ky.**	2	202,988,702	....	...		N.A.	11,498,385	38,714	N.A.	5.66
94	**S.A.F.E. FCU, North Highlands, Calif.**	1	202,956,555	177,698,790	86		184,408,073	14,965,299	44,035	22,664,421	7.37
95	**Brockton CU, Mass.**	3	202,817,847	157,180,742	115	+20	184,469,230	17,204,704	30,000	13,470,584	8.48
96	**San Diego County CU, Calif.**	2	201,727,758	155,587,449	118	+22	188,005,421	N.A.	47,782	21,037,146	N.A.
97	**Western FCU, Los Angeles**	1	201,711,000	159,325,406	111	+14	185,429,000	15,019,136	36,446	33,569,937	7.45
98	**Washington State Employees CU, Olympia**	2	201,469,000	172,578,371	92		190,775,000	10,140,000	49,900	26,022,000	5.03
99	**Long Beach School Employees FCU, Calif.**	1	200,832,110	159,663,236	110	+11	180,317,082	12,608,060	32,796	16,155,228	6.28
100	**Eglin FCU, Fort Walton Beach, Fla.**	1	200,464,092	165,564,482	99		186,390,961	9,641,220	73,416	16,886,845	4.81
	TOTALS FOR TOP 100†		**39,043,338,094**	**33,044,696,805**			**32,784,655,123**	**2,110,247,552**	**8,549,770**	**5,460,961,422**	**5.46**

Data Sources: Primary source of data is American Banker survey qustionnaire sent to the top 180 credit unions in the nation. For credit unions not responding to the survey, data from **Callahan & Associates, Inc., Washington, D.C. and the National Credit Union Administration, Washington, D.C.**, were used. **Please note:** the listing excludes corporate central federal credit unions and state central credit unions. **Charter-Insurance Type:** 1= Federally-chartered credit union (FCU), which is NCUA-insured. 2= State-chartered NCUA-insured. 3=State-chartered state (agency) insured. 4=Noninsured. 5=Privately insured. **Member Savings:** Includes share capital, share drafts, deposits, and investment certificates. **Total Capital:** The sum of reserves plus undivided earnings. **Ratio of Capital to Assets:** Total capital divided by total assets, expressed as a percent. (r)— Based on revised data from the NCUA. Rank credit union would have had, if the revised data were used. N.A.-Not available. ( )— Negative. (†)— The June 30, 1986 assets are for the top 100 credit unions on that date.

Summary of Survey Findings

Top 100 Compared with All Credit Unions

(Dollar Amounts in Millions)		Top 100	All CUs*	Ratio Top 100: All
Total Assets	6/30/87:	$39.043	$182.3	21.42%
	6/30/86:	$33.044	$153.6r	21.51%
	% Change:	+18.2%	+18.7%	
Members' Savings (a)	6/30/87:	$32.785	$168.2	19.49%
	6/30/86:	$28.699	$141.7r	20.25%
	% Change:	+14.2%	+18.7%	.....
Capital (b)	6/30/87:	$2.110	$11.9	17.73%
	6/30/86:	$1.699	$10.2	16.66%
	% Change:	+24.2%	16.7%	......
Number of Members (c)	6/30/87:	8,549,770	55,700,000	15.35%
	6/30/86:	7,711,481	52,900,000r	14.58%
	% Change:	+10.9%	+5.3%	......
Number of CUs	6/30/87:	.....	16,533	......
	6/30/86:	.....	17,259r	.....
	% Change:	....	-4.2%	.....

* Data for the entire credit union industry provided by Credit Union National Association, Madison, Wisconsin. (a)— Eight of top 100 credit unions did not provide Member Savings' totals on 6/30/87 and four of top 100 did not report on 6/30/86. (b)— Two of top 100 credit unions did not provide Capital totals on 6/30/87 and four of top 100 did not report on 6/30/86. (c)— Only one of top 100 credit unions did not report membership totals on 6/30/87, and five of top 100 did not report membership totals on 6/30/86.

Top 20 Credit Unions in Total Capital

(Dollar Amounts in Millions)	Capital 6/30/87	Assets 6/30/87	C/A Ratio	Asset Rank
1 Navy FCU, Washington, D.C.	191.4	2,860.5	6.7	1
2 Orange County Teachers CU, Santa Ana, Calif.	68.0	506.0	13.4	17
3 Eastern Airlines Employees FCU, Miami	65.8	786.7	8.4	7
4 Pentagon FCU, Alexandria, Va.	63.0	1,325.3	4.8	4
5 State Employees CU, Raleigh, N.C.	60.3	1,518.3	4.0	3
6 Boeing Employees CU, Seattle	54.1	810.6	6.7	6
7 LMSC FCU, Sunnyvale, Calif.	47.0	574.9	8.2	11
8 Telephone Empl. CU of So. Calif. Ltd., Pasadena	42.6	562.1	7.6	12
9 American Airlines Employees FCU, Dallas	38.1	705.5	5.4	9
10 Tinker CU, Oklahoma City	37.8	512.6	7.1	16
11 United Air Lines Employees CU, Chicago	37.5	1,571.4	2.4	2
12 America First CU, Ogden, Utah	36.9	463.2	8.0	21
13 Melrose CU, Queens, New York	36.6	204.7	17.9	89
14 Hughes Aircraft Emp. FCU, Manhattan Beach, Calif.	35.0	786.2	4.4	8
15 Credit Union Central Falls, R.I.	32.2	168.8	19.1	142
16 Alaska USA FCU, Anchorage	31.0	869.2	3.6	5
17 Delta Employees CU, Atlanta	30.6	448.0	6.8	23
18 Provident Central CU, Burlingame, Calif.	28.5	355.4	8.0	35
19 Golden One CU, Sacramento, Calif.	28.2	516.6	5.5	15
20 Bethpage FCU, N.Y.	26.7	410.2	6.5	25

Top 20 Credit Unions in IRA Accounts

(Dollar Amounts in Millions)	IRAs 6/30/87	Mem. Sav. 6/30/87	I/M Ratio	Asset Rank
1 Navy FCU, Washington, D.C.	509.9	2,583.1	19.7	1
2 United Air Lines Employees CU, Chicago	293.3	1,303.3	22.5	2
3 Pentagon FCU, Alexandria, Va.	285.3	1,239.9	23.0	4
4 State Employees CU, Raleigh, N.C.	201.6	1,455.3	13.9	3
5 Hughes Aircraft Emp. FCU, Manhattan Beach, Calif.	171.4	749.5	22.9	8
6 Boeing Employees CU, Seattle	150.1	600.8	25.0	6
7 American Airlines Employees FCU, Dallas	120.1	657.1	18.3	9
8 Eastern Airlines Employees FCU, Miami	117.2	637.1	18.4	7
9 Lockheed FCU, Burbank, Calif.	106.3	441.3	24.1	14
10 IBM Poughkeepsie Employees FCU, N.Y.	105.4	549.9	19.2	10
11 Texins CU, Richardson, Tex.	105.0	351.1	29.9	31
12 Alaska USA FCU, Anchorage	100.0	602.6	16.6	5
13 Telephone Empl. CU of So. Calif. Ltd., Pasadena	95.4	514.0	18.6	12
14 LMSC FCU, Sunnyvale, Calif.	92.8	516.7	18.0	11
15 Bethpage FCU, N.Y.	92.6	383.3	24.2	25
16 Redstone FCU, Huntsville, Ala.	76.1	424.2	17.9	22
17 IBM Interstate Employees FCU, Rye, N.Y.	75.9	244.0	31.1	58
18 State Emp. Credit Union of Maryland Inc., Towson	74.5	375.2	19.9	19
19 TWA CU, Kansas City, Mo.	72.1	457.9	15.7	18
20 Golden One CU, Sacramento, Calif.	66.7	483.0	13.8	15

Largest Asset Gainers

	Assets 6/30/87	Assets 6/30/86	% Incr.	CU Rank
1 Pennsylvania State Employees CU, Harrisburg	392,910,527	255,183,072	53.91	28
2 Progressive Consumers FCU, Malden, Mass.	316,051,091	217,775,000	45.13	42
3 Municipal CU, New York	318,872,158	224,662,885	41.93	40
4 Marquette CU, Woonsocket, R.I.	255,512,944	189,066,783	35.14	59
5 Alaska USA FCU, Anchorage	869,184,988	650,084,759	33.70	5
6 Northwest Airlines CU, Bloomington, Minn.	216,605,091	163,822,328	32.22	82
7 Electric Boat Community FCU, Groton, Con.	233,540,019	177,102,807	31.87	70
8 Orange County Teachers CU, Santa Ana, Calif.	506,047,577	385,028,858	31.43	17
9 St. Mary's Bank CU, Manchester, N.H.	216,192,112	164,923,064	31.09	83
10 Atlanta Postal CU	319,576,619	244,539,549	30.69	38

Capital-to-Asset Ratios

Largest Ratios	Assets 6/30/87	Capital 6/30/87	C/A Ratio	Asset Rank
1 Melrose CU, Queens, N.Y	204,719,032	36,622,957	17.89	89
2 Orange County Teachers CU, Santa Ana, Calif.	506,047,577	68,027,442	13.44	17
3 Robins CU, Warner Robins, Ga.	249,498,041	24,896,833	9.98	63
4 Dow Chemical Employees CU, Midland, Mich.	236,154,121	22,454,847	9.51	68
5 Municipal Employees CU, Baltimore	213,737,986	19,169,908	8.97	85
6 Eastman CU, Kingsport, Tenn.	223,251,064	19,157,518	8.58	77
7 Randolph Brooks FCU, Universal City, Tex.	290,315,221	24,802,706	8.54	49
8 Brockton CU, Mass.	202,817,847	17,204,704	8.48	95
9 Eastern Airlines Employees FCU, Miami	786,702,365	65,773,837	8.36	7
10 LMSC FCU Sunnyvale, Calif.	574,881,693	47,028,709	8.18	11
Smallest Ratios				
1 San Antonio CU, Tex.	523,502,245	(17,199,561)	(3.28)	13
2 United Services of America FCU, San Diego	215,630,239	(392,600)	(0.18)	84
3 East Hartford Aircraft FCU, Conn.	269,425,148	1,536,931	0.57	54
4 United Air Lines Employee CU, Chicago	1,571,362,658	37,452,746	2.38	2
5 Pennsylvania State Employees CU, Harrisburg	392,910,527	9,808,525	2.50	28
6 Teachers FCU, Farmingville, N.Y.	242,559,914	6,229,180	2.57	64
7 Rockland FCU, Mass.	227,699,800	6,265,860	2.75	73
8 Electric Boat Community FCU, Groyon, Conn.	233,540,019	6,646,228	2.85	70
9 TWA CU, Kanasas City, Mo.	471,684,334	14,086,432	2.99	18
10 Digital Employees FCU, Maynard, Mass.	273,000,000	8,200,000	3.00	53

The Thrift Industry at a Glance

Summary Data: June 30, 1987 Versus June 30, 1983

(Dollar Amounts in Billions)

TOTAL ASSETS	6/30/87	6/30/83	% Change
All Thrifts	$1,631.9	$1,008.3	61.8%
Savings Institutions	$1,449.6	$915.1	58.4%
Savings & Loan Associations[1]	$1,202.9	733.1	64.1%
Savings Banks[2]	246.7	$182.0	35.5%
Credit Unions[3]	$182.3	$93.2	95.6%
Credit Union Share	11.2%	9.2%	
Savings Institutions' Share	88.8%	90.8%	
TOTAL DEPOSITS	6/30/87	6/30/83	% Change
All Thrifts	$1,261.0	$854.1	47.6%
Savings Institutions	$1,092.8	$769.3	42.1%
Savings & Loan Associations[1]	898.0	$605.3	48.4%
Savings Banks[2]	194.8	$164.0	18.8%
Credit Unions[3]	168.2	$84.8	98.3%
Credit Union Share	13.3%	9.9%	
Savings Institutions' Share	86.7%	90.1%	
NUMBER OF INSTITUTIONS	6/30/87	6/30/83	% Change
All Thrifts	20,098	23,585	-14.8%
Savings Institutions	3,565	4,047[5]	-11.9%
FSLIC-Insured[1]	3,191	.....	
FDIC-Insured[2]	374e	.....	
Credit Unions[3]	16,533	19,567	- 15.5%

Thrift Institutions include savings institutions (savings & loans plus savings banks) and credit unions. **Data Sources:** (1)— Federal Home Loan Bank Board, Wash. DC. Data on all FSLIC-insured institutions including federal savings banks. (2)— National Council of Savings Institutions, Wash., D.C. Data on the "traditional" savings bank industry. The bulk of institutions are FDIC-insured. (3)— Credit Union National Association, Madison, Wis. (5)— Includes FSLIC-insured, FDIC-insured, state-insured, privately insured, and noninsured institutions. By 198,6 almost all savings institutions were either FSLIC-insured or FDIC-insured. (e)— An estimate.

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Today

A Review of 1987

Dear Reader: Happy New Year! Before you embark on the trials and triumphs of 1988, take a moment to review the major news events of the past year in today's center spread. 9

NEWS MONDAY WEEKLY REVIEW

Washington Briefing

The Fed is facing a tough fight on its proposal to let bank holding companies acquire healthy thrifts. Though Fed Chairman Alan Greenspan has received some strongly worded mail, the outcome for the Sept. 21 proposal is unclear. 8

Not surprisingly, the American Bankers Association and the Independent Bankers Association of America are taking starkly different positions on the issue of new bank powers. ____9

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The uses of securitization by banks will expand into auto, consumer, commercial, and agricultural loans, a Commerce Department report forecasts. ________2

The Bank Board combined five money-losing thrifts in Louisiana, creating a mega-institution with $1.8 billion in assets and about 50 in-state branches. The FSLIC will retain an equity stake in the new enterprise.________3

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Confidence Rises in US Banking System

But Public Won't Abandon Stock Market

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Public confidence in the safety and security of the U.S. banking system appears to be at its highest level in recent years, according to a national opinion survey by the *American Banker.*

The poll's results indicate that the public is not linking the banking system to the problems on Wall Street resulting from the October stock market crash.

Consumer Survey

In a telephone survey of 1,000 consumers conducted between Nov. 10 and Dec. 16, 45% of the respondents said they have "a great deal" of confidence in the safety and security of the U.S. banking system. That is a dramatic increase from the previous survey conducted during May and June of 1987, when just 34% of the public expressed such confidence in the system.

The 45% figure also is the highest recorded in five consumer opinion surveys by this newspaper dating back to 1984. The previous high was 38% set in the spring of 1986.

The latest survey was conducted by Trans Data Corp., a Salisbury, Md., research affiliate of the *American Banker.*

The study was intended to gauge consumer attitudes toward saving and investment in the wake of the Oct. 19 crash. It also sought to determine whether the stock market crisis affected public confidence in the banking system and to discern consumer attitudes toward bank involvement in different fields, such as the securities business.

While confidence in the banking system is high, the survey shows that the public is not abandoning Wall Street, nor is it clamoring for banks to expand into the securities business.

Few Report Selling Stocks

The survey reports that only 6% of the 335 respondents who had money invested in Wall Street before October sold or redeemed shares after the crash. And 16 of that small group of 20 sellers, or 80%, said they plan to reinvest in stocks or stock mutual funds.

Similar to the spring *American Banker* survey, the latest poll shows no consensus as to whether banks should be involved in securities, real estate, and insurance sales.

"There is no groundswell of consumers saying, 'Wall Street's not doing a good job, let bankers handle this,' " said Mary Donadoni, a research associate with Trans Data Corp.

"It may be that confidence is placed in the banking industry doing what it does best, which is banking," she said. "It may be precisely because banks are not heavily involved in the securities business that consumers feel such a great deal of confidence at this time."

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Confidence Rising

Q: How much confidence do you personally have in the safety and security of the U.S. banking system today?

	May-June '86	May-June '87	Nov.-Dec. '87
A great deal	38%	34%	45%
Some	48	50	41
Very little/none	12	13	11
Unsure	2	3	4

Total exceeds 100% due to rounding
Source: American Banker surveys

Personal Plans

Q: In light of recent fluctuations in the stock market, do you feel that banks and thrifts are better or worse places to keep your money than before the stock market fall?

	Nov.-Dec. '87
Better now	24%
Worse now	10
Same	56
Unsure	10

Source: American Banker survey

Doubts About Bank Securities Activities

Q: Should banks be allowed to be involved in the securities business?

	Nov.-Dec. '87
Yes	39%
No	41
Unsure	20

Total exceeds 100% due to rounding
Source: American Banker surveys

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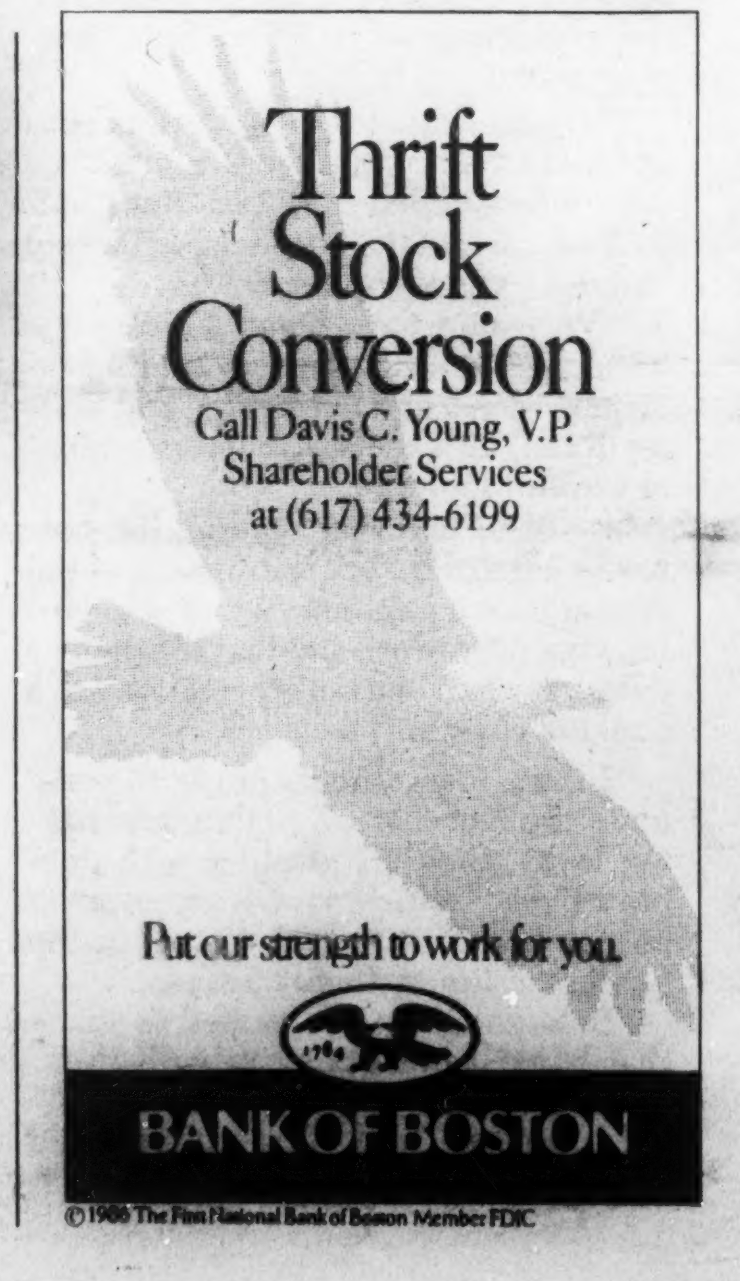

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BANKING TRENDS

A Few Words to the Wise for Some Thrifts Eying Increased Size

By DR. PAUL S. NADLER

IF I WERE ASKED to give advice to a banker or thrift executive at the start of 1988, I would harken back to George Plimpton's advice to the Harvard seniors in his Class Day address of 1977:

"I have been led to understand that tomorrow you are going to graduate. Well, my strong recommendation is that you don't go. Stop. Go back to your rooms. Unpack. There is not much out here."

With regard to most thrifts and some banks too, my advice is similar: Don't grow. The problems all come when you try to get larger.

One can always understand why financial institutions like to grow. There is a fine ego advantage when you are bigger than the next bank or grow more rapidly than it does.

And the fact that all of us like to compare our size with that of other institutions is recognized in the excitement that growing banks and thrifts exhibit as they await the *American Banker's* periodic array of the top institutions by size.

Growth is not only a sign of achievement that is easy to display, but it also means in the minds of many that you are serving your community.

Nadler Says:

In the long run, the best decision that the management can make for the community, the employees, and the stockholders is to ensure the institution's survival. And this does not always mean growth.

But growth has other advantages. The larger you are, by tradition the higher the salaries you can pay. This is especially true for mutual organizations.

Growth is also important for morale. The faster you grow, the more opportunities people have to be promoted and given greater challenges. Conversely the job of keeping up morale in a static or declining organization is tremendous.

The Downside

But growth has its drawbacks.

Look at the banks in trouble with their Third World loans. Why were they out there in the first place? In many cases it was simply that a bank had no place left to grow at home, so it started an international department and established branches to show it was progressive.

And once you have people in a country, they must make loans to justify their salaries whether they feel in their hearts that there are real opportunities to make solid loans or not.

That happens domestically as well. The banks that left their home territory and decided to grow by invading the oil patch or otherwise diversifying where they didn't know the people or the territory are the ones that have had the most staggering problems.

For the thrifts in particular there is a real irony in the recent efforts at generating a growth environment by going public.

As thrifts tried to raise capital to back growth, they went the route of giving up their mutuality and selling stock.

Going public offered the added advantage of giving the board members, the officers, and the depositors a chance to "get rich quick" by offering shares that gave investors a piece of a capital position that in some instances had been slowly built up over more than a century.

Going public to finance growth looked like a cinch — for it was the only type of financing operation in which there was nobody on the other side. Both the underwriter and the buyers had a vested interest in keeping the conversion price low — the underwriter so the issue could go up rapidly and make him look good and the buyers so they could get a quick capital gain.

Normally the seller wants a high price. But in a mutual conversion, who is the seller? It is the mutual organization itself — but no actual individuals have a stake in ensuring the organization gets a good price for its stock. All are on the other side of keeping the price low.

So the mutuals that wanted to grow sold stock. Then Black Monday pushed many of these stocks well below the offering price. The result: The boards, the officers, and the public got burned. And the savers who had taken their money out of safe savings deposits found themselves with an investment worth less than what they paid for it, and they no longer received the regular interest returns they had formerly received.

How much better it would have been not to grow!

When More Means Less

Two other reasons show why growth is not so great for a financial institution today.

First, there is a question of what to do with the money once you have built up deposits. Loan demands are not that strong, so the lender must either sacrifice quality or yield to get more loans on the books.

Second, in many areas of the nation — notably New England and the Mid-Atlantic states, the people needed to staff the bank as it grows just are not available.

This columnist recently heard of sav-

Banking Trends: Page 5 ➜

Dr. Nadler is professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker.*

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OVERVIEW

The Lone Ranger Rides to the Rescue in Mexico

By H. ERICH HEINEMANN

THE U.S. Treasury and Morgan Bank came galloping through the pass just before the new year — pinstripes flapping in the breeze — to rescue the Mexican government from the fruits of its own folly.

The Treasury will sell some special zero coupon bonds to the Mexicans. In turn, the Mexicans will use the bonds as collateral to secure the principal (but not the interest) of bonds that Mexico will offer to swap for some of its outstanding debt.

The Morgan bankers will auction these bonds in exchange for Mexican loans that they and other bankers now hold at some fraction of face value. Poof! Part of Mexico's debt will disappear.

How much of the debt vanishes will depend on the bidding. Bankers will get a fairly good asset to replace a very bad one. The United States, which needs every dollar it can lay its hands on, will be able borrow at a favorable rate.

The Mexicans — who obviously have plenty of money to lend — will live happily ever after. The only details in doubt in this fascinating scenario are the character assignments. Is the Treasury to play the Lone Ranger and the Morgan Bank to play Tonto — or is it the other way around?

Sarcastic remarks aside, the financial engineers deserve full credit for a difficult job well done, having designed the elaborate scheme for Mexico (and potentially other heavily indebted nations) to swap outstanding loans for bonds partially backed by the U.S. Treasury. The complex shuffling of paper between the Mexican government, the Treasury, and the banks undoubtedly will produce substantial benefits for all involved. As one Morgan banker put it, "Everybody gives up something, and everybody gets something."

Heinemann Says:

Mexico must not fritter away the time that it will buy under the Morgan plan. Inflation must be controlled. Capital flight must end.

Mexico will improve its cash flow and may save up to $18 billion in interest payments over the next 20 years. However, the country will lose the value of the compounded return that it otherwise could have earned on the $2 billion that it will have to invest in zero coupon U.S. Treasuries. Indigenous investment in productive facilities would normally produce a far higher return than Mexico must pay on its bank debt.

The major banks will be able to put a limit on their losses on Third World loans. Secretary of the Treasury James A. Baker 3d, whose original plan to solve the debt crisis was moribund shortly after it was announced three years ago, can refurbish his reputation as a forceful and innovative financial statesman.

What will *not* change, however, are the underlying economic realities. The heavily indebted nations of the Third World desperately need an infusion of real capital resources to enhance their development and raise living standards.

Instead, capital is now flowing from the developing countries in the South, which are generally very poor, to the industrial countries in the North, which are generally very rich. The Morgan scheme does not address this issue. Under some circumstances (say, very high inflation in the United States), the plan could make the problem worse.

It makes no sense for the U.S. Treasury to extend credit (directly or indirectly) to other nations. The United States is itself the largest debtor country — borrowing more than $3 billion per week just to pay for its current imports. The last thing Mr. Baker wants to do is to lend money to the lesser-developed countries (no matter how deserving the case) only to turn around and borrow still more from Japan.

In fairness, the Morgan scheme does not involve an extension of credit by the United States. In the short run, the flow of funds will be to Washington, not away from it. Down the road, however, the door may have been open for demands that the Treasury back Third World credits.

Overview: Page 5 ➜

Mr. Heinemann is chief economist for Moseley Securities Corp., New York.

Public Confidence Rises in US Banking System

Continued from Page 1

The national survey of selected 1,000 consumers at random and has a margin of error of plus or minus three percentage points.

Overall, 86% of those surveyed said they have either "some" or "a great deal" of confidence in the safety and security of the banking system. That is almost identical to the combined confidence level expressed in previous surveys.

The relative calm within the banking industry in the aftermath of the crash and publicity about federal deposit insurance contributed to the public's faith in the system, analysts said in interviews. Those conditions contrast with the environment of the previous survey, when only a third expressed a great deal of confidence in the banking system. At that time, there was negative publicity about foreign loan writeoffs, farm bank problems, and thrift industry woes.

The latest survey also shows a surge in confidence in the banking system among affluent Americans. Of those with annual household incomes of $50,000 or more, 54% said they have a great deal of confidence in the system, up from 35% in the previous survey.

Financial industry observers said that upper-income Americans are more likely than the general public to follow current affairs and to know the distinctions between the problems of banks and the problems of other financial services firms. But observers also said they doubted a high level of confidence in the system would cause affluent Americans to use more banking products.

When asked if banks should be allowed to be involved in the securities business — without specifying the activities — 39% said yes, 41% said no, and 20% said they weren't sure. This was the first time the question was posed to consumers in an *American Banker* survey.

Similar reactions were recorded to a more general question about expanded bank powers in the spring survey. That question asked whether banks should be permitted to expand into financial services areas where they have been prohibited, such as insurance sales and real estate sales. Last spring, 41% said banks should be permitted into these fields.

The new survey may indicate slightly more uncertainty toward bank expansion. In the most recent poll, 37% said banks should be allowed this expansion. Also, 19% said they were uncertain whether banks should be allowed to offer new services such as insurance and real estate, compared with 10% in the spring.

More Uncertainty Over New Powers

Q: Should banks be permitted to offer financial services that they have not been permitted to offer in the past, such as selling insurance and real estate?

	May-June '87	Nov.-Dec. '87
Yes	41%	37%
No	49	45
Unsure	10	19

Total exceeds 100% due to rounding

Source: American Banker survey

There appears to be little distinction among various income groups over whether banks should be permitted to expand into insurance sales, real estate sales, and other new financial services. But upper-income consumers appear less eager for deregulation than they were before the stock market troubles.

In the most recent report, 37% of the 160 upper-income Americans surveyed said banks should be allowed to expand into these fields. Last spring, 47% of the 183 respondents from the $50,000-plus households said banks should be permitted into these fields.

Observers warned in interviews that findings about expanded banking powers are difficult to interpret, in part because the typical consumer has not given much thought to the complex issue.

"The comfortable position for the average American — when you're talking about new business or new powers or a change in the way they might have to do their own business — is to oppose change," said Justin L. Moran, a banking consultant in Ann Arbor, Mich. "With a question like this over the phone, where someone has 10 or 15 seconds to formulate a response, you're always going to get what I call a safe response. A safe response is, don't rock the boat, therefore, oppose it."

But others say the survey results may show a basic conservatism in the country regarding banks and bank expansion into new areas, especially after the stock market crisis.

"This could indicate a feeling that banks aren't going to be able to do any better" than the stockbrokers and others who had failed to warn the public of the crash and failed to select better investments, added Irving Leveson, senior vice president and research director for Hudson Strategy Group business consultants in New York, a subsidiary of Marsh & McLennan, an insurance concern.

Banks and Thrift Considered Safer

The recent survey shows that 24% of the public considers banks and thrifts to be better places to keep their money than before the stock market debacle. More than half said they had not changed their opinion, and 10% said they did not know if they had changed their minds. Another 10% said banks and thrifts were a worse place to do business since the stock market decline.

Financial industry observers said the October crash and the persistent volatility may have sensitized more consumers to the idea that principal is protected in bank or thrift deposits, but not in stock market investments.

"I think that 24% [those who consider banks and thrifts a more favorable place for their money] will continue to grow as market volatility continues and as uncertainties in the economic outlook exist," said Charles H. Pistor Jr., chairman of RepublicBank Dallas and president of the American Bankers Association.

He adds that while the survey may show only small numbers of investors taking money out of the stock market, large numbers of consumers will deposit money in banks and thrifts that otherwise might go into a variety of investments. "I can't look at the dollars downstairs and know where they're coming from," he said, "but I know there's a bunch more of them." ■

Settlements Bank Reports Drop in Nonmember Loans

Continued from Page 15

In current-dollar terms, member banks' claims on OPEC countries increased by $500 million in the first six months, but if the figures are adjusted to the falling dollar, there was in fact a decline of $1.4 billion. The same pattern was evident in lending to African and non-OPEC Middle Eastern countries — although the statistics showed a rise in claims of $400 million in current dollars; in fact there was zero growth once the dollar had been adjusted downward.

In Latin America, Argentina and Mexico borrowed more $800 million and $100 million respectively. There was a $1 billion decline in claims against Brazil, but this was offset by a sharp rise in short-term claims on that country as a result of nonpayment of interest. ■

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CONSOLIDATED REPORT OF CONDITION OF

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of New York, New York

And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business September 30, 1987, published in accordance with a call made by the State Banking Authority and by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS		Dollar Amounts in Thousands
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$ 29,066
Interest-bearing balances		300,760
Securities		162,200
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank		1,829,231
Loans and lease financing receivables:		
Loans and leases, net of unearned income, and reserve	1,258,134	
LESS: Allowance for loan and lease losses	74,178	
Loans and leases, net of unearned income, and reserve		1,183,956
Assets held in trading accounts		159,602
Premises and fixed assets		8,633
Other real estate owned		137
Customers' liability to this bank on acceptances outstanding		26,559
Intangible assets		133,719
Other assets		500,710
TOTAL ASSETS		$4,334,573
LIABILITIES		
Deposits:		
In domestic offices		$ 799,217
Noninterest-bearing	232,781	
Interest-bearing	566,436	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		557,200
Noninterest-bearing	4,601	
Interest-bearing	552,599	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank		939,067
Demand notes issued to the U.S. Treasury		15,000
Other borrowed money		374,203
Bank's liability on acceptances executed and outstanding		26,559
Other liabilities		1,321,865
TOTAL LIABILITIES		4,033,111
EQUITY CAPITAL		
Common stock		40,796
Surplus		278,520
Undivided profits and capital reserves		(17,854)
TOTAL EQUITY CAPITAL		301,462
TOTAL LIABILITIES AND EQUITY CAPITAL		$4,334,573

I, Alastair Merrick, Controller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true to the best of my knowledge and belief.

ALASTAIR G.C. MERRICK

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true and correct.

PETER RONA
COLIN A. BROWNING
JOHN B. FORD
Directors

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Las Vegas, Nevada

has merged with

Security Bank of Nevada
Reno, Nevada

The undersigned, in its capacity as financial advisor to both parties, assisted in the negotiations leading to the consummation of this transaction.

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Today

CORPORATE FINANCE

As mountains of paper continued to clog communications channels in 1987, cash managers intensified efforts to transmit information and funds electronically. Bankers displayed a keen interest in electronic data interchange last year, with a Coopers & Lybrand study concluding that the total market for related products and services will triple over the next three years. ________ 6

Argo-Tech Corp., Cleveland, has arranged for a larger revolving credit line and added two banks to the facility — Ameritrust Co., Cleveland, and Bayerische Vereinsbank AG, Munich, West Germany. The $75 million loan replaces a $50 million facility used to finance a management buyout. ____ 6

Bruce MacQueen, Chase Manhattan Corp. vice president, has returned to the United States as area executive for the San Francisco regional office, ending 15 years of foreign assignments. ________ 7

INSIDE

The Bank Administration Institute has closed its Los Angeles office and is about to shut its Orlando, Fla., unit. The restructuring will leave three regional offices and its headquarters in Rolling Meadows, Ill. ________ 2

Large Japanese banks are setting up subsidiaries for fund management as they face declining loan markets and limited opportunities for growth. ________ 2

BankAmerica Corp. said its net recovery will be $18.15 million after settling a case involving shareholders' claims of mismanagement and a suit brought against its former insurance carrier, Employers Insurance of Wausau. ________ 2

Staff members of the Senate Banking Committee say Feb. 17 is the most likely date for a committee vote on new powers legislation, just two weeks before the moratorium on new bank powers expires. ________ 3

The weekly listing of financial services stocks features regional industry groups and price indexes. __ 12

COMMENT

E. Gerald Corrigan, president of the Federal Reserve Bank of New York, assures Rep. Charles Schumer that progress has been made in opening Japanese financial markets to U.S. firms. The letter was written after Nikko Securities Company International was approved as a primary dealer in U.S securities. ________ 4

KEEPING CURRENT

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To assist our readers during this period of consolidation in the banking industry, the *American Banker* is providing free advertising space for those seeking jobs. For information on the "Job Bank," contact Sheila Driscoll at 1-800-221-1910 or in New York at (212) 943-5716.

COMMENT

Risk and Stock Performance

By SANFORD ROSE

It has been argued that the single most important determinant of bank stock performance is the current return on equity. That is, in setting the stock price, investors are said to place inordinate weight on currently reported accounting returns and, lacking the necessary information, do not appropriately capitalize the future stream of properly measured cash flows.

Otherwise stated, investors tend to assume that current ROE is a good proxy for future ROE. They do not — some say cannot — make an adequate effort to estimate the riskiness of the stream of expected future cash flows.

One who disagrees with this model of stock-price determination is John "Mac" McQuown, president of Dimensional Corporate Finance of San Francisco. Mr. McQuown feels that investors are, by and large, a canny lot. Despite manifold difficulties, they routinely penetrate the veil of accounting results in order to look to the riskiness of future earnings.

Comment: Page 4 ➸

Bank Loans Expected to Play Major Role In Financing Leveraged Buyouts in 1988

By DAVID NEUSTADT

CORPORATE FINANCE
AN AMERICAN BANKER WEEKLY FEATURE

NEW YORK — While the crash on Wall Street set back the market for leveraged buyouts, the pace of deals is expected to pick up again this year.

But players are likely to be more cautious — and that might be good news for commercial banks.

Bank loans are likely to play a bigger role in future deals, replacing junk bond financing, which was tarnished by the crash.

"Today, bank debt is a very attractive form of debt for financing leveraged buyouts," said William Conway, a managing director of the Carlyle Group, a Washington-based buyout firm.

Although the crash has hurt some players and helped others, it has not ended the game. If anything, buyouts may be more appealing now.

Before the Oct. 19 crash, the buyout market was hitting a frenzied peak. Prices had gotten out of hand, and financings were pushing the limits of credibility and creditworthiness.

"Everyone has been very transaction oriented, which is O.K. in an expanding environment," said Ronald Dubin, chairman of Dubin Clark & Co., a Greenwich, Conn.-based buyout firm. "They spent more time analyzing getting the deal done than analyzing the company they were buying. One of the good things that will come out of Oct.

Bank Debt: Page 6 ➸

1987 Closings Fall Just Below Grim Forecast

Shuttering of 184 Banks Sets Another FDIC Record

By BARBARA A. REHM
and JIM McTAGUE
Washington Bureau

REVIEW
PREVIEW
1987-88

WASHINGTON — It wasn't as bad as predicted, but that's about the only good thing that can be said of bank failures in 1987.

With 184 banks shutting their doors and another 19 kept open only by federal assistance, a post-Depression record was set. The forecast for 1987 had been 200 failures.

The record of bank closings established in 1937 stood unchallenged until 1984, when 79 banks folded. Since then, the Federal Deposit Insurance Corp. has become accustomed to chalking up record bank closings. Annual records were set in 1985, when 120 banks failed, and in 1986, when 138 banks failed.

Nor is the FDIC forecasting less red ink for 1988. Another record may be set this year, according to the federal agency that insures banks.

List of Bank and Thrift Failures
Page 20

Only a few months ago, the FDIC was predicting a 25% decrease in the number of bank failures this year. But the stock market tumble on Oct. 19 and the ensuing fears of a recession seem to have forced the agency to reexamine its economic assumptions. No one at the FDIC would be surprised by 200 failures this year.

Tally: Page 3 ➸

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IN THE NEWS

NCNB Writes Off Loans

CHARLOTTE, N.C. — NCNB Corp. said it wrote off $60 million of loans to Mexico in the fourth quarter and added another $60 million to its loan-loss reserve to cover other Mexican loans. The aftertax bite from the move will be $36 million, or 44 cents per share. NCNB said the chargeoff represents a 56% discount of its $107 million portfolio of Mexican loans. NCNB indicated its fourth-quarter earnings will be $12 million to $15 million. The bank projected 1987 profits of $164 million to $167 million, or $2 to $2.03 a share, compared to 1986 earnings of $199 million, or $2.53 a share.

BankAmerica Sells Swiss Unit

SAN FRANCISCO — BankAmerica Corp. said it expects to realize a $70 million pretax gain in the fourth quarter of 1987 from the sale of its 41% interest in U.O.B. Holding SA, the parent of Geneva-based United Overseas Bank. The unit was purchased by Dresdener Bank AG and Banque Nationale de Paris SA, BankAmerica's partners in the Swiss holding company. The price and terms of the deal were not disclosed.

Fleet Completes Merger

PROVIDENCE, R.I. — The $1.05 billion interstate merger of Fleet Financial Group, Providence, and Norstar Bancorp, Albany, N.Y., was completed on Jan. 1, creating a $24 billion-asset holding company. The combined company is known as Fleet/Norstar Financial Group Inc. and ranks No. 22 in the U.S., based on Sept. 30, 1987, asset figures. In a related development, Standard and Poor's Corp. raised its ratings on the combined firms' debt because of the merger.

Senate Plans Crash Probe

WASHINGTON — The Senate Banking Committee plans to hold hearings on the Oct. 19 stock market crash during the first week of February, according to a committee staffer. The committee has not finished lining up witnesses, the staff member said.

Factoring Unit Transferred

NEW YORK — Citizens and Southern National Bank, Atlanta, completed its acquisition of Chemical Bank's factoring unit on Dec. 31 for about $30 million in cash, the two banks said. Including this transaction, Citizens and Southern is the country's third largest factor, with 1987 sales of $4.2 billion. The Chemical unit handled factored sales of about $2 billion annually.

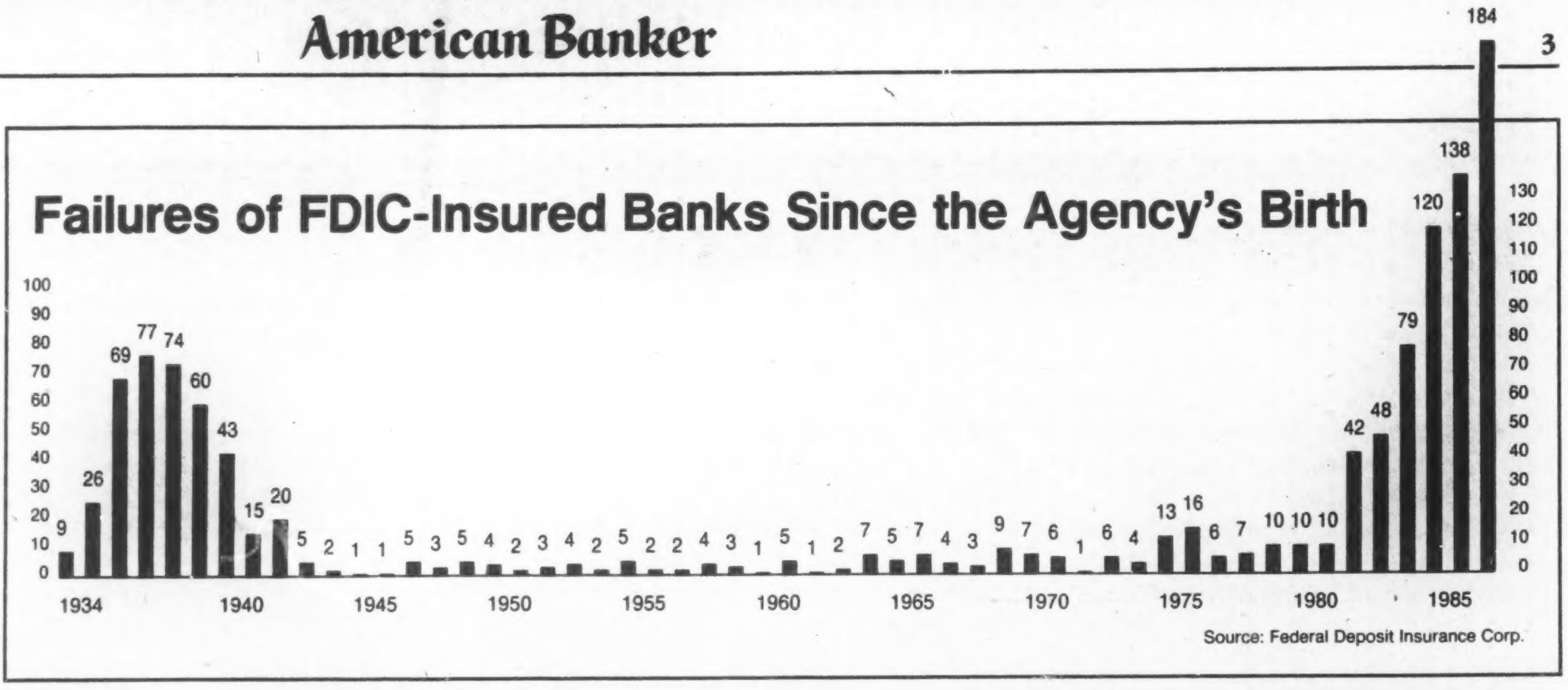
St. Louis Bank Cuts Prime

ST. LOUIS — Southwest Bank of St. Louis said on Monday it would cut its prime rate to 8.5% from 8.75%. Nationwide, the last round of cuts in the prime came Nov. 6, when the base lending rate was cut to 8.75% from 9%. By late Monday afternoon, no major banks had followed Southwest Bank's example.

Lincoln Savings Converted

NEW YORK — Unicorp American Corp. said it had completed its $150 million acquisition of New York City-based Lincoln Savings Bank and had converted the bank to the stock form of ownership.

— Compiled by Dennis P. O'Connell



Failures of FDIC-Insured Banks Since the Agency's Birth

Source: Federal Deposit Insurance Corp.

Tally of Bank Failures Not as Bad as Predicted

➸ Continued from Page 1

The FDIC does not expect ever again to see the days of a mere 10 failures a year, as happened as recently as 1981. David C. Cooke, deputy to the FDIC's chairman, said in a speech last October that if closings can be held to 40 annually, the FDIC will be satisfied.

> The stock market tumble on Oct. 19 and the ensuing fears of a recession seem to have forced the Federal Deposit Insurance Corp. to reexamine its economic assumptions.

Conditions in the thrift industry weren't any brighter last year and aren't expected to get better in 1988.

The Federal Home Loan Bank Board has about 400 insolvent savings and loans on its hands. The Bank Board intends to resolve a minimum of one case a week in 1988, compared to 47 case resolutions in 1987 and 28 in 1986.

The resolutions include the 31 troubled institutions that were either merged or sold with assistance from the Federal Savings and Loan Insurance Corp. and the 16 that were closed. Another 24 thrifts were placed in the Bank Board's management consignment program, where professionals are hired to nurse the institutions back to health.

In the farm credit arena, the agriculture business is improving — and that's good news for the FDIC. Farm banks should continue to constitute fewer bank failures. In 1987, 55 agriculture banks gave up the ghost, slightly less than the 59 farm banks that fell in 1986 and the 62 that died in 1985.

Federal agencies provided more cash assistance to prevent banks from folding in 1987. The number of endangered banks that received FDIC assistance to remain open last year hit 19, up from seven in 1986, and four in 1985.

The FDIC also employed for the first — and so far only — time its "bridge bank" authority on Oct. 30 when it took control of Capital Bank & Trust Co. in Baton Rouge, La., an ailing bank with $372 million in assets. The FDIC obtained congressional approval last August to take over and operate a failing bank — serving as a bridge — until a buyer can be found or some other remedy devised.

It is unclear if this bridge bank approach will be used more or on larger banks in 1988. But the FDIC claims merely having the option increases its bargaining leverage when negotiating bank takeovers.

The average asset size of the banks that failed in 1987 was $37.6 million, down from $53 million in 1986, according to John J. Quinn, in the FDIC's research department.

Bank failures continued to hit some parts of the country worse than others. In 23 states, no bank failures or assistance deals took place last year. Texas had more failures, 50, and assistance deals, 13, than any other state. In 1986, Texas had 26 closings.

If closings and assistance in Colorado, California, Louisiana, Kansas, and Oklahoma are added to the Texas massacre, the tally hits 128. Thus, 63% of all bank closings or assistance deals occurred in southwestern states. The FDIC attributes this region's problems to nonperforming loans for energy, real estate, and agriculture.

By comparison, only 11 banks failed in the 22 states east of a line drawn from Michigan to Alabama.

The Southwest also continues to cause problems for the Bank Board, which embarked on a program aimed at merging several smaller insolvent institutions with bigger, healthier S&Ls there. The Bank Board expects that the new entities, supported by infusions of cash from the FSLIC, will become profitable in two to three years.

The FSLIC, for its part, will take equity positions in the new companies so it can share in any future profits. The first merger of this type took place Dec. 31 in Louisiana.

The problem bank list expanded in 1987, peaking at 1,635 and ending the year at 1,575. At yearend 1986, the problem bank list was 1,484, or 10% of the approximately 14,800 banks insured by the FDIC. Back in 1982, the FDIC problem list totaled 369 or 2.5% of the insured banks. ■

Delay Seen in Committee Vote on New Powers

By ROBERT M. GARSSON

Washington Bureau

WASHINGTON — The Senate Banking Committee will not vote on new powers legislation until the third week of February, staffers say, less than two weeks before the moratorium on new bank powers is to expire.

The committee has not announced a new markup date, but a number of staffers acknowledged that the scheduled Jan. 27 date will not be met. They cite Feb. 17 as the most likely day for a vote.

"I'm almost certain it will be the third week of February," said one staff member.

Virtually no one who follows banking legislation had expected Congress to act on new powers before the moratorium expires on March 1, even though the restrictions were intended to give Congress time to consider how to restructure the financial services industry.

With the delay, it is unlikely that legislation will even make it to a Senate floor vote before March.

The House Banking Committee also is expected to consider new powers legislation in February. Committee Chairman Fernand J. St Germain, D-R.I., has put his staff to work on a draft bill, or committee print, which he said will serve as a markup vehicle.

Mr. St Germain has not provided details of the bill, but his legislation is expected to authorize limited new securities powers while setting restrictions on insurance and real estate activities. Mr. St Germain also has promised new consumer legislation, which could include lifeline consumer accounts for the poor.

A number of other bills probably will be considered by the committee at the same time. The most recent entry was unveiled Dec. 21 by Rep. Tom Ridge, R-Pa., and Rep. Paul Kanjorski, D-Pa. Their bill would permit banks to underwrite commercial paper, mutual funds, municipal revenue bonds, asset-backed securities, and long-term corporate debt.

Meanwhile, Rep. Charles E. Schumer is still pondering whether to sponsor a bill of his own. Mr. Schumer's bill, if introduced, probably would include only a few powers and contain consumer legislation opposed by the banking industry.

Observers also expect it would close a loophole in Section 20 of the Glass-Steagall Act, which the Federal Reserve Board has used to approve 11 banking applications for limited securities underwriting affiliates. ■

Panel: No Manipulation in Trading of Futures

WASHINGTON — The Commodity Futures Trading Commission said that it found no evidence of manipulation in trading of the Chicago Board of Trade's "major market maxi futures contract" on Oct. 20, the day after the stock market crash.

The regulator studied trading between 11 a.m. and 12:30 p.m., Central Standard Time, which includes the period when other index futures exchanges were closed and the index rallied about 80 points.

Several observers have charged that trading by a few large firms in the index on the day following Black Monday helped boost the market. The commission's trading and market division found that the most active traders in the period studied sold more often than they bought and that they were not trading on behalf of proprietary accounts of clearing members. ■

COMMENT

➜ Continued from Page 1

Indeed, argues Mr. McQuown with some vehemence, the chief determinant of stock price performance is not income, but risk — in particular asset risk, as measured by the variability of domestic commercial and industrial loan losses.

To demonstrate this point, Mr. McQuown and his colleagues have done a considerable amount of empirical work — in the form of reams of carefully constructed regressions. Initially, they correlated stock performance in the years 1982 through 1986, as measured by the raw percentage change in prices, with domestic asset risk, as measured by the standard deviation of gross commercial and industrial loan losses. They found a strong and extremely significant relationship for a sample of 49 of the largest banks — that is, banks with lower asset risk had better price performance and those with greater asset risk had poorer performance.

Alpha, Not Beta

But, of course, such results can be misleading. In order to compare stock returns, one must factor out the impact of each bank's systematic risk, or its beta. For example, a bank with substantially greater leverage than its peers tends to be more exposed to macroeconomic changes, and movements in its stock price may therefore by more related to general economic vicissitudes than to its individual asset risk, which is mostly of the unsystematic or avoidable variety — i.e., it can be reduced through diversification.

What the Dimensional analysts did was to filter out the effect of betas as well as that of general market movements, as measured by the change in the performance in the S&P 500, in order to arrive at what is called an alpha. This is a bank's stock price performance net of the market return and its own systematic or unavoidable risk.

Thus an alpha of 2% means that the bank's stock did two percentage points better per year than one would have expected based on the market's overall performance and the systematic risk of the institution itself. Alpha is therefore that portion of the stock price movement over which bank managements have some substantial degree of control.

Dimensional found a strong and statistically significant inverse relationship between the asset risk of the 49 banks, as measured once again by the standard deviation or variability of gross domestic commercial loan losses, and their alphas.

Adding Variables

To determine whether this is a causal relationship rather than a mere correlation, Dimensional added a number of other variables to the regression exercise. Including a variable for asset size did not change the conclusion; size had a negligible impact on alpha, while the very strong negative relationship between asset risk and alpha persisted.

Next Dimensional plugged in a variable for foreign exposure — the ratio of foreign loans to the total assets of the bank. This had some impact on alpha, but its inclusion did not diminish the overpowering link between domestic asset risk and stock performance.

Then the analysts introduced a leverage variable — the ratio of equity to assets (actually the reciprocal of leverage). Reasoning that the impact of leverage is captured in a bank's beta, or systematic risk, Dimensional did not anticipate that it would have much of an effect on alpha, from which the influence of systematic risk has been purged. And indeed it didn't.

Since leverage multiplied by the return on assets equals the return on equity, it is unlikely that there is anything in ROE that is not also captured in ROA. So Dimensional concentrated on regressing ROA against alpha.

In regressions in which ROA was included, but the domestic asset risk variable was excluded, ROA had a very significant impact on stock performance. But that's because ROA already encompasses risk — that is, the higher the level of losses, the lower the ROA.

Insignificant ROA

However, when the risk variable — the standard deviation of losses — is explicitly introduced, the influence of ROA on alpha declines sharply. *Indeed, ROA actually becomes statistically insignificant (anemic values for t and F). But the domestic asset risk variable remains highly significant — in fact, at least six times more significant than the income variable.*

Based on the results of these regressions, Mr. McQuown concludes that large banks suffer more from a risk than a spread problem. Banks that move downstream to cultivate middle-market customers may succeed in increasing nominal returns, but usually only at the price of assuming much greater asset risk.

And the evidence indicates that the marketplace will pay far more attention to this augmented risk than it will to temporarily higher portfolio returns. As a result, the bank's stock performance is very unlikely to improve. Downscaling, the preferred lending strategy of most money center and large regional banks, would seem to be a misguided endeavor.

The Primary Concern

To be sure, if a bank can find a way of raising income without a commensurate increase in risk, its stock price will unquestionably move up. But that is hardly a realistic scenario.

In any event, says Mr. McQuown, the elusive search for a free lunch — income without risk — seems like a second-order concern when a bank can act immediately to reduce portfolio risks through better diversification.

By participating in loan pools that enable it to lend to a broader segment of the population of borrowers in any given risk class, a bank can potentially reduce the standard deviation of its loan losses. According to Dimensional's calculations, an institution that lowered the standard deviation, or loan-loss variability, by 10 basis points would have raised its stock return by around 3.5 percentage points per year from 1982 through 1986. ■

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TEXT

Corrigan Defends Move on Japanese Dealers

Two weeks ago, the Federal Reserve Bank of New York named three new primary dealers, including Nikko Securities Company International, the fourth Japanese bank to join the ranks of the primary dealers, which are now 43 in number.

Following is a letter to Rep. Charles E. Schumer, D-N.Y., from E. Gerald Corrigan, president of the Federal Reserve Bank of New York, explaining the move. Rep. Schumer is in his fourth term and is a member of the House Banking Committee and the House Budget and Judiciary committees.

□

This increased international character of the primary dealer group not only reflects the growing importance of international investor capital flows in the U.S. government securities market, but also the increased importance of that market to all types of financial institutions active in international capital markets.

— E. Gerald Corrigan
President
Federal Reserve Bank of New York

IN VIEW OF your continuing interest in our practices regarding primary dealer designations, I want to inform you of our decision to add three more firms, one of which is Japanese-owned, to our existing dealer list. I also want to summarize for you my assessment of the progress realized over the past year in improving conditions for U.S. firms to participate in Japanese financial markets, as well as what I would look forward to in that regard in the period ahead.

The three new firms being added to our list are CRT Government Securities Ltd., a subsidiary of Chicago Research & Trading Group; Lloyds Government Securities Corp., a subsidiary of Lloyds Bank PLC; and Nikko Securities Company International, a subsidiary of the Nikko Securities Co. Ltd. These firms have been developing their government securities dealer business for some time, and we have been monitoring their progress closely throughout this year. Since they presently meet our established criteria for primary dealers, and since we have had sufficient time to adjust to last year's significant expansion in the list, we feel it is now appropriate to take this action.

We also understand that two existing U.S.-owned primary dealers are completing negotiations which could, in the very near term, result in both of those firms being acquired by Japanese banks. Both acquisitions would be subject to review and approval under the Bank Holding Company Act.

It is only after any such reviews have been completed that we would make a separate, final determination of the firms' continuation as primary dealers, giving attention to the ability of new owners to add further financial, managerial, and market-making capacity to the dealer operations.

The effect of these actions, including the pending acquisitions, would potentially bring to 12 the number of foreign-owned primary dealers, including six Japanese-owned firms.

This increased international character of the primary dealer group not only reflects the growing importance of international investor capital flows in the U.S. government securities market, but also the increased importance

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Banks and Thrifts that Failed or Were Rescued in '87

➸ **Continued from Back Page**

• 74. **Farmers State Bank,** Maddock, N.D., closed May 8. Assets of $11.8 million. Deposits totaled $11.6 million. Two branches reopened as branches of the Ramsey National Bank and Trust Co. of Devils Lake, Devils Lake, N.D.

• 75. **Marlin National Bank,** Marlin, Tex., closed May 14. Assets of $44.3 million. Deposits of $42.5 million assumed by Bank of Longview NA, Longview, Tex. One branch reopened next day as a branch of Bank of Longview.

• 76. **Todd County State Bank,** Long Prairie, Minn., closed May 14. Assets of $14.3 million. Deposits of $14.1 million in 4,600 accounts assumed by First National Bank of Long Prairie. Of two branches, one shut down. The other reopened May 15 as a branch of First National.

77. **United Bank,** Libby, Mont., closed May 14. Assets of $15.8 million. Deposits of $14.5 million in 4,900 accounts assumed by First National Bank in Libby, Libby. United's one office reopened May 15 as a branch of First National.

• 78. **First National Bank of Elbow Lake,** Elbow Lake, Minn., closed may 14. Assets of $17.5 million. Deposits of $16.2 million in 2,750 deposit accounts assumed by First National Bank of Fergus Falls, Fergus Falls, Minn. Elbow Lake's one office reopened May 15 as a branch of Fergus Falls.

79. **Bank of Oak Grove,** Oak Grove, La., closed May 21. Assets of $23.3 million. Deposits of $22.9 million in 4,800 deposit accounts assumed by West Carroll National Bank of Oak Grove. Failed bank's two offices reopened May 22 as branches of West Carroll.

80. **Lake Austin National Bank,** Austin, Tex., closed May 21. Assets of $42.5 million. Deposits of $37 million in 4,300 deposit accounts assumed by Greater Texas Bank Southwest NA, Austin. Failed bank's one branch reopened May 22 as a branch of Greater Texas.

81. **Texas Investment Bank NA,** Houston, closed May 21. Assets of $15.1 million, including about $54,000 in 17 accounts that exceeded FDIC insurance limit. Deposits of $13.4 million. Failed bank's one office will not reopen. This is an insured deposit transfer. Texas Investment customers will have access to their funds at River Oaks Bank, Houston, on May 22.

82. **Texas National Bank-Westheimer,** Houston, closed May 28. Assets of $27.5 million, deposits of $26.7 million in 1,200 accounts including $327,000 in 32 accounts that exceeded FDIC insurance limits. Failed bank's one office will not reopen. This is an insured deposit transfer to Texas Capital Bank-Westwood NA, Houston.

• 83. **First National Bank of Wilmont,** Wilmont, Minn., closed May 29. An insured transfer of $10 million of First National's $11.6 million of deposits was made to Farmers State Bank of Mountain Lake, Mountain Lake, Minn. First National reopened as a branch of Farmers State June 1.

84. **United Bank of Texas,** Austin, Tex., closed June 4. Insured deposits were transferred to MBank Austin NA, Austin. All but $1.7 million of the total deposits of $163.1 million were within the federal insurance limit.

85. **The First State Bank,** Frisco, Tex., closed June 4. Insured deposits of $39.3 million assumed by Promenade National Bank, Richardson, Tex.

86. **The Benton State Bank,** Benton, Kan., closed June 11. Transfer of $8.4 million in assets to First National Bank & Trust Co., El Dorado, Kan.

87. **First State Bank,** Milford, Tex., closed June 11. Assets of $6.4 million assumed by Ellis County State Bank, Milford. Ellis County is a newly chartered bank.

88. **Northwest Commercial Bank NA,** Houston, closed June 11. Jersey Village Bank, also of Houston, acquired $12.1 million in assets.

89. **Hamilton County State Bank,** Lockland, Ohio, closed June 12. The Provident Bank, Cincinnati, assumed $7.3 million of the failed bank's $8.7 million assets.

90. **Whittier Thrift and Loan,** Whittier, Calif., an industrial bank closed June 12. Assets of $14.8 million were transferred to Liberty Thrift and Loan, Orange, Calif.

91. **Eighty Niner Bank of Coyle,** Coyle, Okla., closed June 25. Deposits of $5.4 million were assumed by the Oklahoma State Bank of Mulhall.

92. **South Denver National Bank,** Glendale, Colo., closed June 25. Deposits of $47.7 million assumed by First National Bank of Southeast Denver, Denver.

93. **Liberty Bank & Trust Co.,** Greenwood, La., closed June 26. Deposits of $11.5 million assumed by Peoples State Bank, Many, La.

• 94. **Lanesboro State Bank,** Lanesboro, Minn., closed June 6. Deposits of $10.7 million assumed by the Goodhue County National Bank, Red Wing, Minn.

• 95. **First Midwest Bank,** Maryville, Mo., closed June 18. Deposits of $25.1 million assumed by the newly chartered First Bank of Maryville, a subsidiary of Citizens Bancshares Co., Clillicothe, Mo.

96. **Pelican State Bank,** Mansfield, La., closed June 24. Deposits of $6.8 million assumed by Peoples State Bank, Many, La.

97. **Bank of Brazoria**, Brazoria, Tex., closed July 2. Deposits of $24.2 million assumed by Moulton State Bank, Moulton, Tex.

98. **Citizens Bank**, Bryan, Tex., closed July 2. Deposits of $36.3 million assumed by UnitedBank-College Station, College Station, Tex.

99. **Red Oak State Bank**, Red Oak, Tex., closed July 9. Deposits of $37.7 million assumed by ROSB Bancorp Inc., Red Oak.

100. **First Continental Bank of Rockrimmon N.A.**, Colorado Springs, Colo., closed July 9. Deposits of $5.7 million assumed by Valley Bank, Security, Colo.

101. **Farmers & Merchants Bank,** Eufaula, Okla., closed July 23. Deposits of $13.8 million assumed by Citizens National Bank & Trust of Muskogee, Muskogee, Okla.

102. **Bank of Los Gatos, N.A.,** Los Gatos, Calif., closed July 23. Deposits of $11.3 million assumed by Bank of the West, San Francisco.

103. **Bank of Granite,** Granite, Okla., closed July 30. Deposits of $12.7 million transferred to Farmers and Merchants Bank, Maysville, Okla.

• 104. **Farmers State Bank,** Kanawha, Ia., closed July 30. Deposits of $14.3 million assumed by The First National Bank of Clarion, Clarion, Ia.

105. **First National Bank of Yukon,** Yukon, Okla., closed July 30. Deposits of $38.5 million transferred to Bank of Oklahoma, Tulsa, Okla.

106. **Empire National Bank,** Los Angeles, Calif., closed July 30. Deposits of $7.6 million paid off by FDIC.

107. **The Security State Bank,** Davenport, Okla., closed Aug. 6. Deposits of $8.6 million assumed by First State Bank, Harrah, Okla.

108. **Security State Bank,** Roosevelt, Okla., closed Aug. 6. Deposits of $16.1 million assumed by First National Bank in Altus, Altus, Okla.

109. **Bayshore Bank of Florida,** Miami, closed Aug. 7. Deposits of $34.4 million transferred to Eagle National Bank of Miami.

110. **First National Bank of Luther,** Luther, Okla., closed Aug. 13. Deposits of $17.6 million assumed by First Wagoner Bank and Trust Co., Wagoner, Okla.

111. **First State Bank, Blanchard, Okla.,** closed Aug. 13. Deposits of $21.48 million transferred to First State Bank, Hinton, Okla.

112. **First National Bank of Navasota,** Navasota, Texas, closed Aug. 13. Deposits of $28.2 million assumed by First Bank, Navasota.

113. **McNulty Banking Co.,** St. Petersburg, Fla., closed Aug. 14. Deposits of $49.9 million assumed by Barnett Bank of Pinellas County, St. Petersburg.

• 114. **The First State Bank,** Willow, Okla., closed Aug. 20. Insured deposits of $5.498 million transferred to The Guarantee State Bank, Mangum, Okla.

115. **American Exchange Bank and Trust Co.,** Norman, Okla., closed Aug. 20. Deposits of $94.8 million assumed by the Bank of Oklahoma, Tulsa.

116. **American National Bank of Evanston,** Evanston, Wyo., closed Aug. 20. Insured deposits of $8.2 million transferred to Pioneer Bank of Evanston.

117. **People's State Bank of Mazeppa,** Mazeppa, Minn., closed Aug. 21. Insured deposits of $15.3 million transferred to First State Bank of Redwing, Redwing, Minn.

118. **Bank of North America,** Houston, closed Aug. 27. Insured deposits of $29.5 million transferred to Texas Commerce Bank, N.A., Houston.

119. **Citizens Bank of Glendale,** Denver, closed Aug. 27. Deposits of $3.1 million assumed by Prudential Bank, Denver.

120. **Rocky Mountain State Bank,** Salt Lake City, closed Aug. 28. Deposits of $16.3 million assumed by Citibank (Utah), Salt Lake City.

121. **First National Bank of Hammon,** Hammon, Okla., closed Sept. 3. Insured deposits of $5.5 million transferred to American National Bank, Elk City, Okla.

122. **First National Bank of Tipton,** Tipton, Okla., closed Sept. 3. Insured deposits of $7.1 million transferred to First National Bank in Altus, Altus, Okla.

123. **La Marque Bank,** La Marque, Texas, closed Sept. 10. Deposits of $6.1 million assumed by The First Bank of La Marque, La Marque, Texas.

124. **Waxahachie Bank and Trust Co.,** Waxahachie, Texas, closed Sept. 10. Deposits of $62.3 million assumed by Merchants State Bank, Dallas.

125. **Central National Bank of New York,** New York, N.Y., closed Sept. 11. Insured deposits of no more than $170 million were paid off by the Federal Deposit Insurance Corp.

• 126. **First State Bank of Rollingstone,** Rollingstone, Minn., closed Sept. 11. Deposits of $13.7 million assumed by Eastwood Bank St. Charles, St. Charles, Minn.

• 127. **The Talmage State Bank,** Talmage, Kan., closed Sept. 17. Deposits of $6.7 million assumed by The Abilene First National Bank, Abilene, Kan.

128. **Breaux Bridge Bank and Trust,** Breaux Bridge, La., closed Sept. 17. Deposits of $28.9 million assumed by MidSouth National Bank, Lafayette, La.

129. **Steeplechase National Bank,** Houston, closed Sept. 17. Deposits of $9.9 million assumed by Cypress National Bank, also in Houston.

130. **Mustang National Bank,** Mustang, Okla., closed Sept. 17. Deposits of $10.8 million assumed by The First National Bank of Moore, Moore, Okla.

131. **Stockmen's Bank and Trust Co.,** Gillette, Wyo., closed Sept. 18. Insured deposits of $96.4 million transferred to First Interstate Bank of Gillette.

• 132. **Mayfield State Bank,** Mayfield, Kan., closed Sept. 24. Deposits of $20.3 million assumed by the First National Bank of Harper, Harper, Kan.

• 133. **Murdock State Bank,** Murdock, Kan., closed Sept. 24. Deposits of $22.1 million assumed by Farmers State Bank of Norwich, Norwich.

134. **The Citizens Bank,** Drumright, Okla., closed Sept. 24. Deposits of $30.6 million assumed by the American National Bank of Bristow, Bristow, Okla.

135. **Commonwealth Bank,** Torrence, Calif., closed Sept. 25. Deposits of $78 million assumed by Capital Bank of California, Los Angeles.

136. **Valley State Bank,** Los Angeles, closed Sept. 28. Deposits of $76.5 million assumed by Capital Bank of California, Los Angeles.

• 137. **Security State Bank,** Oxford, Neb., closed Oct. 1. Deposits of $11 million assumed by Union Bank and Trust Co., Lincoln, Neb.

138. **Clay County State Bank,** Dilworth, Minn., closed Oct. 1. Deposits of $10.2 million assumed by Northwestern State Bank, Ulen, Minn.

139. **Western Bank-Westheimer,** Houston, closed Oct. 1. Insured deposits of $224 million transferred to Charter National Bank-Houston.

140. **Western Bank-North Wilcrest,** Houston, closed Oct. 1. Deposits of $43.8 million assumed by Texas Commerce Bank, Houston.

141. **Western Bank-Westwood,** Houston, closed Oct. 1. Deposits of $44.8 million assumed by Texas Commerce Bank, Houston.

• 142. **State Bank of Greenwald,** Greenwald, Minn., closed Oct. 2. Insured deposits of $18.4 million transferred to Rural Bank of Greenwald.

143. **United Services Bank,** Hartshorne, Okla., closed Oct. 8. Insured deposits of $13.5 million transferred to First National Bank & Trust, McAlster, Okla.

144. **Citizens Bank of Krebs,** Krebs, Okla., closed Oct. 8. Insured deposits of $13.2 million transferred to First National Bank & Trust, McAlster, Okla.

• 145. **The First National Bank of Brush,** Brush, Colo., closed Oct. 8. Deposits of $21.3 million assumed by The Fort Lupton State Bank, Fort Lupton, Colo.

• 146. **Citizens Bank of Ray,** Ray, N.D., closed Oct. 15. Deposits of $11.4 million assumed by First National Bank & Trust Co. of Williston, Williston, N.D.

147. **American National Bank,** Afton, Wyo., closed Oct. 15. Insured deposits of $9.9 million transferred to Star Valley State Bank, Afton.

148. **Yankee Bank for Finance & Savings, FSB,** Boston, Mass., closed Oct 16. Insured deposits of $424.1 million transferred to The Boston Five Cents Savings Bank, FSB, also of Boston.

149. **Pioneer Bank of Fountain,** Fountain, Colo., closed Oct. 21. Deposits of $10.4 million assumed by Green Mountain Bank, Lakewood, Colo.

150. **Western National Bank,** Bryan, Texas, closed Oct. 22. Deposits of $15.3 million transferred to First State Bank in Caldwell, Caldwell, Texas.

151. **New World National Bank,** Pittsburgh, Pa., closed Oct. 22. Deposits of $10.8 million assumed by Lincoln National Bank, Greensburg, Pa.

• 152. **First State Bank of Bovina,** Bovina, Texas, closed Oct. 22. Deposits of $14.4 million assumed by First Bank of Muleshoe, Muleshoe, Texas.

153. **Alaska National Bank of the North,** Fairbanks, closed Oct. 22. Insured deposits of $189 million transferred to National Bank of Alaska, Anchorage.

• 154. **American Security Bank,** North Platte, Neb., closed Oct. 30. Deposits of $24 million assumed by North Platte National Bank.

155. **Capital Bank & Trust Co.,** Baton Rouge, La., closed Oct. 30. Deposits of $308.7 million transferred to newly created Capital Bank & Trust Co., which is being run by the FDIC under its bridge bank authority granted by the Competitive Equality Banking Act.

156. **Delta Pacific Bank,** Pittsburg, Calif., closed Oct. 30. Deposits of $17.6 million assumed by Central Bank, San Francisco.

• 157. **Tri-State National Bank,** Belle Fourche, S.D., closed Nov. 10. Insured deposits of $10.8 million assumed by First Western Bank, Sturgis, S.D.

158. **Middle Park Bank,** Granby, Colo., closed Nov. 10. Deposits of $19.5 million assumed by Bank of Kremmling, Kremmling, Colo.

159. **Bank of Winter Park,** Winter Park, Colo., closed Nov. 10. Deposits of $22.3

Banks and Thrifts: Page 14 ➸

TEXT

➸ **Continued from Page 5**

represents a most noteworthy step forward in the area of international financial policy coordination.

While these have been the focal points of our discussions, there are still other areas where the Japanese authorities have taken steps toward opening their financial markets — most of which were covered in the ministry's midyear announcement of a plan for further financial deregulation.

This included plans for further deposit deregulation; for improvements in short-term financial markets, including the interbank market, and the establishment of a domestic commercial paper market; for expansion of their financial futures markets; for development of their corporate bond market; and for improved foreign participation in investment advisory services.

In the year ahead, it is important that positive steps be taken in these areas and future plans made as specific as possible. It is also important that further improvements be made in terms of those policies that influence the ability of foreign firms to compete in the Japanese bond and equity markets and to introduce new financial products and services in Japan.

As in the past, we plan to follow closely the flow of policy actions directed at the further opening of foreign markets to U.S. firms and to weigh the nature and scope of these complementary actions in our future decision-making.

In closing, I would stress again that, overall, I regard the progression of events this past year as constructive and mutually beneficial. It has been one in which informal understandings and agreements have been consistently worked out and adhered to. While the process is not perfect and there is a full agenda ahead, the pattern of actions suggests we can have confidence in commitments and plans for future improvements. ■

Banks that Failed or Were Rescued in '87

➡ Continued from Page 10

million assumed by Bank of Aspen, Aspen, Colo.

160. **West Texas State Bank of Canyon,** Canyon, Texas, closed Nov. 13. Deposits of $19.1 million assumed by First National Bank of Amarillo, Amarillo, Texas.

• 161. **The Timken State Bank,** Timken, Kan., closed Nov. 19. Insured deposits of $3.3 million in 580 accounts paid off by the FDIC because no acceptable bid was made for the failed bank.

• 162. **The Alexander State Bank,** Alexander, Kan., closed Nov. 19. Insured deposits $8.6 million in 1,300 accounts paid off by the FDIC because no bid was made for the failed bank.

163. **The Peoples Bank and Trust of Iberia Parish,** New Iberia, La., closed Nov. 19. Deposits of $77.7 million assumed by The New Iberia Bank, also of New Iberia Bancorp, La.

164. **Republic Bank,** Oklahoma City, Okla., closed Nov. 19. Deposits of $55.4 million assumed by First National Bank in Bartlesville, Bartlesville, Okla.

165. **Madison Bank and Trust Co.,** Richmond, La., closed Dec. 3. Deposits of $10.4 million assumed by Guarantee Bank & Trust Co. of Delhi, Delhi, La.

166. **State Bank of Commerce,** Slidell, La., closed Dec. 3. Deposits of $46.3 million assumed by Peoples Bank & Trust Co. of St. Bernard, Chalmette, La.

• 167. **Center State Bank,** Center, Neb., closed Dec. 3. Deposits of $7.8 million assumed by Farmers & Merchants State Bank, Bloomfield, Neb.

• 168. **Crofton State Bank,** Crofton, Neb., closed Dec. 3. Deposits of $10.6 million assumed by Farmers and Merchants State Bank, Bloomfield, Neb.

• 169. **State Bank of Jansen,** Jansen, Neb., closed Dec. 3. Deposits of $4.6 million assumed by Security National Bank, Superior, Neb.

• 170. **First State Bank,** Oakdale, Neb., closed Dec. 3. Deposits of $5.6 million assumed by First United Bank, Neligh, Neb.

171. **The Peoples Bank,** Olive Hill, Ky., closed Dec. 3. Deposits of $38.6 million assumed The Commercial Bank of Grayson, Grayson, Ky.

• 172. **The Farmers National Bank of Cordell,** Cordell, Okla., closed Dec. 3. Deposits of $60.2 million assumed by First National Bank and Trust Co., Weatherford, Okla.

• 173. **Climbing Hill Savings Bank,** Climbing Hill, Iowa, closed Dec. 3. Deposits of $5.1 million assumed by First Trust & Savings Bank, Moville, Iowa.

174. **Louisiana Bank & Trust Co.,** Crowley, La., closed Dec. 10. Deposits of $20.2 million assumed by The Evangeline Bank & Trust Co., Ville Platt, La.

175. **America Bank in Louisiana,** Morgan City, La., closed Dec. 10. Deposits of $15.7 million assumed by the St. Mary Bank & Trust Co., Franklin, La.

176. **The First National Bank in Rome,** Rome, Texas, closed Dec. 10. Deposits of $9.4 million assumed by Continental State Bank, Boyd, Texas.

177. **BancFirst-Austin,** Austin, Texas, closed Dec. 10. Deposits of $23.7 million assumed by Texas Capital Bank-Fort Bend, Richmond, Texas.

178. **Heritage National Bank,** Austin, Texas, closed Dec. 10. Deposits of $48.4 million assumed by Community National Bank, Austin, Texas.

179. **Lewis and Clark State Bank,** Lake Oswego, Ore., closed Dec. 11. Deposits of $19 million assumed by Key Bank of Oregan, Portland.

180. **First Interstate Bank of Alaska,** Anchorage, Alaska, closed Dec. 11. Deposits of $368.3 million assumed by National Bank of Alaska, also of Anchorage.

181. **American Bank of Commerce,** Lake Charles, La., closed Dec. 17. Deposits of $33.5 million assumed by National Bank of Commerce of Lake Charles.

182. **USBank,** Denton, Texas, closed Dec. 17. Deposits of $88 million assumed by United National Bank, Dallas.

183. **Bank of Maybank,** Maybank, Texas, closed Dec. 17. Deposits of $43.2 million assumed by First State Bank, Athens, Tex.

184. **First State Bank at Shoshoni,** Shoshoni, Wyo., closed Dec. 18. Deposits of $4.1 million assumed by State Bank of Thermopolis, Thermopolis, Wyo.

□

These banks, which have not failed, required financial assistance from the FDIC in order to stay open.

1. **American National Bank,** Durant, Okla. The FDIC granted financial assistance Feb. 25 to prevent a failure of the $9.1 million-deposit bank. As a result of the transaction, American National Bank merged with First National Bank of Johnston County, Tishomingo, Okla. The combined bank was named First American Bank, Tishomingo, with the Durant office operated as a branch.

2. **Central Bank and Trust Co.,** Glenmora, La. The FDIC granted financial assistance Feb. 26 to prevent failure of the $28 million-deposit bank. The assistance facilitated the merger of Central Bank and Trust with Peoples Bank and Trust Co., Natchitoches, La.

3. **Syracuse Savings Bank,** Syracuse, N.Y. The FDIC granted financial assistance May 13 to prevent a failure of the $1.1 billion-deposit bank. The assistance facilitated the merger of Syracuse Savings with Norstar Bancorp, Albany, N.Y.

4. **Security Bank of Rich Hill,** Rich Hill, Mo., received $225,000 in open-bank assistance from the FDIC on June 5. The FDIC also bought $542,000 of Security Bank's assets. The failed bank has $12.9 million in assets. Deposits total $12.7 million.

5-15. **BancTexas Group Inc.'s** 11 subsidiary banks received $150 million in FDIC assistance July 17.

• 16. **Valley Bank of Belgrade,** Belgrade, Mont., received FDIC assistance of $3 million July 31. Valley Bank was then acquired by Mountain Bank Systems Inc., Whitefish, Mont., which contributed $1 million toward Valley Bank's recapitalization.

17. **Commercial Bank N.A.,** Oklahoma City, Okla., received $4.5 million in FDIC assistance Sept. 16 to prevent the $23.8 million bank from failing. Commercial Bank was bought by William M. and Lynda L. Cameron, who invested $2 million.

18. **Crossroads Bank,** Victoria, Tex., received $2 million in FDIC assistance Dec. 3 to prevent the $26 million-asset bank from failing. A group led by Dorothy Ploeger invested $2.5 million.

• 19. **The Falun State Bank,** Falun, Kan., received $50,000 in FDIC assistance Dec. 29 to prevent the $3 million-deposit bank from failing. Falun State Bank was merged with the Farmers State Bank of Galva, Galva, Kan.

Assistance deals the FDIC has given preliminary approval, but has not finished are:

Alaska Mutual Bank and **United Bank Alaska,** both of Anchorage, merged and received preliminary approval for $295 million in FDIC assistance June 23 to prevent the banks from failing. Alaska Mutual holds $800 million in assets, while United Bank has $505 million. The Hallwood Group took control of the banks, investing another $65 million.

First City Bancorporation of Texas, Houston, received preliminary approval for $970 million in FDIC assistance Sept. 9 to prevent the $12.2 billion holding company with 61 banks from failing. A group led by A. Robert Abboud took over First City, investing $500 million.

Jefferson Guaranty Bank, Metairie, La., received preliminary approval for $57.5 million in FDIC assistance Sept. 16 to prevent the $307 million-asset bank from failing. Jefferson Guaranty became part of a newly formed holding company, Royal Windsor Holding Corp., which invested $17 million. ■

Thrifts that Failed or Were Rescued

Mergers Assisted by the FSLIC

1. **Guaranty Federal Savings and Loan Association,** Harrison, Ark., a $40.1 million-asset institution, merged on Jan. 12 with Superior Federal Bank FSB, Fort Smith, Ark., with $616 million in assets.

2. **Magic Valley Savings and Loan Association,** Weslaco, Tex., with $107.7 million in assets, acquired Jan. 16 by San Antonio Savings Association, with $2.4 billion in assets.

3. **Western Savings and Loan Co.,** Salt Lake City, a $400 million-asset institution, merged on Feb. 19 with Crossland Savings FSLA, Bradenton, Fla., with $1.2 billion in assets and Crossland Savings FSB, Gainesville, Fla., with $137 million in assets. The resulting institution was Crossland Savings FSB, a federally chartered stock savings bank.

4. **First Federal Savings and Loan Association of Beloit,** Beloit, Kans., a $82.9 million-asset institution, acquired on Feb. 27 by Home Savings and Loan Association FA, Kansas City, Mo., with $1.1 billion in assets.

5. **South Bay Savings and Loan Association,** Gardena, Calif., a $62.5 million-asset institution, acquired March 6 by Standard Pacific LP, Costa Mesa, Calif., a limited partnership with $312.8 million in assets.

6. **First Security Savings and Loan Association,** Grand Junction, Colo., a $54 million-asset institution, merged on March 10 with Great American First Savings Bank FSB, Tucson, Ariz., a $2.9 billion-asset institution.

7. **Home Savings and Loan Association,** Seattle, a $150.6 million-asset institution, acquired March 13 by InterWest Savings Bank, Oak Harbor, Wash., with $342.9 million in assets.

8. **Bayou Federal Savings and Loan Association,** New Orleans, a $26.1 million-asset institution, acquired March 20 by First Federal Savings Bank, New Orleans, with $98.3 million in assets.

9. **Beacon Federal Savings and Loan Association,** Cincinnati, a $10.2 million-asset institution, merged on April 1 with Charter Oak Federal Savings Bank, Cincinnati, a $346.5 million-asset thrift.

10. **Central Savings and Loan Association,** San Diego, a $1.7 billion-asset institution, acquired April 10 by Coast Savings and Loan Association, Los Angeles, with $9.2 billion in assets.

11. **Southern California Federal Savings and Loan Association,** Beverly Hills, a $1.3 billion-asset institution, acquired April 30 by SoCal Holdings Inc., a new holding company.

12. **Fort Lee Savings and Loan Association,** Fort Lee, N.J., a $183.95 million-asset institution, merged on June 30 with Ensign Bank FSB, New York, with $1.4 billion in assets.

13. **United First Federal Savings and Loan Association,** Boise, Idaho, a $327 million-asset institution, and **Provident Federal Savings and Loan Association,** Boise, a $208.1 million-asset institution, merged on July 6 with Washington Federal Savings and Loan Association, Seattle, a $1.3 billion institution.

14. **OK Federal Savings and Loan Association,** El Reno, Okla., a $54.46 million-asset institution, acquired July 31 by Phoenix Capital Group Inc., Wichita, Kans.

15. **First Federal Savings and Loan Association,** Natchitoches, La., a $6.51 million-asset institution, merged on Oct. 30 with First Federal Savings and Loan Association of Lake Charles, Lake Charles, La., a $257.3 million-asset thrift.

16. **Gulf Federal Savings and Loan Association,** Mobile, Ala., a $6.51 million-asset institution, acquired Nov. 13 by a private minority investor group based in Mobile.

17. **Argo Federal Savings and Loan Association,** Summit, Ill., a $25.57 million-asset institution, acquired Nov. 17 by Argo Investments Ltd., Summit.

18. **Riverside Federal Savings Association,** Pine Bluff, Ark., a $912.9 million-asset institution (formerly **FirstSouth FA**), acquired Dec. 8 by Home Savings Association of Kansas City, Kansas City, Mo., a $1.1 billion-asset institution.

19. **Surety Federal Savings and Loan Association,** Morganton, N.C., a $125.8 million-asset institution, acquired Dec. 11 by National Capital Group Inc., Washington, D.C.

20. **Mt. Pleasant Savings and Loan Association,** Mt. Pleasant, Tex., a $25.4 million-asset institution, merged on Dec. 16 with Sulphur Springs Loan and Building Association, Sulphur Springs, Tex., a $71.1 million-asset institution.

21. **Boone County Federal Savings and Loan Association,** Centralia, Mo., a $20 million-asset institution, merged on Dec. 18 with United Savings and Loan Association, Lebanon, Mo., a $365.6 million-asset institution.

22. **Community Federal Savings and Loan Association,** Hamilton, Ohio, a $410.3 million-asset institution, merged on Dec. 29 with Union Federal Savings Bank, Indianapolis, an $841 million-asset thrift.

23. **Gulf Federal Savings and Loan Association,** Metairie, La., with $453 million in assets; **First Financial of Louisiana Savings and Loan Association,** Lutcher, La., with $16 million in assets; **Firstbanc Federal FSB,** Gonzales, La.; and **First Federal Savings and Loan Association,** Alexandria, La., all acquired on Dec. 31 by Pelican Homestead and Savings Association, Metairie, La., a $985 million-asset institution.

24. **American Federal Savings and Loan Association,** Lynchburg, Va., a $200 million-asset institution, merged on Dec. 31 with First Federal Savings and Loan Association, Roanoke, Va., an institution with $504 million in assets.

25. **First Federal Savings Bank,** Slidell, La., with $46.6 million in assets, and **First Financial Bank FSB,** New Orleans, with $748.7 million in assets, merged on Dec. 31 with Alabama Federal Savings and Loan Association, Birmingham, a $1.2 billion-asset institution.

26. **Gibson Federal Savings and Loan Association,** Gibson City, Ill., a $138.5 million-asset institution, merged on Dec. 31 with Champion Federal Savings and Loan Association, Bloomington, Ill., a $2.2 billion-asset institution.

Closings

1. **First Savings and Loan Association,** Burkburnett, Tex., with $213 million in assets, closed Jan. 16.

2. **Umpqua Savings and Loan Association,** Roseburg, Ore., with $112.8 million in assets, closed Jan. 16.

3. **Life Savings of America FSB,** Rockford, Ill., with $380 million in assets, closed Feb. 13.

4. **First Federal Savings and Loan Association of Beloit,** Beloit, Kan., with $82.9 million in assets, closed Feb. 27.

5. **First Federal of Maryland FSA,** Hagerstown, with $115.2 million in assets, closed March 20.

6. **First Southern Savings Association,** Pascagoula, Miss., with $49.7 million in assets, closed March 20.

7. **Equitable Savings and Loan Association,** Fountain Valley, Calif., with $59.12 million in assets, closed March 30.

8. **Summit Savings and Loan Association,** Park City, Utah, with $120.8 million in assets, closed April 10.

9. **Future Savings and Loan Association,** Albany, Ore., with $66.4 million in assets, closed April 10.

10. **Centennial Savings and Loan Association,** Guerneville, Calif., with $209 million in assets, closed April 24.

11. **Liberty Federal Savings Association,** Leesville, La., with $138.2 million in assets, closed April 24.

12. **Capitol Federal Savings Bank,** Mt. Pleasant, Iowa, with $159.8 million in assets, closed May 8.

13. **Frontier Savings and Loan Association,** Fairbanks, Alaska, with $6.95 million in assets, closed June 12.

14. **Sierra Savings and Loan Association,** Minden, Nev., with $13.5 million in assets, closed Oct. 23.

15. **Tri-County Savings and Loan Association,** Camden, N.J., with $39.1 million in assets, closed Nov. 13.

16. **Vernon Savings and Loan Association,** Dallas, with $1.17 billion in assets, closed Nov. 19.

Placed Under Management Consignment

1. **North America Savings and Loan Association,** Santa Ana, Calif., with $219 million in assets, on Jan. 23.

2. **Universal Savings Association FA,** Chickasha, Okla., with $106.3 million in assets, on Feb. 13.

3. **Key Savings and Loan Association,** Englewood, Colo., with $241.6 million in assets, on Feb. 27.

4. **Victor Federal Savings and Loan Association,** Muskogee, Okla., with $564 million in assets, on March 16.

5. **Perpetual Savings Bank,** Santa Ana, Calif., with $61.9 million in assets, on March 18.

6. **Vernon Savings and Loan Association,** Dallas, with $1.3 billion in assets, on March 20. (Closed on Nov. 19.)

7. **South Florida Savings Bank,** Miami, with $175.2 million in assets, on March 25.

8. **Tahoe Savings and Loan Association,** South Lake Tahoe, Calif., with $84.4 million in assets, on April 2.

9. **Southern Floridabanc Savings Association,** Boca Raton, with $224 million in assets, on April 16.

10. **Liberty Savings and Loan Association,**

Thrifts: Page 19 ➡

Two Groups File For Bank Charters In Philadelphia

By A. JOSEPH NEWMAN JR.

PHILADELPHIA — Applications have been filed for two new bank charters in downtown Philadelphia, one of them in Chinatown.

The proposed Asia Bank of Commerce, which is seeking a state charter, would serve the growing Asian community here, according to James McCloskey, one of the organizers. Initial capital of $5 million would be raised through a private offering, he said, adding that several major area banks have expressed interest in buying stock.

Mr. McCloskey, a financial consultant, said the 100,000 Chinese, Koreans, and other Asians who live in Philadelphia would be "more comfortable dealing with their own bank." He said tellers would be bilingual and trilingual.

"No one has circled the [Asian] wagons," he said.

He said the bank would also cater to the general small-business market, which "larger banks are ignoring."

Two previous attempts to form banks for the Asian community here — one in Chinatown, the other in a Korean neighborhood — were aborted in the recent past.

The other recently proposed bank, Metrobank of Philadelphia, which has filed for a national charter, also picked a niche — commercial real estate lending.

Raymond Weisbein, proposed chairman, and his brother Jerome, proposed chairman of the real estate committee, are principals of Weisbein Enterprises, a real estate development, management, and investment firm.

Initial capital of at least $5 million would be raised via a public offering, according to Stephen Carroll, executive vice president and chief operating officer. Mr. Carroll, who was with Ryan, Beck & Co. and Provident National Bank here, said Metrobank would also do a general banking business. ■

Thrifts . . .

➻ Continued from Page 14

Port Richey, Fla., with $104 million in assets, on May 15.

11. **Independent American Savings Association,** Irving, Tex., with $1 billion in assets, on May 20.
12. **Security Savings Association,** Texarkana, Tex., with $424 million in assets, on June 11.
13. **Investors Federal Bank FSB,** El Reno, Okla., with $97.8 million in assets, on June 18.
14. **United Federal Savings and Loan Association,** Durant, Okla., with $91.3 million in assets, on June 29.
15. **Freedom Savings and Loan Association,** Tampa, Fla., with $1.9 billion in assets, on July 23.
16. **Acadia Savings and Loan Association,** Crowley, La., with $160 million in assets, on Aug. 6.
17. **French Market Homestead,** Metairie, La., with $328 million in assets, on Aug. 6.
18. **Sunbelt Federal Savings and Loan Association,** Watonga, Okla., with $67.6 million in assets, on Aug. 20.
19. **First Savings of Louisiana,** La Place, with $33 million in assets, on Aug. 20.
20. **Twin City Savings FSB,** West Monroe, La., with $187.2 million in assets, on Aug. 20.
21. **Phenix Federal Savings and Loan Association,** Phenix City, Ala., with $225 million in assets, on Sept. 18.
22. **Lyons Federal Trust and Savings Bank,** Countryside, Ill., with $2.2 billion in assets, on Sept. 24.
23. **First California Savings Bank of Orange,** with $226.9 million in assets, on Oct. 15.
24. **Topeka Savings and Loan Association,** Topeka, Kans., with $116.9 million in assets, on Oct. 20. ■

First Fidelity Agrees to Increase Housing Fund

Special to the American Banker

NEWARK, N.J. — The New Initiative Coalition, which uses the Federal Community Reinvestment Act to force concessions from banks planning interstate mergers, has scored another victory.

First Fidelity Bancorp., a Newark-based bank holding company, has agreed to make more than $30 million available below the market rate for low-income and middle-income housing. The money will be used for home improvements, home mortgages, and construction aid by nonprofit groups. In return, the coalition will drop objections to the holding company's merger with Fidelcor Inc. of Philadelphia.

First Fidelity joins Midlantic Banks Inc. of Edison and First Jersey National Corp. of Jersey City in settling with the coalition. Midlantic said in late 1986 it would provide $11 million, and First Jersey agreed to provide $28 million last year.

The coalition then withdrew its opposition to those firms' mergers. Midlantic's acquisition of Continental Bancorp of Philadelphia was completed early in 1987, while First Jersey is awaiting Fed approval of its acquisition by National Westminster Bank USA of New York.

The Federal Reserve Board is studying the merger application of First Jersey and NatWest and is expected to rule early in this quarter. The merger was approved Dec. 14 by First Jersey stockholders, who will receive $82 in cash per share for a 50% premium. The total cost to National Westminster PTL of London is $820 million.

According to the agreement with the coalition, First Fidelity will provide $5 million a year for three years in mortgage loans at 1.5% below the bank's prevailing rate. The loans, which may be for as long as 30 years, are earmarked for homes occupied by one to four families.

$3 Million at 1% Below Market

Up to $3 million a year will be made available for three years for home improvement loans at 1% below market.

First Fidelity will make a total of $5 million available for two nonprofit groups for site acquisition and construction of housing projects, with another $5 million for long-term financing of rental projects at the bank prime rate, with no points or fees.

Grants of up to $150,000 a year will be made for three years to assist in funding affordable housing projects.

A spokesman for First Fidelity denied that the bank was "pressured" into the agreement, asserting that First Fidelity was "delighted" to support the coalition's efforts. ■

Bank Institute Closing Two Regional Offices

➻ Continued from Page 2

courses, publications, and seminars. It covers less than one-fourth of its $25 million annual budget with dues, and that proportion has been shrinking for several years.

The field representatives play a role in the institute's program to reach the grass-roots level. They travel frequently, calling on members and supporting programs of local chapter.

"Having a field network gives the institute a better reading of the pulse of our constituents," Mr. Foss said.

Most of the field representatives are former bankers or persons with experience selling services to bankers. "They are well grounded in what has been taking place in the banking industry, deregulation, and the merger trend," Mr. Foss said.

The trend toward superregional mergers in the West and Southeast has reduced the number of banks. This may help explain the decision to close offices in California and Florida.

Mr. Foss said he is looking for a western representative to set up shop in Dallas. He said that he will talk with the Orlando representative about the possibility of relocating to Charlotte, but a decision has not been made.

Even with a streamlined branch network, the Bank Administration Institute will have more remote locations than other financial organizations, which remain highly centralized.

Mr. Burke discourages comparisons of the institute with trade groups such as the Washington-based American Bankers Association, which devote much of their resources to political lobbying. The Bank Administration Institute has evolved into an information and service provider with no political-action agenda.

Conventional trade associations are well ensconced on the Washington scene because of lobbying exigencies, but there are exceptions.

The Independent Bankers Association of America maintains corporate headquarters in Sauk Centre, Minn., where it was founded, although most of its activities revolve around its Washington office. It opened a western regional office in Huntington Beach, Calif., in 1984.

The U.S. League of Savings Institutions has split its operation between Chicago, its historical home, and Washington.

Robert Morris Associates, the trade group for commercial lenders, shares with the Bank Administration Institute a nonpolitical approach and a commitment to stay close to its 3,000 member institutions and 14,000 individual associates. Robert Morris, which is based in Philadelphia, established field offices in Atlanta in 1984 and in Houston in 1986. One field executive in each office spends most of his time on the road calling on bankers and chapter organizations. ■

SEC: Banks Seeking to Swap LDC Debt Must Write Down the Loans Involved

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Banks that offer to swap Mexican loans at a discount for bonds secured in part by Treasury securities should either write down that debt immediately or bolster their loan loss reserves, the Securities and Exchange Commission staff said Monday.

Mexico recently announced a new program under which it will exchange outstanding debt held by banks for new long-term bonds. The principal of the bonds will be secured by zero-coupon Treasury securities, which the Mexican government will purchase from the U.S. Interest will not be guaranteed.

The SEC staff said Monday that banks which tender loans to the Mexican auction agent should write down those loans to reflect the discounted price at which they were offered, even if the tender is rejected.

Alternatively, the staff said in its accounting bulletin, the bank could make additional loan-loss provisions to reflect the difference between the carrying value of the debt and the price at which it was offered.

The interpretation applies only to the loans which are actually tendered, rather than to a bank's entire Mexican portfolio, said Jeffrey C. Jones, a professional accountant in the SEC's Office of the Chief Accountant.

However, Mr. Jones said, the implication of the staff interpretation is that the entire portfolio should be valued at the same level as tendered loans.

The SEC staff also said that banks that tender loans should disclose information about the transaction to shareholders, including the value and terms of the debt tendered and the face value, carrying value, market value, and terms of the bonds received. ■

Hong Kong Firm Increases Stake in Whitney Holding

States News Service

WASHINGTON — Industrial Equity (Pacific) Ltd., a Hong Kong investment firm controlled by New Zealand financier Ronald Brierley, has increased its stake in Whitney Holding Corp. to 7.92%, according to a filing with the Securities and Exchange Commission.

The Hong Kong concern said it most recently bought 92,500 common shares between Nov. 11 and Dec. 16 at prices ranging from $52.50 and $54 each, for a total of $4.96 million.

Whitney Holding Corp. is a New Orleans-based bank holding company. ■

Accounts Restored After Bank Fraud

WILLIAMSPORT, Pa. — Northern Central Bank said the accounts of eight trust department customers are being "totally restored" following discovery of fraud and unauthorized trading involving more than $500,000 by a former trust officer.

The bank said its costs were "significant," but not material, and the $700 million-asset bank's 1987 earnings will be substantially higher than in 1986. No cost was given, but it included $300,000 in special legal and accounting fees.

The bank is a unit of the $2.3 billion-asset Keystone Financial Inc., State College, Pa.

Northern Central said Richard F. Neidig, who resigned in April 1986, has pleaded guilty to charges of intent to defraud. The bank said the fraud involved trading of securities between the accounts, creating artificial gains, and diverting the proceeds to other accounts. A federal indictment said he diverted only $2,000 to his own use.

The irregularities were discovered, the bank said, after a normal, unscheduled audit following the officer's departure. ■

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Banks and Thrifts that Failed or Were Rescued in '87

WASHINGTON — The following is a list of U.S. banks insured by the Federal Deposit Insurance Corp. that failed or received FDIC financial assistance during 1987.

The bank list is followed by a compilation of thrifts that failed or required assistance from the Federal Savings and Loan Insurance Corp.

A bullet (•) denotes an agricultural bank, defined by the FDIC as having agricultural loans exceeding 25% of its total loans.

The number of insolvent banks that were either liquidated or merged into other companies is 184. Nineteen banks received FDIC assistance to keep them from failing. In 1986, 138 banks closed and seven got financial help from the FDIC.

One bank became the FDIC's first "bridge bank" last year.

□

1. **Bowie National Bank**, Bowie, Tex. Closed Jan. 8. Deposits of $12.6 million assumed by Bowie State Bank, a newly chartered subsidiary of Montague Bancshares Inc., Weatherford, Tex.

2. **The Security National Bank & Trust Co. of Norman,** Norman, Okla., closed Jan. 8. Deposits of $174.4 million assumed by a newly chartered bank of the same name, owned in equal parts by First Commercial Corp., Little Rock, Ark., and Northwest Arkansas Bancshares Inc., Bentonville, Ark.

3. **American National Bank of Grand Junction,** Grand Junction, Colo., closed Jan. 8. All but $2,000 of the total of $7.1 million in deposits were within the federal deposit insurance limit. Insured deposits transferred to Intrawest Bank of Grand Junction.

• 4. **State Bank of Cuba,** Cuba, Ill., closed Jan. 9. Deposits of $17.6 million assumed by National Bank of Canton, Canton, Ill.

• 5. **Latimer Bank and Trust,** Latimer, Iowa, closed Jan. 15. Deposits of $21.9 million assumed by the First National Bank of Clarion, Clarion, Iowa.

• 6. **The First National Bank of Rush Springs,** Rush Springs, Okla., closed Jan. 15. Deposits of $12.5 million assumed by First National Bank of Maysville, Maysville, Okla.

7. **First Charter Bank,** Denver, closed Jan. 15. Deposits of $9 million assumed by Century Bank and Trust, Denver.

8. **The First National Bank of Skiatook,** Skiatook, Okla., closed Jan. 15. Deposits of $13.8 million assumed by American Exchange Bank, Collinsville, Okla.

• 9. **National Bank of Frederick,** Frederick, Okla., closed Jan. 22. Insured deposits transferred to First National Bank and Trust Company, Frederick. All but $260,000 out of total deposits of $23.3 million were within the federal insurance limit.

10. **The First National Bank of Marlborough,** Marlborough, Mass., closed Jan. 23. Insured deposits transferred to Worcester County Institution of Savings, Worcester, Mass. About $1.5 million out of total deposits of $47.2 million were within the federal insurance limit.

11. **First Sierra Bank,** Bishop, Calif., closed Jan. 23. Insured deposits transferred to Security Pacific National Bank, Los Angeles. All but $673,000 out of total deposits of $23 million were within the federal insurance limit.

• 12. **The Farmers National Bank of Remington,** Remington, Ind., closed Jan. 29. Deposits of $33.6 million assumed by Lafayette National Bank, Lafayette, Ind.

• 13. **First State Bank of Pattonsburg,** Pattonsburg, Mo., closed Jan. 29. Deposit payoff. Deposits totaled $5.5 million, all within the federal insurance limit.

14. **Peoples Bank and Trust Co.,** Holdenville, Okla., closed Jan. 29. Deposits of $19.3 million assumed by The Bank, McAlester, Okla.

• 15. **The La Pryor State Bank,** La Pryor, Tex., closed Jan. 29. Deposits of $5 million assumed by Zavala County Bank, Crystal City, Tex.

16. **Montgomery County Bank NA,** in The Woodlands, Tex., closed Jan. 29. Deposits of $44.3 million assumed by Texas Commerce Bank NA, Houston.

17. **Bear Creek National Bank,** Bear Creek, Tex., closed Jan 29. Deposits of $25.6 million assumed by Jersey Village Bank, Houston.

18. **Boulevard State Bank,** Wichita, Kan., closed Feb. 5. Deposits of $84.9 million assumed by Union Boulevard National Bank, Wichita, a newly chartered subsidiary of Union Bancshares Inc., Wichita.

• 19. **State Bank of Allison,** Allison, Iowa, closed Feb. 5. Deposits of $16.7 million assumed by Lincoln Savings Bank, Reinbeck, Iowa.

20. **Sunbelt National Bank,** Dallas, closed Feb. 5. Deposit payoff. All but $32,000 of total deposits of $11.1 million were within the federal insurance limit.

21. **Market National Bank**, Denver, closed Feb. 5. Insured deposits transferred to Women's Bank NA, Denver. All but $110,000 of total deposits of $8.9 million were within the federal insurance limit.

22. **Community Bank**, Seiling, Okla., closed Feb. 11. Deposits of $5.4 million assumed by First National Bank of Seiling.

23. **Federated National Bank,** Live Oak, Tex., closed Feb. 11. Deposit payoff. All but $127,000 of total deposits of $11.4 million were within the federal insurance limit.

24. **Security National Bank,** Midland, Tex., closed Feb. 12. Deposit payoff. All but $41,000 of total deposits of $7.7 million were within the federal insurance limit.

25. **First City Bank of Atoka,** Atoka, Okla., closed Feb. 13. Deposits of $12.4 million assumed by the Atoka State Bank, Atoka.

• 26. **First State Bank of King City, Missouri,** King City, Mo., closed Feb. 13. Deposits of $13.8 million assumed by Citizens Bank and Trust Co., Chillicothe, Mo.

27. **The County Bank, Manatee County**, Palmetto, Fla., closed Feb. 13. Deposits of $163.2 million assumed by NCNB National Bank of Florida, Tampa.

28. **First State Bank of Atmore**, Atmore, Ala., closed Feb. 19. Deposits of $11.4 million assumed by First National Bank of Atmore.

29. **Hub City Bank and Trust Co.,** Lafayette, La., closed Feb. 20. Deposits of $37.5 million assumed by the Hibernia National Bank, New Orleans.

30. **The First National Bank of Weslaco**, Weslaco, Tex., closed Feb. 20. Deposit payoff. All but about $366,000 of total deposits of $69.2 million were within the federal insurance limit.

31. **First National Bank of Crosby,** Crosby, Tex., closed Feb. 26. Deposits of $8.2 million assumed by a newly chartered national bank subsidiary of Central Bancshares of the South Inc., Birmingham, Ala. The new institution retained the name of the failed bank.

• 32. **Farmers State Bank,** Hart, Tex., closed Feb. 26. Deposits of $9 million assumed by Hale County State Bank, Plainview, Tex.

• 33. **The Lewistown Bank**, Lewistown, Ill., closed Feb. 27. Deposits of $14 million assumed by the National Bank of Canton, Canton, Ill.

• 34. **The First State Bank,** Rockford, Iowa, closed March 4. Deposits of $14.6 million assumed by First Security Bank and Trust Co., Charles City, Iowa.

35. **Liberty Bank**, Houston, closed March 5. Deposits of $50.5 million assumed by Central Bank of Houston.

36. **Sealy National Bank**, Sealy, Tex., closed March 5. Deposits of $7.8 million assumed by Austin County State Bank, Bellville, Tex.

• 37. **First National Bank in West Concord,** West Concord, Minn., closed March 5. Insured deposits of $8.8 million transferred to Farmers State Bank, West Concord.

38. **First National Bank of Sapulpa,** Sapulpa, Okla., closed March 5. Deposits of $7.5 million assumed by American National Bank and Trust Co., Sapulpa.

39. **Western Bank,** El Paso, closed March 12. Deposits of $39 million assumed by MBank El Paso NA, El Paso.

40. **Plaza National Bank,** Del Rio, Tex., closed March 12. Deposit payoff. All but about $38,000 of the total of $30.4 million were within the insurance limit.

41. **Expressway Bank,** Oklahoma City, closed March 12. Deposits of $17.6-million assumed by First Interstate Bank of Oklahoma NA, Oklahoma City.

• 42. **The First National Bank of Olney**, Olney, Tex., closed March 12. Deposits of $13.4 million assumed by First National Bank of Olney, a newly chartered subsidiary of Olney Bancshares Inc.

• 43. **Beaver Creek State Bank**, Beaver Creek, Minn., closed March 13. Deposits of $7.3 million transferred to Citizens State Bank of Silver Lake, Silver Lake, Minn.

44. **United Oklahoma Bank,** Oklahoma City, closed March 17. Deposits of $94.1 million assumed by United Bank of Oklahoma, a newly chartered subsidiary of United Bankshares Inc., Oklahoma City.

45. **Red River National Bank in Clarksville,** Clarksville, Tex., closed March 19. Deposits of $22.5 million assumed by State Bank of DeKalb, DeKalb, Tex.

46. **Sweeney Bank,** Sweeney, Tex., closed March 19. Deposits of $17.6 million assumed by the First State Bank of Louise, Louise, Tex.

47. **Clarks Fork National Bank,** Fromberg, Mont., closed March 19. Deposits of $7.8 million assumed by Yellowstone Bank, Laurel, Mont.

• 48. **Morocco State Bank**, Morocco, Ind., closed March 20. Deposits of $14.1 million assumed by DeMotte State Bank, DeMotte, Ind.

49. **The Madill Bank and Trust Co.,** Madill, Okla., closed March 20. Deposits of $36.8 million assumed by First American National Bank, Tishomingo, Okla.

50. **New City Bank,** Orange, Calif., closed March 27. Deposits of $20.3 million assumed by Colonial Bank NA, a newly chartered national bank.

• 51. **The First State Bank of Billings**, Billings, Okla., closed March 26. Deposits of $9.4 million assumed by First National Bank and Trust Co., Perry, Oklahoma.

52. **Tallulah State Bank & Trust Co.**, Tallulah, La., closed March 27. Deposits of $30.2 million assumed by Bank of St. Joseph, St. Joseph, La.

• 53. **The First National Bank of Herington,** Herington, Kan., closed April 2. Deposits of $19.9 million assumed by the Bank of Herington, Herington.

54. **The Southwestern Bank NA**, Houston, closed April 9. Deposits of $14.3 million assumed by Omnibanc North Belt NA, Houston.

• 55. **First National Bank of Braman,** Braman, Okla., closed April 9. Deposits of $11.9 million assumed by Community Bank, Shidler, Okla.

56. **Commonwealth Bank**, Glendale, Colo., closed April 9. Deposits of $5.9 million assumed by Prudential Bank, Denver.

57. **Deer Lodge Bank and Trust Co.,** Deer Lodge, Mont., closed April 9. Deposits of $13.6 million assumed by Peoples Bank of Deer Lodge NA, Deer Lodge.

• 58. **The Citizens State Bank,** Brownstown, Ind., closed April 10. Insured deposits transferred to Monroe County Bank, Bloomington, Ind. All but $560,000 of total deposits of $28.1 million were within the federal insurance limit.

59. **Bank of Iron County**, Parowan, Utah., closed April 10. Deposits of $19.9 million assumed by Dixie State Bank, St. George, Utah.

60. **First Bank of Saginaw**, Saginaw, Tex., closed April 16. Deposits of $30 million assumed by Southwest Bank of Fort Worth.

• 61. **First State Bank of Forest City,** Forest City, Mo., closed April 16. Deposit payoff. Deposits totaled $6.6 million, all within the federal insurance limit.

62. **First Commercial Bank of Texas NA,** Houston, closed April 16. Deposits of $4.7 million assumed by Omnibanc North Belt NA, Houston.

63. **Bank of North Mississippi**, Oakland, Miss., closed April 22. Deposits of $13.7 million assumed by Bank of Mississippi, Tupelo, Miss.

64. **The Peoples Bank**, Collinsville, Ala., closed April 22. Deposits of $12 million assumed by Bank of Geraldine, Geraldine, Ala.

65. **North Central National Bank,** Austin, Tex. closed April 23. Deposits of $22.2 million assumed by Greater Texas Bank North, Austin, Tex.

• 66. **Osceola State Bank & Trust Co.,** Osceola, Iowa, closed April 23. Deposits of $8.4 million assumed by American State Bank, Osceola, a newly chartered subsidiary of Osceola Bancorp., Osceola, Iowa.

67. **Heritage Bank & Trust,** Salt Lake City, closed April 29. Deposits transferred to First Interstate Bank of Utah, Salt Lake City.

68. **United Bank-Houston,** Houston, closed April 30. Assets of $217.9 million. Deposits of $161.1 million in 13,400 accounts assumed by American Bank, Houston. Deposits also included about $3.1 million in 470 accounts that exceeded the federal insurance limit. The failed bank's five offices did not reopen. Customers can obtain funds at American Bank's office in Houston.

• 69. **Peoples State Bank,** Turkey, Tex., closed April 30. Assets of $6.0 million. Deposits of $5.9 million in 1,150 accounts assumed by Memphis State Bank, Memphis, Tex. Failed bank's one branch reopened May 1 as a branch of Memphis.

70. **American Bank of Commerce,** Denver, closed May 6. Assets of $25.3 million. Deposits of $22.2 million assumed by the Professional Bank of Colorado, Englewood, Colo.

71. **North American National Bank,** Littleton, Colo., closed May 7. Deposits of $8.9 million. One office closed, assets of $10.3 million transferred to FirstBank of Colorado NA, Littleton, Colo.

• 72. **First State Bank of Sisseton,** Sisseton, S.D., closed May 7. Assets of $21.2 million. Deposits of $19.7 million. Two branches reopened as branches of Farmers & Merchants Bank and Trust Co., Aberdeen, S.D.

• 73. **Moreauville State Bank,** Moreauville, La., closed May 8. Assets of $16.8 million. Deposits of $16.9 million. Two branches reopened as branches of Mansura State Bank, Mansura, La.

Banks and Thrifts: Page 10 ➝

FDIC-Insured Bank Failures Around the US

	'87	'86	'85	'84	'83	'82
Alabama	2	1	2	1	1	1
Alaska	2	1				
Arizona						
Arkansas			1	2	1	3
California	8	8	7	6	5	2
Colorado	13	7	6	2	1	
Connecticut						
Delaware						
Dist. of Columbia						
Florida	3	3	2	2		1
Georgia						
Hawaii						
Idaho		1				
Illinois	2	1	2	5	6	5
Indiana	3	1	1	2	0	0
Iowa	6	10	11	3		2
Kansas	8	14	13	7	1	
Kentucky	1	2		1	1	
Louisiana	14	8		1		
Maine						
Maryland						
Massachusetts	2					1
Michigan				1		1
Minnesota	10	5	6	4	1	1
Mississippi	1			1		
Missouri	4	9	9	2	1	2
Montana	3	1			1	
Nebraska	6	6	13	5	1	
Nevada					1	
New Hampshire						
New Jersey				1	1	1
New Mexico		2	3			
New York	1		4		2	4
North Carolina						
North Dakota	2					
Ohio	1					
Oklahoma	31	16	13	5	1	3
Oregon	1	1	3	5	5	
Pennsylvania	1					1
Puerto Rico		1		1	1	1
Rhode Island						
South Carolina						
South Dakota	2	1		1	1	
Tennessee		2	5	11	12	3
Texas	50	26	12	6	3	7
Utah	3	3	1	1		
Vermont						
Virginia						1
Washington						1
West Virginia						1
Wisconsin		1	1			
Wyoming	4	7	5	2	1	
Total	184	138	120	79	48	42

The total of failures for 1987 does not include 19 assistance transactions. The total of failures for 1986 does not include seven assistance transactions.

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Today

CONSUMER FINANCIAL SERVICES

What went right in retail banking in 1987? What went wrong? And what's the outlook for 1988? Four industry experts give *American Banker* their evaluation. ______ 7

CoreStates Bank of Delaware will begin marketing Visa cards on behalf of the United States Olympic Committee to some 11 million participants and supporters. ______ 3

Marketing Management: Bankers put too much emphasis on product management and not enough on the only thing that really counts — the customer and his needs, writes Barry I. Deutsch. A bank is more like a store than a manufacturer, he contends, in its relationship to the consumer. ______ 4

Barry I. Deutsch

Persons 50 years and older consider guaranteed safety, high rates of return, and a trouble-free checking account most important when selecting a financial institution, according to a Goldring & Co. study. ______ 6

INSIDE

The *American Banker* today introduces a **Banking on the Arts** column. The monthly feature will look at the involvement of the financial services industry in the arts, including joint efforts. The first installment shows that the art world has survived the stock crash unscathed. ______ 2

Valley Federal Savings and Loan, Van Nuys, Calif., said it is in "serious discussions" with a California thrift on a possible merger. ______ 2

President Reagan signed legislation authorizing a secondary market in farm mortgages but criticized the bill, which also provides for a $4 billion bailout of the beleaguered Farm Credit System. Meanwhile, Rep. John D. Dingell said he had serious doubts about whether banks can underwrite the securities. ______ 2

TEXT

The SEC issued an opinion encouraging bank holding companies to use generally accepted accounting principles in the new Mexican loan-for-bond debt swap. ______ 10

KEEPING CURRENT

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Quote/Unquote

If you had picked a day for the Russians to attack, that would have been it.

John F. McAteer, Chase vice president, on an electrical fire that closed the bank's main operations and systems building on Monday. [Page 16]

Review/Preview

Banks and Consumers Reassess Their Strategies After the Crash

By JAY ROSENSTEIN

For many people, it takes something as shocking and sobering as a heart attack to force them to evaluate what really matters in their lives. The October stock market crash may have been enough of a shock to the American financial system to make consumers take stock — for the first time in years — of what really matters to their economic well-being.

How much risk are they prepared to take with their money? Which institutions and advisers do they trust? How much are they willing to spend and to borrow? And how important is convenience when balanced against price?

CONSUMER FINANCIAL SERVICES
AN AMERICAN BANKER WEEKLY FEATURE

Perhaps the major task facing the consumer financial services industry in 1988 is determining the basic needs of consumers — without ignoring fads and fashions — then using this information to formulate marketing strategies.

Because these questions are being asked now doesn't mean that the industry wasn't trying to understand consumer needs in the months before the stock market crash. Chase Manhattan Corp. created a certificate of deposit for consumers who wished to dabble in

Consumers: Page 6 ➸

270 Bank of America Branches Offer Life Insurance, Mutual Funds, Annuities

By LYNN BRENNER

NEW YORK — Bank of America said it is now making life insurance, mutual funds, and annuities available at 270 branches through an arrangement with GNA Corp., a Seattle-based marketing agency.

GNA Corp. will pay the bank a concession fee for access to its customers, a Bank of America spokesman said. The fee is not based on volume of sales.

The program, called Investment Network of America, is Bank of America's second publicized attempt in four years to offer its customers insurance products. In June 1986, the bank quietly ended an unsuccessful 18-month program in which Capitol Holding Co. sold life, automobile, home owners', and renters' insurance at 23 branches. Capitol Holding is a Kentucky-based insurer that specializes in direct response sales and telemarketing.

A more recent, much smaller, and unpublicized venture involved Equitable Life Assurance Society of the United States. Equitable offered life insurance to a small, affluent group of Bank of America customers, a bank spokesman said, but that program was not successful either.

The new program is much more ambitious than its predecessors, and it offers a different product line — property/casualty coverage is omitted, and mutual funds are added. Also, GNA Corp., a subsidiary of Weyerhaeuser Co., Tacoma, Wash., specializes in selling insurance and securities to bank customers through a sales force of ac-

Bank of America: Page 15 ➸

400 at Citicorp Facing Layoffs; More Expected

Bank Confirms It Will Cut Investment Banking Staff

By JED HOROWITZ

NEW YORK — Citicorp officials confirmed Wednesday that 400 employees — 16% of its investment banking staff in North America — are being fired. They would not comment on reports that Citicorp ultimately will lay off more than 10,000 employees this year.

The long-expected layoffs were announced to investment bank employees in an internal memo Wednesday morning, followed immediately by dismissals for some individuals, sources said. The bulk of the cuts are in municipal finance and mortgage-backed securities — areas that several Wall Street firms recently eliminated, in part because of price-cutting incursions from commercial banks.

Alan MacDonald, group executive in the North American investment bank, also wrote in the memo that "adjustments of lower magnitudes" would hit corporate finance, liquid markets, funding, and operations at the nation's largest banking organization. Liquid markets includes Citibank's foreign exchange and government finance desks.

A Citibank source said about two-thirds of the layoffs will affect employees in operations and systems who support sales and trading.

Sources predicted that the retrenchment will spread overseas in the next few weeks. Citicorp employs about 11,000 people in its investment bank worldwide — including 2,500 in North America.

"There's been a sense of impending doom for the past six months at the investment bank," said a retail banking official who asked for anonymity.

Citicorp: Page 15 ➸

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MARKETING MANAGEMENT

On Planning Horizon, Customers Are Often Unseen

ALTHOUGH WE TALK ABOUT planning, in the context of the long range, the planning horizon rarely extends beyond the current fiscal year. One byproduct of the short attention span of managers of financial service organizations is brisk changes of emphasis. Derivative, in turn, is the constantly changing jargon we use to describe how we plan to live our lives from planning horizon to planning horizon.

I guess it was three or four years ago when the concept of being customer driven burst upon us, and every article or presentation on the subject of "this year's plan" promised that our organization would be customer driven as never before.

The next year, we were going to positively impact return on assets. Wisdom teeth, not ROAs, are most often impacted. Split infinitives aside, the verb means "to pack firmly together." I'm not sure why we wanted to do that to our ROA, but we all said we did, nevertheless.

Next came two concepts to hit us at once — we were going to build sustainable competitive advantage and always insure that we added value.

Deutsch Says:

Banking services are purchased infrequently, and what is purchased is not designed to be consumed or replaced — what is purchased is a continuous stream of service.

The skeptics among us might argue that planning processes nurture words more than ideas, but that is unfair. Through the admittedly arguable technique of flocking after this year's hot button, we do get an opportunity to examine a spectrum of concepts. The planning skill is to sort among them, to analyze each critically, and to rally around the ideas and resulting programs which best fit one's own market situation.

In that spirit I offer one or two questions that probably should be examined, if for no other reason than for the sake of completeness.

First: Are we so concerned with product management that we are neglecting market management?

The suggestion here is that a bank is more like a store than a manufacturing company. Banking services are not designed to be consumed or replaced.

The conventional wisdom has it that products have to be managed, and all the reasons why that is so can be found after any half-hour Nexis search. The question is one of balance — because just as products have to be managed, so do markets, and market management is not product management.

With the development of product management has come a marked shift in focus — and I am afraid it has not been altogether salutary. We spend too much time worrying about whether to permit 16-month or 30-month payment periods for personal credit lines; worrying about how to design drop-lock, flip-flop, variable-rate savings certificates; worrying about whether to offer 23 or 33 styles of checks; and not worrying about the only thing that really matters — the customer and what the customer's needs are, and how to best serve those needs.

Second question: Have we become so accustomed to hearing about the consumer goods marketing model that we have stopped considering whether it fits us?

Here, for your consideration, is another marketing model, which may fit the financial service marketing challenge more closely. The marketing challenge that the banker faces is more like that of a store owner than a product manufacturer. Frankly, I am not sure that the fit is perfect in either case, but see if you don't agree that the relative "more closely" is accurate.

Companies that make products worry about the name of the product and how to advertise it; about the location of the product on the shelf and the product's package; about the price and the color of the label. They think about product enhancements, product lifecycle theory, and product extension strategies. Collectively, they spend hundreds of millions of dollars on advertising. Their fundamental purpose is to get the shopper to buy the product.

Their underlying assumption is that the shopper will get to the store; and, in fact, they don't much care which store is gotten to. That is because, except in some specialized industries, there are no stores dedicated to brands and in most consumer goods categories there are few dedicated to products. When is the last time you went to a cereal store? Or the local Heinz outlet?

The product-purchase decision and the store-selection decision are made independently. And repurchase decisions are made only after use and consumption.

It is the store owner who has to deal with the problem that no sales take place until customers arrive at the selling place. When store owners talk about being market driven, they know that being market driven means being driven to design their stores with the customer in mind. They insure that the store is well lit and easy to navigate; that the products are displayed attractively, are easy to choose among, and are fresh and clean; and that courtesy is always present.

The suggestion here is that a bank is more like a store than a manufacturing company. Banking services are purchased infrequently, and what is purchased is not designed to be consumed or replaced — what is purchased is a continuous stream of service. The concept of a stream of service suggests frequent contact between the service provider and the user. There are deposits to be made, balances to be inquired about, credit facilities to be taken down, wire transfers to be sent. Whether in person, by phone, or by personal computer, no matter how configured, the customer has to go to the banking store again and again.

We are protected from our product managers by our positions. We get the banking services provided by our personnel departments, frequently at a discount, and we can ignore the complexity because we are often awash in the background material. We understand financial services.

We are protected from our stores by our positions. We don't have to stand in slow-moving lines, use drive-in windows, negotiate our parking lots, or stare down tellers who don't know us. Those of us who don't send our secretaries downstairs use the "main office," thus enjoying the only office that is apt to be overstaffed. We get the same banking service provided to the chairman of the board.

Have we become so accustomed to hearing about the consumer goods marketing model that we have stopped considering whether it fits us?

You can't help wondering what the planning buzzword of the year would be if more of us walked in the customers' moccasins. ■

The *American Banker* today welcomes back Barry I. Deutsch as one of its regular columnists for our weekly Marketing Management column. Mr. Deutsch is executive vice president of BankAtlantic, Fort Lauderdale, Fla., a $2 billion federal savings bank. He oversees his institution's marketing, financial services planning, and communications departments. Before joining BankAtlantic last October, Mr. Deutsch was senior vice president and head of marketing for Mellon Bank, Pittsburgh.

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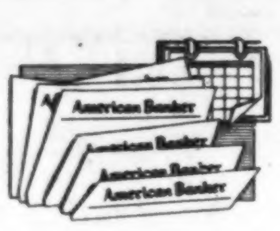
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- In his State of the Union address, President Truman called for a $40 tax cut for each individual. The cut would come at the expense of corporations, he said, because they could "well afford to carry a larger share of the tax load." Mr. Truman told Congress that low-income families were faced with a high cost of living, while "at the same time, profits of corporations reached an all-time record in 1947" of $17 billion, compared with $12.5 billion in 1946.
- The Treasury Department announced that the Miss Liberty half dollar would be replaced by a coin bearing the likeness of Benjamin Franklin.
- Texas led the nation in new banks in 1947, according to figures compiled by the American Banker. Twenty-six banks opened in the state, compared to 12 in 1946. Nationwide, 114 banks opened in 1947, down from 138 the year before.

20 Years Ago

- Bankers warily endorsed President Johnson's program to end the U.S. payments deficit in 1968. The program included a reduction in the ceilings for foreign bank loans permitted under voluntary programs, and gave the Federal Reserve Board standby authority to change the voluntary program to one of mandatory guidelines. Some bankers said they were puzzled by an aspect of the program that called for banks to "contribute" $500 million toward payments equilibrium by slicing that amount from short- and long-term credit extended to foreigners. "As a practical matter you just can't refuse to renew all these credits," said the chairman of one large international bank.

10 Years Ago

- G. William Miller, President Carter's newly designated Federal Reserve Board chairman, said two of his chief goals would be to curb inflation and to increase the attractiveness of membership in the the Federal Reserve system.
- The Federal Reserve Board revealed it would broaden its definition of unsafe and unsound banking practices to include "questionable or improper" domestic political contributions by banks. An attorney for the Federal Reserve Board said the agency would define questionable and improper payments on a case-by-case basis.

5 Years Ago

- Thirty-seven banks were scheduled to open in Texas in January — an unprecedented monthly total. Most of the new banks were nationally chartered, independent institutions located in the affluent, high-growth suburbs of Houston, the Dallas-Fort Worth area, and Austin. "Everyone who has two nickels to rub together is opening a bank or trying to," said John J. Rau, president of the newly opened Petrobank, located in Houston's fast-growing "energy corridor."
- About 20 Arkansas community bankers formed an independent bankers association, charging that the Arkansas Bankers Association did not offer programs that fit their needs.

1 Year Ago

- Figures released as part of President Reagan's proposed federal budget showed that bank and thrift failures would deplete federal insurance funds faster than expected. "Outlays by the major deposit insurance funds are estimated to exceed previously planned levels by $5.8 billion in 1987 and $4 billion in 1988," said James Miller, director of the White House Office of Management and Budget.
- U.S. regulators joined Britain's central bank in proposing capital guidelines that would require big banks in both countries to carry higher levels of capital to cushion against riskier activities.
- Calling banks "just plain greedy," a coalition of consumer groups kicked off a six city campaign in New York aimed at lowering interest rates on bank credit cards.

— Domenica Trevor

DAILY FINANCIALS
Wednesday January 6, 1988

Money Market

Federal funds range 6⅞%-7%
Prime rate (11/6/87) 8.75%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral 8.50%

Bankers acceptances offering rate, discount (1/6)
30 days: 6.73 60 days: 6.80 90 days: 6.84
120 days: 6.90 180 days: 6.87

Certificates of deposit, highest offering rate, at New York City banks (1/6)
14 days: 6.30 30 days: 6.50 60 days: 6.60
90 days: 6.70 120 days: 6.80 150 days: 6.85
180 days: 6.85 270 days: 7.10 360 days: 7.30

Commercial paper, dealer Aaa, discount (1/6)
30 days: 6.75 60 days: 6.85 90 days: 6.90

Commercial paper, directly placed, discount (1/6)
5-14 days: 6.65-6.70 15-29 days: 6.70-6.80
30-59 days: 6.70-6.80 60-89 days: 6.625-6.70
90-179 days: 6.50-6.625 180-270 days: 6.50-6.625

Treasury-bill rates, secondary market, bid (1/6)
90 days: 5.86 180 days: 6.36 1 year: 6.64

Eurodollar deposits, London bid (1/6)
Overnight: 6 13/16 7 days: 6⅞ 1 month: 7.00
3 mos.: 7¼ 6 mos.: 7⅜ 1 year: 7¾

NIBOR: 6 15/16 **LIBOR:** 7½

The Bond Buyer Municipal Bond Index

	1/6/88	1/5/88	12/30/87
Index	88.07	88.16	87.07
Yield to Par Call	8.52	8.48	8.70
Yield to Maturity	8.31	8.28	8.45

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets
3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Mar. '88	93.91	93.82	93.89	unch	6.11
June '88	93.64	93.56	93.62	+ 1	6.38
Sept.'88	93.32	93.26	93.31	+ 2	6.69
Dec. '88	92.98	92.92	92.99	+ 4	7.01
Mar. '89	92.72	.....	92.73	+ 5	6.27
Jun. '89	.....	.....	92.50	+ 6	6.50

As of the previous day's close; Total no. of contracts traded: 5,944 total open interest: 17,801 and change in open interest: – 795

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index
Selected Money Center Bank Stocks*

			High	Low	Last
Jan. 6:	247.6	1988:	248.8	241.6	247.6
Jan. 5:	248.8	1987:	401.7	212.0	234.6
Jan. 4:	241.6	1986:	388.7	331.2	331.3
Dec. 31:	234.6	1985:	344.2	242.7	344.2
Dec. 30:	235.1	1984:	269.6	178.4	246.3

* Based on midday prices.

Cincinnati Firm Signs For NCR Workstations

CINCINNATI — First National Cincinnati Corp. has contracted with NCR Corp. to buy teller and customer service equipment that could involve as many as 650 workstations.

The NCR Financial Tower System 2 Branch Automation System will be installed at 35 branches of the $2.5 billion-deposit First National Bank of Cincinnati, flagship of the 13-bank holding company.

Phillip A. Parker, senior vice president of the corporation, said other affiliated banks and possibly some correspondent banks will be included over the next two years.

The Tower System 2 has been tested for six months at First National Bank. NCR, which is based in nearby Dayton, said First National's installation of the 5267 and 5067 workstations will be one of the first in the United States since they were introduced in early December. ■

OPERATIONS/TECHNOLOGY

every Wednesday in
American Banker

Merrill Unit Led in '87 Long-Term Munis

Senior Manager For 277 Issues

By MATTHEW KREPS
The Bond Buyer

NEW YORK — Merrill Lynch Capital Markets was the leading senior manager for long-term municipal bonds in 1987, according to preliminary figures from MuniSearch, *The Bond Buyer's* electronic data base.

Hawkins, Delafield & Wood was the year's top bond counsel and the New York State Medical Care Facilities Finance Agency was the largest issuer, according to MuniSearch.

Merrill Lynch was lead manager for 277 issues totaling $8.66 billion in 1987, for an 8.5% share of a total long-term volume of $101.7 billion. These figures include both tax-exempt and taxable bonds.

Merrill Lynch was the dominant senior manager in 1983, 1984, and 1985, but was nosed out of first place in 1986 by Salomon Brothers Inc. Salomon was the leading underwriter for most of last year, but the company dropped out of the municipal bond industry in October and finished the year in third place.

Goldman, Sachs & Co. was a close second in 1987, with 139 issues totaling $8.2 billion. It was followed by Salomon Brothers, $7.76 billion; Smith Barney, Harris Upham & Co., $7.23 billion; and First Boston Corp., $6.56 billion.

In 1986, the top five senior managers were Salomon Brothers, with $14.93 billion; Merrill Lynch, $14.87 billion; Goldman Sachs, $11.84 billion; Shearson Lehman Brothers Inc., $8.92 billion; and Smith Barney, $8.08 billion.

Twenty-four investment banking firms and commercial banks were lead managers for more than $1 billion of new issues last year, down from 27 in 1986 and 37 in 1985.

Hawkins Delafield was the leading bond counsel in 1987, with 151 long-term issues totaling $5.8 billion. The firm was second in 1986 and fourth in 1985.

Mudge Rose Guthrie Alexander & Ferdon, which had been No. 1 in 1985 and 1986, was second last year, with $5.59 billion. It was followed by Orrick, Herrington & Sutcliffe, $4.9 billion; Brown & Wood, $4.56 billion; and Chapman and Cutler, Chicago; $4.54 billion.

In 1986, the leading bond counsel were Mudge Rose, with $13.13 billion; Hawkins Delafield, $8.81 billion; Orrick Herrington, $7.24 billion; Chapman and Cutler, $5.34 billion; and Kutak, Rock & Campbell, Omaha, $4.34 billion.

Twenty law firms were bond counsel for $1 billion or more of new issues in 1987, down from 29 in 1986 and 44 in 1985.

The top underwriter and bond counsel withstood strong yearend showings by the second-place firms. Goldman Sachs led the underwriters last month with $808 million of new issues — more than twice Merrill Lynch's $401 million. Mudge Rose was the top bond counsel for the month with $769 million, well ahead of second-place Orrick Herrington's $483 million.

The New York State Medical Care Facilities Finance Agency was the nation's busiest issuer of long-term bonds in 1987, with 11 issues totaling $1.82 billion. That put it ahead of Puerto Rico, which sold $1.62 billion; the Louisiana Public Facilities Authority, $1.53 billion; the Municipal Assistance Corporation for the City of New York, $1.45 billion; and the state of Louisiana, $1.29 billion.

Four other issuers sold more than $1 billion of new bonds in 1987: the Intermountain Power Agency in Utah, $1.25 billion; New York City, $1.21 billion; the Grand River Dam Authority in Oklahoma, $1.15 billion; and the North Carolina Eastern Municipal Power Agency, $1.01 billion.

Salomon Brothers was the leading senior manager in the much smaller short-term municipal market last year, with seven issues totaling $2.85 billion, for a 17.8% share of the $16.02 billion volume. Salomon was ranked fifth in 1986.

Merrill Lynch, which was the top senior manager of short-term municipals in 1986, was second last year with $1.99 billion. It was followed by Shearson Lehman Brothers Inc., $1.75 billion; BankAmerica Capital Markets Group, $1.01 billion; and Goldman Sachs, $978 million.

Orrick Herrington was the leading bond counsel for short-term municipals last year, with 12 issues totaling $2.51 billion. ■

Leading Municipal Underwriters

Senior managers of long-term issues in 1987 (millions of dollars)

		Amount	Issues
1	Merrill Lynch Capital Markets	8,664.7	277
2	Goldman, Sachs & Co.	8,202.3	139
3	Salomon Brothers Inc.	7,760.1	87
3	Smith Barney, Harris Upham & Co.	7,226.0	178
5	First Boston Corp.	6,563.5	92
6	PaineWebber Inc.[1]	4,919.2	128
7	Shearson Lehman Brothers Inc.[2]	3,893.7	263
8	Prudential-Bache Capital Funding	3,437.3	245
9	E.F. Hutton & Co.	2,523.8	64
10	Donaldson, Lufkin & Jenrette Securities Corp.	2,254.4	37
11	Drexel Burnham Lambert Inc.[3]	2,075.5	122
12	Bear, Stearns & Co.	2,006.8	67
13	Citicorp Investment Bank	1,849.4	33
14	Morgan Stanley & Co.	1,729.8	32
15	Kidder, Peabody & Co.	1,641.4	63
16	J.P. Morgan Securities Inc.	1,564.4	34
17	Chase Manhattan Capital Markets Corp.	1,439.9	31
18	Lazard Freres & Co.	1,416.2	5
19	L.F. Rothschild & Co.	1,295.1	31
20	Boettcher & Co.	1,208.0	78
21	Bankers Trust Co.	1,204.6	46
22	Miller & Schroeder Financial Inc.	1,162.0	96
23	Dillon, Read & Co.	1,132.7	21
24	Rauscher Pierce Refsnes Inc.	1,117.2	86
25	John Nuveen & Co.	988.8	69

Senior managers of short-term issues in 1987 (millions of dollars)

		Amount	Issues
1	Salomon Brothers Inc.	2,853.7	7
2	Merrill Lynch Capital Markets	1,987.7	16
3	Shearson Lehman Brothers Inc.[1]	1,750.7	76
4	BankAmerica Capital Markets Group	1,009.8	22
5	Goldman, Sachs & Co.	978.4	11
6	First Boston Corp.	963.7	10
7	Ehrlich-Bober & Co.	672.8	106
8	Citicorp Investment Bank	639.0	10
9	J.P. Morgan Securities Inc.	525.0	7
10	Chemical Bank	494.1	25
11	Bankers Trust Co.	433.6	9
12	Morgan Stanley & Co.	348.5	23
13	Prudential-Bache Capital Funding	337.5	22
14	Alex. Brown & Sons Inc.	300.0	1
15	Security Pacific Merchant Bank	202.3	14
16	Donaldson, Lufkin & Jenrette Securities Corp.	194.6	3
17	Seasongood & Mayer	171.6	96
18	Kidder, Peabody & Co.	171.0	5
19	Piper, Jaffray & Hopwood Inc.	169.4	8
20	Chase Manhattan Capital Markets Corp.	166.1	21

Each senior manager is credited with the full amount of the par value of each offering in which it acted as senior manager. Long-term issues are tax-exempt and taxable bonds maturing in 13 months or more. Short-term issues are tax-exempt and taxable bonds maturing in 12 months or less. [1]PaineWebber totals include issues managed by Rotan Mosle Inc. [2]Shearson Lehman totals include issues managed by Chiles Heider, Foster & Marshall Inc., and Robinson-Humphrey Co. [3]Drexel Burnham totals include issues managed by Kirchner, Moore & Co.

Source: MuniSEARCH

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Today

CORPORATE FINANCE

First Boston Corp. remained the leading underwriter of asset-backed securities in 1987, but its market share shrank as six other investment banks entered the field. ______2

Secondary market prices for Third World debt declined slightly in December after a November gain. 2.

Morgan Guaranty Trust Co. has settled for a relatively small fee in advising F. Hoffmann-La Roche & Co. on its $4.2 billion hostile takeover bid for Sterling Drug Inc. ______2

Citibank South Dakota, which issues Mastercard and Visa cards, has emerged as an active participant in the U.S. interest rate swap market, according to the Federal Reserve Bank of Boston. But its swap business is confined to Citibank. ______8

Acting as investment bankers to municipalities has brought commercial banks few rewards, according to a new study from Greenwich Associates. ______8

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The highest court in the land has made it crystal clear that agency brokerage, plus investment advice, is permissible by bank affiliates.

Donald J. Crawford, a Securities Industry Association official.
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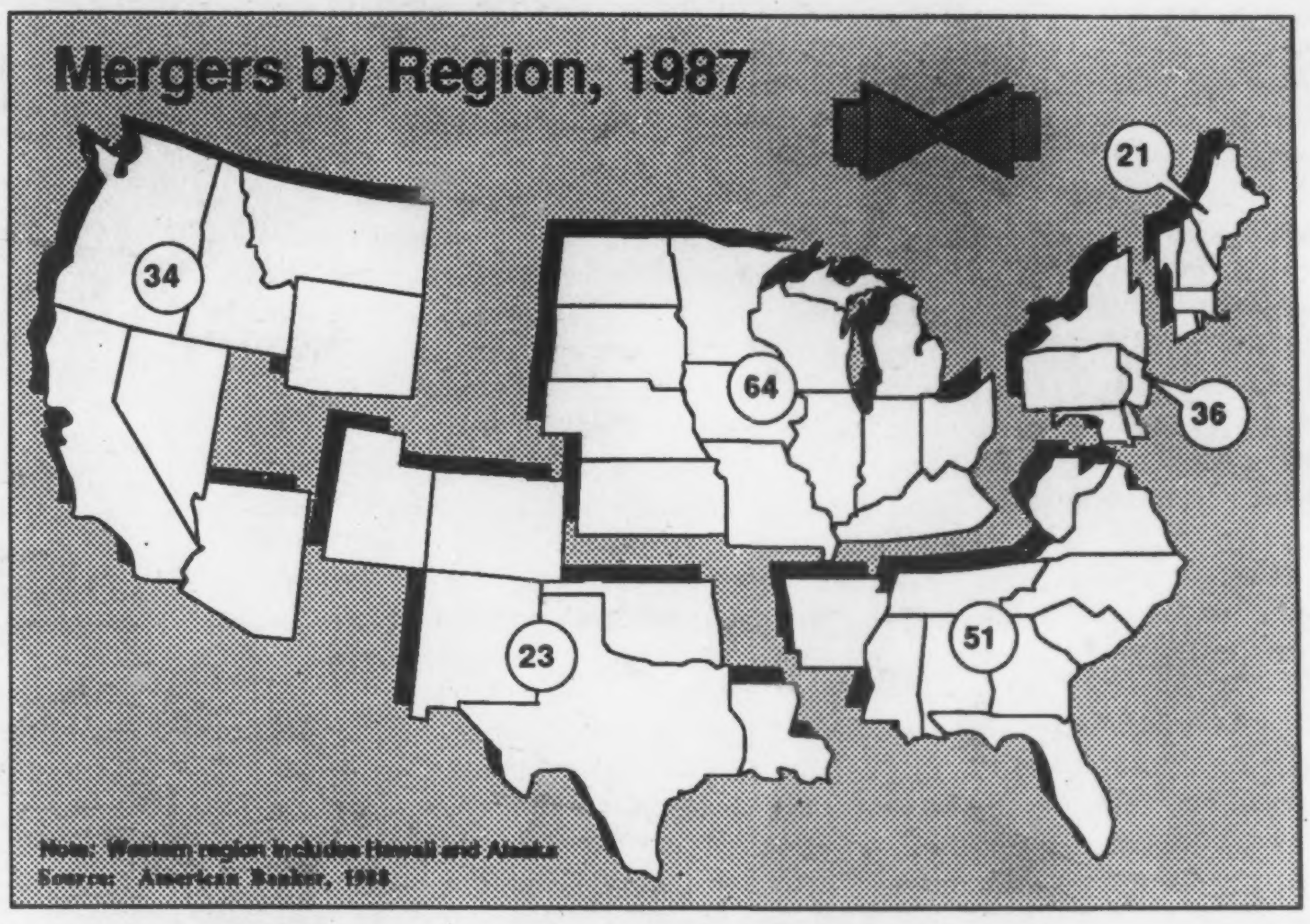
Despite the Crash, 1987 Was a Year for Mergers



Note: Western region includes Hawaii and Alaska
Source: American Banker, 1988

But Activity Slumped After Market Prices Fell

By GORDON MATTHEWS

NEW YORK — The 1987 merger scene in the banking and thrift industries can be divided into two separate and unequal parts — the period before the stock market crash of Oct. 19 and the three months since that watershed financial event.

Just before the market plunge, merger activity was proceeding at its fastest pace of the year, and high-priced acquisition agreements were regularly being unveiled, although the year's largest deals were more moderately structured mergers of equals. (Tables of mergers and acquisitions begin on page 18.)

Since the dramatic fall in equity prices, the level of deal-making has slumped significantly, and a number of acquisitions already in the works have been canceled. But at the same time the stage may already have been set for the next wave of industry consolidation.

In short, the merger scene in the year just ended was punctuated by extreme highs and lows. Measured by the value of deals being announced, activity was almost five times greater in the busiest month — July — than in either of the two slowest months, January and December.

Nearly half the combined value of the year's deals was announced in just three months — July, August, and September. A significant fraction of that was a result of the decision of an important state — New Jersey — to open its borders to reciprocal interstate banking on a nationwide basis as of Jan. 1, 1988.

And while fewer deals were announced than in 1986 — the first full year of regional interstate banking — the aggregate price of deals was $17.15 million, exceeding the $16.71 million of the previous year. Perhaps that should not be surprising, since the

Mergers: Page 14 ➵

COMMENT

How to Raise Risk-Adjusted Spreads

By SANFORD ROSE

Are banks getting paid enough for the risks they are assuming in commercial and industrial lending? Most would argue that they are not, but few have any firm idea of the spreads required to cover their risk. Now along comes Dimensional Corporate Finance of San Francisco with an analysis of the total yields needed in lending to companies in five discrete risk classes versus the actual yields being realized. The results are mind-boggling.

In order to understand the risks built into C&I loan portfolios, Dimensional undertook an extensive study of bankruptcies of public firms for the period 1979-86. It constructed a measure of creditworthiness called the Shadow Bond Rating which closely mirrors the actual rating for publicly issued senior debt and can be expected to provide a good indication of what rating a company would receive on privately issued senior debt. Based on this measure, Dimensional was able to array some 3,500 borrowers with both rated and unrated debt into five risk classes mimicking those of the rating agencies — a,

Comment: Page 4 ➵

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COMMENT

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triple b, double b, b, and triple c.

What spreads are required to cover the risks of lending to borrowers in each class? Credit risk can be subdivided into expected and unexpected losses. Expected losses are derived from the average annual loss experience of borrowers in each risk class. Unexpected losses reflect the lumpiness or variability of chargeoffs. This is measured by the standard deviation of losses during the 1979-86 period.

Two Premiums

Lenders should be able to charge enough to cover their expected losses and some proportion of the unexpected losses. Data from the securities markets indicate that lenders typically demand a premium equal to expected or average losses plus an additional premium amounting to one-half the unexpected losses or the standard deviation.

Thus, in order to maintain a loan portfolio that will fetch at least par if sold, a lender to the entire universe of 446 companies assigned an "a" rating by Dimensional should receive a premium over its cost of funds that is equal to the average net loss experience — defaults minus recoveries — of these companies from 1979 to 1986 (3 basis points) plus 50% of the standard deviation of losses (another 3 basis points).

Hence, if we assume that a bank in 1986 could borrow at the Libor rate of 7.50%, its breakeven lending rate to a-rated borrowers — not taking into account functional costs — amounted to 7.56%.

Breakeven yields for lower-rated borrowers rise fairly dramatically. That's because of three factors: The average loss experience increases, the recovery rate declines, and the standard deviation of losses rises disproportionately as we move down the quality spectrum. The breakeven yield for triple b borrowers amounted to 8.10%; those for double b, b, and triple c borrowers were 9.24%, 10.42%, and 13.23%, respectively.

Dimensional then estimated the actual all-in spread realized in each borrower class, based essentially on work done by the Loan Pricing Corp. of New York. This spread includes rates, fees, and the value of balances.

Where's the Spread?

Subtracting the required or breakeven yield from the realized yield provided a measure of the risk-adjusted spread. Arrayed by risk class in descending order, banks made 24 basis points from a-rated borrowers, 19 basis points from triple b customers, 34 basis points from double b borrowers, and 41 basis points from b borrowers. They lost 178 basis points on loans to customers rated triple c.

Two conclusions are obvious. First the size of the risk-adjusted spread is everywhere pitifully low. Second, banks don't make very much more from lower-quality borrowers than they do from higher-quality customers after returns are deflated for risk.

However, the analysis thus far presupposes that banks lend to the entire universe of borrowers in each risk class. This assumption is extremely unrealistic. No bank holds a completely diversified portfolio. If we assume more realistically that banks lend to only a few companies in each risk category, what happens to risk-adjusted spreads?

If markets are reasonably competitive, the realized yield remains the same. The average net loss experience also stays the same. But the consequence of lending to only a small part of the universe of available borrowers is a much enhanced year-to-year variability in losses, as measured by that standard deviation.

Dimensional has estimated the additional risk premium arising from holding relatively overconcentrated loan portfolios — which is the norm — and then recomputed breakeven yields. For example, a bank that lent to the full universe of 703 triple b companies had a breakeven yield of 8.10% and a risk-adjusted spread of 19 basis points. But if that bank lent to only 20 of these companies and the fortunes of these companies were 50% correlated, the standard deviation of losses would rise from 64 basis points to around 100 basis points.

Hence the breakeven yield would increase from 8.10% to 8.28%, and the risk-adjusted spread would practically disappear. In effect, the bank would not be getting paid at all for the risks it was assuming.

Truth About Downscaling

Calculating revised risk-adjusted spreads on the above assumptions, Dimensional reaches the conclusion that there is no profit at all in lending to lower-grade borrowers. Risk-adjusted spreads are zero to negative for every class of borrower, except the a-rated category.

To be sure, individual banks may lend to many more than 20 borrowers in each of the various categories. To the extent that they do, their risk-adjusted spreads may turn out to be positive in some borrower categories.

But since these banks are unlikely to lend to anything approaching the full universe of customers in each category, loan-loss variability will remain reasonably high, raising risk premiums and lowering risk-adjusted spreads below what they would have been if the banks had confined their lending to the top-rated customers.

Lending to a-rated borrowers results in low nominal spreads, but also low expected losses. And the level of expected losses is highly correlated with that of unexpected losses — the standard deviation. That is, low average losses mean a low standard deviation, while high average losses are associated with a high standard deviation.

Otherwise put, if a bank served only top-grade borrowers, it would not need very much diversification to realize better risk-adjusted returns than it would if it served lower-quality customers. Because standard deviations rise so sharply as the bank moves to a lower-quality customer base, it would probably have to become a far more diversified lender than it is capable of becoming in order to equal or surpass the risk-adjusted returns earned from the top-rated borrowers.

This is not to argue that the returns from lending to a superior clientele are adequate. As noted, they are anemic. The point, however, is that the average bank cannot do any better by moving more decisively into the middle market of lower-grade credits. In fact, according to this evidence, it could do worse — much worse.

Pitch for Pooling

The upshot is that banks can produce improved risk-adjusted returns in only one of two ways. They can concentrate on lending only to investment-grade borrowers. Nominal returns may fall, but since risk-adjusted returns will move up, equity valuations will probably improve.

Alternatively, banks can seek more or less full diversification in all lending markets, except among the triple c group of borrowers, where no amount of diversification will achieve positive returns.

No bank on its own can reach anything like full diversification. This is feasible only if banks join together in pooling arrangements, under the terms of which they contribute loans of a given risk class and take back proportional interests in a pool that roughly represents a cross-section of the outstanding debt in that class.

Dimensional is currently engaged in efforts to construct such pools. Its labors merit the closest scrutiny of all bankers anxious to improve their risk-return tradeoffs. ■

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WHAT'S YOUR ANSWER?

Credit Report on Employee's Spouse Was Obtained Illegally

By CHARLES G. DALEY

Is an employer liable for requesting a credit report on an employee's spouse?

YES. The Fair Credit Reporting Act, 15 U.S.C. Sec. 1681, limits the circumstances under which a credit report may be requested.

Unless a spouse is listed on a loan application, a lender may not request a credit report on the loan applicant's spouse. Similarly, an employer may not request a credit report on an employee's spouse.

Valley Federal Savings & Loan Association of Grand Junction, Colo., was recently assessed $61,500 in damages for violating this prohibition. In this case, the thrift employee was a loan officer who married Joseph Zamora.

When they were married, Valley Federal obtained a credit report on Mr. Zamora by claiming that the report was sought for employment purposes. At the time the report was requested, Mrs. Zamora was being considered for a branch manager position.

The credit report indicated, among other things, an unpaid telephone bill. When the thrift's request caused the phone company to take steps to collect the bill, the Zamoras learned of the request for the credit report.

Mr. Zamora then filed suit under the Fair Credit Reporting Act, claiming that Valley Federal had knowingly and willfully obtained a credit report in violation of the act. The trial court ruled that a credit report cannot be obtained on the spouse of an employee for "employment purposes."

The court held that the S&L had obtained the credit report under false pretenses. The jury awarded Mr. Zamora $61,000.

The U.S. Court of Appeals affirmed the award. (Zamora v. Valley Federal Savings and Loan Association of Grand Junction, Colo., 811 F. (2) 1368, 1987)

On appeal, Valley Federal argued that an employer may obtain a credit report on a spouse of an employee being considered for a security-sensitive position, because the report would be used to evaluate the trustworthiness of the employee. The appeals court disagreed.

The Fair Credit Reporting Act permits an employer to obtain a credit report on the employee only. Obtaining a report on the employee's spouse would violate the right of privacy that the act is intended to protect.

The appeals court agreed that Valley Federal knowingly obtained the report under false pretenses. ■

CORPORATE FINANCE

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

I don't see how anyone is going to bank with them if they go around acting like this.

— Dee Corp. chief Alec Monk after cutting the U.K. firm's ties to Citicorp

Credit Card Bank Likes to Swap

Citicorp's Dakota Unit Is Active in the Market To Hedge Receivables

By LISABETH WEINER

CHICAGO

CITIBANK South Dakota NA, the Citicorp subsidiary that issues MasterCard and Visa credit cards, has emerged as an active participant in the $313 billion U.S. interest rate swap market.

According to figures compiled by the Federal Reserve Bank of Boston from bank call reports dated June 30, 1987, Citibank South Dakota, Sioux Falls, has outstanding swaps with a notional value of $2.1 billion, making it the 19th largest commercial bank swap player in the U.S. That's more than double the amount of swaps that the bank had outstanding at the end of 1986, the first year that the Citicorp subsidiary booked swaps.

Yet despite the magnitude of this interest rate swap activity, a poll of major commercial bank and investment bank swap dealers shows that no one has ever heard of Citibank South Dakota as a swap counterparty. That's because Citibank South Dakota only does swap business with Citibank, Citicorp's main bank subsidiary and the largest commercial bank swap player in the U.S.

A Citibank swap dealer confirmed that Citibank South Dakota conducts its swaps to hedge its credit card receivables. Since the two companies are separate legal entities, Citibank South Dakota's swaps are counted apart from those of Citibank's.

A swap is an exchange of interest rate obligations between counterparties. Financial institutions and corporations "swap" fixed-interest-rate payments for floating-rate payments, as a means of managing their asset liability, reducing their funding costs, and improving their balance sheets.

The market has exploded in the last few years as swap dealers have customized transactions to fit each participant's needs.

Meanwhile, swaps have proven to be a source of reliable income for banks, even though as the market has become more competitive, swap spreads have been greatly reduced.

Swap dealers said the use of interest rate swaps to hedge credit card receivables has become standard practice, although banks appear to use different strategies, depending on their own funding sources and the size of their portfolios. For Citibank South Dakota, swaps are clearly a crucial tool in managing the credit card portfolio, which is estimated to be about $10 billion. The bank is estimated to have about 15.4 million cards outstanding.

Citibank South Dakota's aim in hedging its credit card portfolio is to match the receivables, which are funded on a variable-rate basis but are considered to be a fixed-rate asset, with a fixed-rate payment. This protects the bank against rising interest rates.

A Balancing Act

Credit card receivables, according to swap sources, are considered to be a term fixed-rate asset with an average life of between one and two years. In order to maximize the spread, the bank pays the fixed interest rate in the swap and receives the floating interest rate. This gives the bank a steady stream of interest rate payments to help cover the costs of financing the credit card portfolio.

Because credit card receivables carry interest rate

Citibank: Page 30 ➸

Commercial Banks Harvest Few Rewards As Investment Bankers to Municipalities

By JED HOROWITZ

NEW YORK

MUNICIPALITIES and other public-finance issuers paid an average of $3.6 million in investment banking fees and commissions in a recent 12-month period, but commercial banks reaped few of the rewards.

According to preliminary results of a new study from Greenwich Associates, issuers paid a disproportionately large amount of their fees — 40% — to their most important investment bank and another 18% to their second most important investment bank. However, a Greenwich official estimated, only about 2% of issuers mentioned commercial banks as their top advisers and brokers.

This reflects less on the talents of commercial banks than on regulatory restrictions, the Greenwich official said. Most of the 273 issuers interviewed raised money through negotiated revenue bonds. This area is, to a great extent, off limits to banks because of Glass-Steagall Act restrictions.

The issuers represented housing authorities, utilities, health and education agencies, and state and local governments. They paid annual fees ranging from zero to over $20 million.

Nine percent of the issuers, led by health and education authorities, told Greenwich they paid no investment banking fees for the preceding 12 months. Three percent, all from state, local, or county governments, said they paid over $20 million in fees.

The mean fee paid by the typical issuer was $3.64 million. Utilities averaged the highest fees, $4.65 million. Health and education authorities paid the lowest, $1.02 million. Greenwich did not identify the issuers.

The consulting firm, based in Greenwich, Conn., surveys the corporate world on the quality of financial services they receive. The Greenwich survey — its first on public finance — comes at a paradoxical time.

Many of the leading investment banks on Wall Street have trimmed or shed their municipal bond businesses, citing new tax laws that restrict sales of the securities and profit-cutting competition from commercial banks. Salomon Brothers Inc., the biggest municipal dealer, stunned Wall Street last fall by eliminating its department.

Last week, Citibank eliminated

Study: Page 11 ➸

Where Companies Turn for Services

Percentage using investment and commercial banks

Service	Use Service	Use Investment Bank	Use Commercial Bank
Bonds – negotiated	65%	93%	17%
Bonds – competitive	36	73	34
Notes – negotiated	26	54	27
Notes – competitive	14	56	49
Variable-rate issues	28	86	18
Debt refunding	61	87	17
Private-purpose bonds	20	75	13
Taxable bonds	8	64	9
Interest rate risk-management products	4	67	42
Commercial paper dealer	9	88	17
Financial advice	63	65	14
Reinvestment of bond proceeds	29	60	35

Source: Greenwich Associates

Credit Lines

Ward Goes to Euromarket

Montgomery Ward Credit Corp., Wilmington, Del., has completed a $260 million Euromarket revolving credit facility with Swiss Bank Corporation International Ltd.

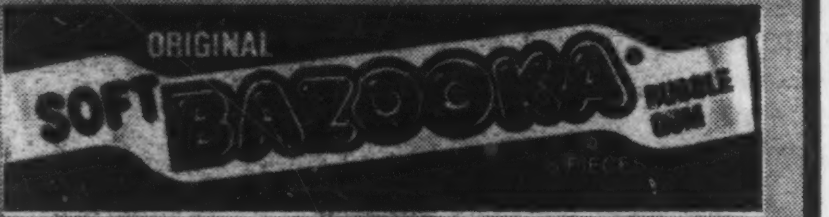
The three-year agreement includes the participation of: Amsterdam-Rotterdam Bank NV, Bank of New York, Bank of Tokyo/California First Bank, Continental Illinois National Bank and Trust Company of Chicago, Mitsubishi Bank Ltd., Societe Generale, Banca Nazionale del Lavoro, the Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Deutsche Bank AG, Royal Bank of Canada, Algemene Bank Nederlend, and Istituto Bancario San Paolo di Torino.

Montgomery Ward Credit said it will use the facility as additional backup for its commercial paper activities.

Topps Lands Unsecured Credit

Topps Co., a baseball card and bubble gum company, has signed a definitive credit agreement with a group of banks for $175 million in financing, most of which will go toward the payment of a special dividend to shareholders. The unsecured financing, led by Manufacturers Hanover Trust Co., will consist of a $140 million term loan and a $35 million revolving credit.

Bank officials said the term loan will be initially priced at one percentage point over the bank's prime rate, or two percentage points over the London interbank offered rate, and will be payable over eight years in quarterly installments — $2.5 million per quarter for the first two years, $3.75 million per quarter over the next three years, and $6.25 million per quarter over the final three years.



When the balance of the term loan falls below $100 million, the price of the facility will be reduced by 25 basis points, and will continue to be reduced in increments of 25 basis points as the balance falls below $80 million, $60 million, and $40 million.

In addition to Manufacturers, the lending group consists of Continental Illinois Bank and Trust Company of Chicago, Long-Term Credit Bank of Japan, Hibernia National Bank of New Orleans, Carteret Savings Bank, and Equitable Bank.

Great Western Gets Backup

Great Western Bank, Beverly Hills, has syndicated a $350 million standby revolving underwriting facility through Merrill Lynch International & Co.

The three-year facility will be used as a backup for Great Western's commercial paper program. The pricing, similar to that achieved by AA-rated financial institutions, consists of an annual facility fee of 10 basis points, a maximum margin on the notes of 10 basis points over Libor, and allocation fees ranging from 2.5 to five basis points.

Lead managers for the syndicate group are: Bank of Montreal, Canadian Imperial Bank of Commerce, Credit Lyonnais, Fuji Bank Ltd., and Westdeutsche Landesbank Girozentrale. Managers are: Bank of Tokyo Ltd., Mitsubishi Bank Ltd., and Tokai Bank Ltd. Comanagers are: Banco di Roma, Barclays Bank PLC, Deutsche Genossenschaftsbank, Istituto Bancario San Paolo di Torino, Mitsui Bank Ltd., and Sanwa Bank Ltd.

Great Western Bank's commercial paper ratings are A1/P-1, and its unsecured long-term debt ratings are A/A2.

— Philip T. Sudo

Study of Public Finance Shows Few Fees for Commercial Banks

Continued from Page 8

most of its public finance operations. A Citibank spokeswoman said that Richard Stuart, division executive for municipals, was being transferred to the bank's global equities area.

Greenwich conducted its survey last September and October. At least two-thirds of the senior executives interviewed were questioned before the Oct. 19 stock market crash. The market debacle contributed to the abandonment of the municipal bond business at several investment firms, and left several issuers scurrying for new bankers.

Issuers most often turned to commercial banks when they wanted to sell competitive notes or use interest rate risk-management products. However, these services were among the least popular for issuers in general.

Only 4% said they used swaps and other risk-management products, while just 14% sold competitive notes. The most frequent swap users were utilities and health and education authorities, according to Greenwich.

The most popular investment banking services used by all issuers were negotiated bond sales, financial advice, and debt refunding. At least 60% of those surveyed used these services in the one-year period beginning fall 1986. Commercial banks, however, are effectively locked out of the negotiated market, which is usually linked to revenue bonds.

In a negotiated deal, an issuer works with one investment banker on structuring and distributing a security. By contrast, an issuer invites a number of investment banks to bid in an informal auction. A competitive issue, generally less remunerative than a negotiated deal, usually involves simpler transactions.

Only 17% of the issuers who offered negotiated bonds last year went to a commercial bank. This compares with 93% who consulted an investment bank. Since most issuers used a number of banks throughout the year, percentages are greater than 100%.

Other Findings

In other findings, Greenwich discovered that municipalities were the most frequent issuers of competitive bonds and notes. Utilities tapped the broadest range of investment banking services.

Greenwich prompted responses by giving executives a list of 55 firms, 17 of which were commercial banks. The respondents also had the opportunity to fill in other names.

Greenwich would not release names of specific banks. An official said the prompt list included money center institutions and superregionals.

According to Securities Data Co., only Citibank and Chase Manhattan Bank ranked among the top 15 lead managers of long-term municipal issues in 1987. Citibank was in 14th place and Chase was 15th. Each managed 32 issues with a value of about $1.8 billion last year. ■

Insurance Group Sells Receivables

By ANDREW ALBERT

NEW YORK — A small group of banks led by Continental Illinois National Bank and Trust Company of Chicago has purchased $150 million of insurance-related receivables from Reliance Group Holdings Inc.

The New York-based insurer declined to comment on the private transaction. A source said the bank group bought three different types of short-term receivables from Reliance, including agent balances and loans financing premium payments.

Bankers said the Reliance transaction was one of several receivables purchases completed by commercial banks before yearend. Free of disclosure requirements, such transactions can be arranged quickly to accommodate corporate clients making last-minute balance sheet adjustments.

Once the specialty of only a handful of major banks, including Continental, the receivables-purchasing business has recently attracted several newcomers. After purchasing loans, banks frequently turn around and sell the assets to a third party for a lower yield than they received.

A source said the bank group in the Reliance deal planned to hold the loans to maturity. Two of the three types of receivables bought were due to mature within about 90 days. The third set of receivables matures within a year.

Purchasing banks will receive a yield tied to the London interbank offered rate. The deal was structured as a one-time purchase, rather than a revolving credit facility in which a client can continuously sell receivables — up to a predetermined level — to its bankers. The transaction closed in December.

Reliance is by no means new to the asset sales game. In fact, it was the beneficiary of one of the year's more innovative securitized deals.

Last year, Manufacturers Hanover Trust Co. developed an off-balance-sheet method for Cannanwill Inc., a subsidiary of Reliance, to sell up to $160 million of receivables. ■

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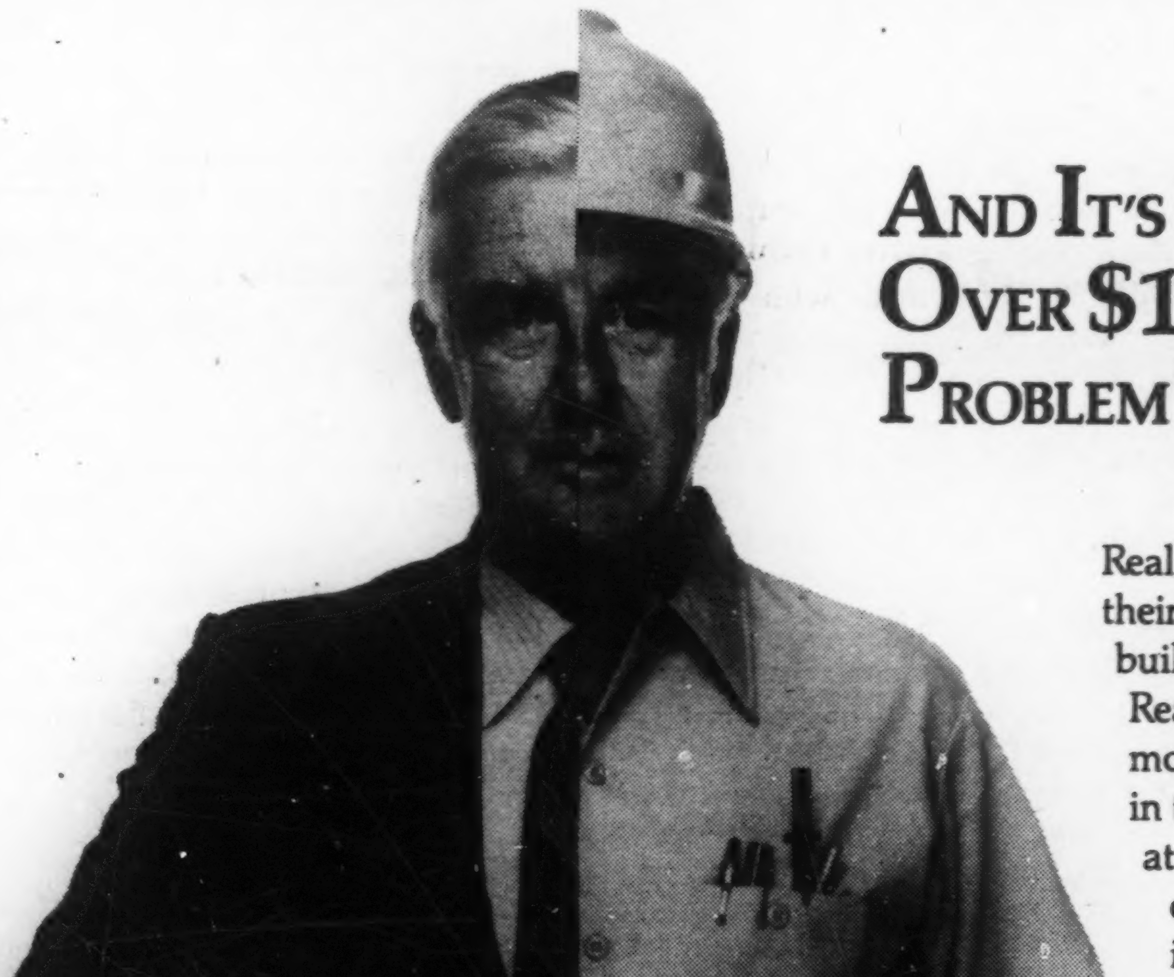

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Mergers in 1987 Reach a Record $17 Billion in Value

➙ Continued from Page 1

record for the largest banking merger deal was shattered three times during the year.

These were some of the major moves on the banking and thrift merger scene in 1987:

- Several of the nation's emerging superregional banking firms, such as Virginia's Sovran Financial Corp., Ohio's Banc One Corp., and Pennsylvania's PNC Financial Corp., significantly expanded both the size and geographic coverage of their organizations.
- There were mergers among the superregionals. California's Security Pacific Corp. and Rhode Island's Fleet Financial Corp. struck deals that gave them a much larger presence in their home regions by yearend.
- Some superregionals that were among the most acquisitive in 1985 and 1986 — such as Boston-based Bank of New England Corp. — took the year off to focus on the consolidation and management of their enlarged organizations.
- In New York, two venerable banking institutions were engaged at the end of the year in an increasingly bitter hostile takeover battle. The outcome of Bank of New York Co.'s effort to acquire Irving Bank Corp. could have implications for future bank merger activity.
- Merger activity among thrifts was strong in 1987, especially in the Northeast and, more specifically, New England. The prospects are for more of the same this year.

Major Developments

But beyond all the maneuvering of 1987 there were two developments — one a trend and the other an event — that could affect the mergers landscape: the re-emergence of the merger-of-equals concept in bank acquisitions and the chaotic October stock market selloff.

The first began last March 18, when two well-regarded banking firms, Fleet Financial Group, Providence, R.I., and Norstar Bancorp, Albany, N.Y., announced that they would combine. The story was not that the $1.25 billion value of the deal was the highest price yet seen, but that it was little more than 1.5 times Norstar's book value and meant minimal earnings-per-share dilution for Fleet.

Analysts characterized the low premium as "reverse sticker shock" because of the significantly higher acquisition prices that had come to prevail in the industry, even for the largest combinations.

A pair of other large mergers of equals followed — the $1.34 billion deal between First Fidelity Bancorp., Newark, N.J., and Fidelcor, Philadelphia, announced on July 31, and the $850 million pact between Hartford National Corp., Hartford, Conn., and Shawmut Corp., Boston, unveiled on Aug. 26.

"It's significant that the merger of equals concept came back last year for big deals because its the only way, really, to expand," said one mergers specialist. "You've got to do them as stock deals and dilution from a full-fledged purchase price is just unacceptable in most cases."

Effects of the Crash

The other development came on Oct. 19, when the Dow Jones industrial average plummeted 508 points. Bank and thrift industry stocks were not spared from the carnage, of course, and the aftershocks from the event are still being felt and assessed.

The immediate impact of the crash was a distinct cooling of merger activity followed by the unraveling of some deals. The medium-term to long-term effects of the market's seizure may, in fact, be quite different. There may be more deals, and some of them may be unwelcome by the banks targeted for acquisition.

"When the acquirers' stock prices fell down, the capacity to make deals declined and the strategy for expansion changed," the mergers specialist noted. "It will mean more mergers of equals and perhaps that some deals will not be done because sellers feel their value is worth a higher price.

"But some of those reluctant seller institutions may be susceptible to hostile bids, or at least less-than-friendly approaches," he pointed out, "because their own stocks have fallen out of bed as well."

Whether friendly or unfriendly, some deals might happen sooner. Several analysts said they expect acquiring institutions to take advantage of the fact that stocks of some acquisition targets are now selling below book value.

"An acquirer might be able to pay a premium to the market price of a bank stock and still not exceed its book value," one observer said. "It's the chance of a lifetime to do deals without incurring goodwill. The opportunity may not exist in six months and some astute acquirers may want to move quickly."

Thrift Mergers

The market crash may have a particular impact on merger activity among thrifts. "Oct. 19 was important for thrifts because it brought down stock prices of targets, as well as of acquirers," noted John J. Lyons, managing principal of Lyon, Zomback & Ostrowski, the New York consulting firm to financial institutions.

"Prices had gotten outrageously high, and even well-capitalized thrifts could not afford to buy their brethren," he said, "but now the typical well-capitalized thrift can afford to spend some capital on one big cash transaction — that is, because it's cash, nondilutive."

"It's a different market," he said, "and there may be more deals this year among thrifts you would not have expected to do any deals. There will be some active, larger thrift institutions in New England that you would not have counted on surviving."

The $1.34 billion First Fidelity-Fidelcor merger was the year's biggest deal or offer by price. It was topped briefly by Bank of New York's $1.4 billion hostile bid for Irving, which was announced on Sept. 25.

First Fidelity-Fidelcor was No. 1 again after Nov. 20, when Bank of New York cut its offer to $1.25 billion in the wake of the market crash. Bank of New York's move put its bid into a tie with the $1.25 billion combination of Fleet and Norstar, which was completed on Jan. 1.

At a Glance: Deals of the Year

Dollar amounts in millions

	No. of Deals	Aggregate Price	Aggregate Equity	Aggregate Earnings	Avg. Price To Equity	Avg. Price To Earnings
1987	229	$17,145	$9,630	$1,216	1.8	14.0
1986	302	$16,714	$9,867	$1,008	1.7	16.8

Source: American Banker

The other billion-plus deal of the year just ended was the $1.150 billion acquisition of Rainier Bancorp., Seattle, by Security Pacific Corp, Los Angeles. The deal, which was completed in August, was among the most expensive in terms of acquisition premiums, too, with Security Pacific paying twice Rainier's book value.

The Fleet-Norstar and Security Pacific-Rainier deals were also significant because they were mergers among the emerging superregionals. The *American Banker* defines a superregional as a nonmoney center banking firm that ranks among the top 100 banking organizations in the nation in total assets and has merged across state lines to establish a full banking presence in another state.

Fleet's merger with Norstar vaults that combined company into the top class in its region, where it now ranks with Bank of Boston Co. and Bank of New England Corp. Security Pacific, meanwhile, has secured a commanding presence in the West with its Rainier acquisition.

The Highest Premiums

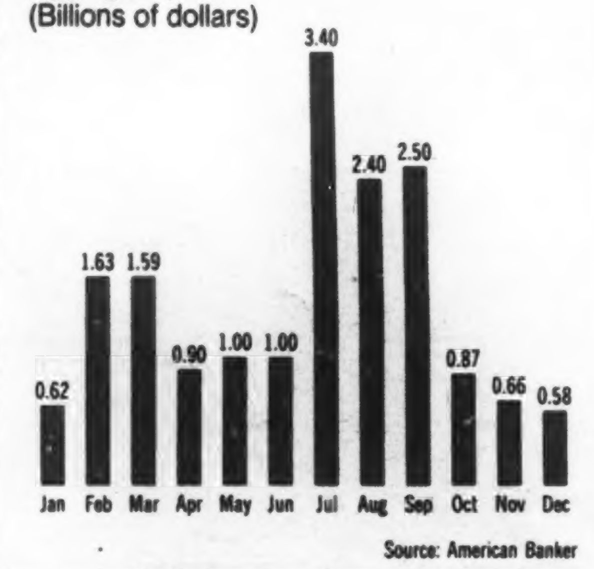
The double-book premium paid by Security Pacific, however, was far from the highest premium paid among the 10 largest deals of the year. Shareholders of First Jersey National Corp., Jersey City, N.J., will get three times book value in selling out to National Westminster Bank PLC, London.

That $820 million merger is scheduled to be completed on Feb. 1 and will be the first deal finalized between New York and New Jersey under New Jersey's new reciprocal interstate banking law. First Jersey is being acquired by National Westminster Bank USA, the New York-chartered subsidiary of Great Britain's largest banking company.

Among the top 10 deals of 1987, there were two others carrying substantial premiums. PNC Financial Corp., Pittsburgh, paid 2.5 times book in its $700 million agreement to acquire Central Bancorp., Cincinnati, and Sovran Fianncial Corp., Norfolk, Va., paid 2.2 times book in its $505 million acquisition of Commerce Union Corp., Nashville, which was completed on Nov. 1.

1987 Merger Activity

For banks and thrifts



Source: American Banker

The deals put PNC into a strong position in the neighboring state of Ohio and gave Sovran a major presence in Tennessee.

In the other major superregional extension of the year, Banc One Corp., Columbus, Ohio, expanded its coverage of the Midwest to Wisconsin. It acted as a white knight in the $546 million acquisition of Marine Corp., Milwaukee, which had rejected a higher bid from its local rival, Marshall & Ilsley Corp., Milwaukee. ■

Ten Biggest Mergers of 1987

Ranked by value of offer (millions of dollars)

Acquirer	Acquiree	Price	Status
First Fidelity Bancorp., Newark	Fidelcor, Philadelphia	$1,340	Pending
Bank of New York Co., New York	Irving Bank Corp., New York	1,250	Pending
Fleet Financial Group, Providence	Norstar Bancorp., Albany	1,250	Complete
Security Pacific Corp., Los Angeles	Rainier Bancorp., Seattle	1,150	Complete
Hartford National Corp., Hartford	Shawmut Corp., Boston	850	Pending
National Westminster PLC, London	First Jersey National, Jersey City	820	Pending
Hongkong & Shanghai Banking Corp.	Marine Midland Banks, Buffalo*	800	Complete
PNC Financial Corp., Pittsburgh	Central Bancorp., Cincinnati	700	Pending
Banc One Corp., Columbus	Marine Corp., Milwaukee	546	Pending
Sovran Financial Corp., Norfolk, Va.	Commerce Union Cp., Nashville	505	Complete

*Price for 48% not previously owned.

Source: American Banker

Mpact Contest Brings Delayed Results

By JEFFREY KUTLER

NEW YORK — Mpact Mania, a three-month sweepstakes to encourage use of a major automated teller machine network, had the intended effect — but not until the campaign ended in early December.

Monthly transaction volume rose a disappointing 2% while Mpact Mania was in progress, according to Thomas R. Metz, executive vice president of MTech, Dallas. MTech, a subsidiary of MCorp, operates the 1,300-machine Mpact system in Texas and several other states.

Not until December was there a significant spike in volume, 7%, bringing Mpact to 7.3 million transactions that month.

"It looks like we had a delayed reaction," Mr. Metz said.

The first Mpact Mania promotion, four years ago, brought more immediate results, he said. But times were different then.

The Texas economy was healthier, and banks had not yet begun charging their customers $1 or more for using ATMs owned by other institutions. Those "foreign transaction" fees discourage the interbank volume that systems like Mpact were built to handle.

Mpact Mania's grand prize was $50,000. It was a random payoff on a $50 cash withdrawal by Mr. and Mrs. Cliff Hopper, from an Mpact machine at a Tom Thumb supermarket in Dallas. Mpact also gave away 32 Acapulco vacations and numerous restaurant and travel discounts.

Mpact also awarded free processing services to 18 banks that increased their ATM volume the most, reflecting their superior support for Mpact Mania.

Mpact Mania raised consumer awareness, Mr. Metz said. "But we found that what increases usage the most is demonstrations performed at the ATMs. One of our supermarket ATMs increased volume 24% within three months following a demonstration period." ■

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Mergers Completed in 1987

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

New England Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Combined Size ($ Mil.)
1/2	**Hartford National Corp. Hartford, Conn.**	**People's Bank Providence, R.I.**	**$25**	**N.A.**	**7.0**	**←INTERSTATE→ $12,000**
2/23	**The One Bancorp., Portland, Maine**	**Bank of Hartford, SA, Hartford, Conn./$250**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $1,500**
3/3	BankEast Corp., Manchester, N.H.	United Banks Corp., Hanover, N.H./$38.7	$11.3	N.A.	N.A.	$1,000
4/2	**UST Corp., Boston**	**Valley Bank & Trust Co., Bridgeport, Conn./$115**	**$24.8**	**3.5**	**14.3**	**←INTERSTATE→ $2,000**
4/22	Bank of New England, Boston	Conifer Group, Worcester, Mass./$3,900	$656	3.1	19.8	$27,000
5/31	Howard Bancorp., Burlington, Vt.	The Granite Bank, Barre, Vt./$110	N.A.	N.A.	N.A.	$675
6/1	Cooperative Bancorp., Concord, Mass.	Qunicy Cooperative Bank, Quincy, Mass./$257	$58	1.5	18.7	$530
7/31	Amoskeag Bank Shares, Manchester, N.H.	NTC Corp., Nashua, N.H./$265	$51.8	2.5	14.4	$1,500
8/13	Hartford National Corp., Hartford, Conn.	Chester Bank, Chester, Conn./$95	$21.8	3.2	16.8	$14,400
8/21	Hartford National Corp., Hartford, Conn.	Southington Savings, Southington Conn./$190	$18.8	0.7	7.2	$14,400
9/1	N.H. Savings Bank Corp., Concord, N.H.	Seabrook B&T Corp., Seabrook, N.H./$50	N.A.	N.A.	N.A.	$1,200
10/7	Home Owners Federal, Burlington, Mass.	Union Warren Savings, Boston/$700	N.A.	N.A.	N.A.	$2,200

Southeast Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Combined Size ($ Mil.)
1/12	Bancorp of Miss. Tupelo, Miss.	First Mississppi N.C. Hattiesburg, Miss.	$24.3	1.2	9.4	$1,400
1/15	Crestar Financial Corp., Richmond, Va.	People's Bank Pound, Va.	$4.9	1.2	15.6	$9,500
2/2	CB&T Bancshares, Columbus, Ga.	First Camden Bancorp, St. Marys, Ga./$20	N.A.	N.A	N.A	$1,600
3/31	CB&T Bancshares, Columbus, Ga.	First Community Banshares, Tifton, Ga./$62	N.A.	N.A.	N.A.	$1,600
4/1	First American Corp., Nashville, Tenn.	First & Peoples National Bank, Gallatin, Tenn./$65	$12	2.7	20.4	$6,000
4/1	Key Centurion Bancshares, Charleston, W.V.	Union Bancorp, Clarksburg, W.V./$300	N.A	N.A.	N.A.	$1,600
4/1	Key Centurion Bancshares, Charleston, W.V.	Wayne Bancorp, Wayne, W.V./$69	N.A.	N.A.	N.A.	$1,600
5/19	Colonial BancGroup, Mortgomery, Ala.	Jackson County Bank, Scottsboro, Ala./$20	N.A.	N.A.	N.A.	$1,300
5/22	Colonial BancGroup, Montgomery, Ala.	First Federal Bank, Opelika, Ala./$57	N.A.	N.A.	N.A.	$1,300
6/1	**First Wachovia Corp, Winston-Salem, N.C.**	**First American Bank, Walton, Ga./$74**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $19,000**
7/14	Branch Corp., Wilson, N.C.	Community Bancorp, Greenville, S.C./$272	$50	2.5	15.6	$3,700
7/26	Barnett Banks, Jacksonville, Fla.	Home Federal Savings Bank, St. Petersburg, Fla./$1,400	$175	1.9	16.2	$22,400
7/31	**Gibraltar Financial Corp., Beverly Hills, Calif.**	**First Savings Bank, Tarpon Springs, Fla./$800**	**$116**	**1.6**	**20**	**←INTERSTATE→ $13,200**
9/18	First Corp., Raleigh, N.C.	First Federal Savings, Durham, N.C./$76	N.A.	N.A.	N.A.	$760
10/1	CB&T Bancshares, Columbus, Ga.	Carrollton State Bank, Carrollton, Ga./$26	N.A.	N.A.	N.A.	$1,600
11/1	**Sovran Financial Corp., Norfolk, Va.**	**Commerce Union Corp., Nashville/$3,874**	**$505**	**2.2**	**16**	**←INTERSTATE→ $20,350**
11/1	**Sovran Financial Corp., Norfolk, Va.**	**Security B&T Co., Centerville, Tenn./$31**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $20,350**

Midwest Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Combined Size ($ Mil.)
1/2	**Banc One Corp. Columbus, Ohio**	**American Fletcher Corp. Indianapolis**	**$597.3**	**2.4**	**16.2**	**←INTERSTATE→ $18,000**
1/2	American National Corp. Chicago, Ill.	Bank of Lansing, Lansing Ill.	N.A.	N.A.	N.A.	$3,900
1/5	**Trustcorp Toledo, Ohio**	**St. Joseph Bancorp South Bend, Ind.**	**$80.6**	**1.9**	**18.6**	**←INTERSTATE→ $5,125**
1/5	First Federal Bank Cleveland	People's Savings Assn. Toledo, Ohio	N.A.	N.A.	N.A.	$1,500
1/15	Summcorp. Fort Wayne, Ind.	American State Bank Sheridan, Ind.	N.A.	N.A.	N.A.	$2,000
2/2	**First Kentucky National Corp., Louisville**	**Mutual Banc Corp., New Albany, Ind./$116**	**$17.5**	**2.2.**	**15.2**	**←INTERSTATE→ $5,300**
2/17	**Mercantile Bancorp, St. Louis, Mo.**	**First Bancshares Corp., Alton, Ill./$140.2**	**$13.1**	**1.3.**	**23.7.**	**←INTERSTATE→ $6,600**
2/20	**Marine Corp., Milwaukee, Wis.**	**Community State Bank, Bloomington, Minn./$215**	**N.A.**	**N.A**	**N.A.**	**←INTERSTATE→ $4,300**
2/27	**Banc One Corp., Columbus, Ohio**	**First National Bank, Fenton, Mich./$77**	**$6.1.**	**1.4.**	**8.7.**	**←INTERSTATE→ $18,000**
2/27	**PNC Financial Corp., Pittsburgh**	**Citizens Fidelity Corp., Louisville/$4,700**	**$700**	**2.6.**	**14**	**←INTERSTATE→ $28,200**
2/27	**PNC Financial Corp., Pittsburgh**	**Madison National Bank, Richmond, Ky./$96**	**$14**	**1.7**	**12**	**←INTERSTATE→ $28,200**
4/1	First of America Bank Corp., Kalamazoo, Mich.	Lewiston State Bank, Lewiston, Mich./$54.9	$6.7.	1.4	9.6	$8,500
4/2	**Trustcorp, Toledo, Ohio**	**Commercial Bankshares Corp., Adrian, Mich./$170**	**$19.5**	**2.1**	**16.0**	**←INTERSTATE→ $5,125**
4/27	**Associated Banc-Corp., Green Bay, Wis.**	**Chicago Commerce Bancorp., Chicago/$173**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $1,500**
5/20	Merchants National Corp., Indianapolis	Fayette Bancorp, Connersville, Ind./$77	N.A.	N.A.	N.A.	$4,000
5/27	First Midwest Bancorp., Naperville, Ill.	Bancorp of Mundelein, Mundelein, Ill./$40	N.A.	N.A.	N.A.	$1,600
6/1	**Banc One Corp., Columbus, Ohio**	**First National Bank, Bloomington, Ind./$271**	**$52**	**2.2**	**17.5**	**←INTERSTATE→ $18,000**
6/1	**First of America Bank Corp., Kalamazoo, Mich.**	**Keystone Bancshares, Kankakee, Ill./$200**	**$25**	**1.5**	**13.4**	**←INTERSTATE→ $8,400**
6/26	First of America Bank Corp., Kalamazoo, Mich.	WB Financial Corp., Wayne, Mich./$90	$14	N.A.	N.A.	$8,500
6/30	Bank of Lenawee, Adrian, Mich.	Hudson State Savings Bank, Hudson, Mich./$34	$4.6	N.A.	N.A.	$122
7/1	Alliance Financial Corp., Dearborn, Mich.	Michigan Bank Huron, East Tawas, Mich./$55	N.A.	N.A.	N.A.	$300
7/27	Comerica, Detroit	MetroBanc Savings Bank, Grand Rapids, Mich./$333	$43	2.2	13.2	$10,000
8/28	Valley Bancorp., Appleton, Wis.	Community Banks, Middleton, Wis./$375	$51.5	1.9	16	$2,600
8/31	Merchants National Corp., Indianapolis	Ohio Valley Bancorp., Madison, Ind./$155	N.A.	N.A	N.A.	$4,600
9/1	**Banc One Corp., Columbus, Ohio**	**First National Bank, Richmond, Ind./$223.7**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $18,000**
9/1	**Banc One Corp., Columbus, Ohio**	**Northwest Bank, Rensselaer, Ind./$103.2**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $18,000**
9/1	Merchants National Corp., Indianapolis	Ohio Valley Bancorp, Madison, Ind./$153	N.A.	N.A.	N.A.	$4,600
9/1	**Trustcorp., Toledo, Ohio**	**Citizens Trust Bancorp, Ann Arbor, Mich./$325**	**$50**	**2.7**	**17.2**	**←INTERSTATE→ $5,125**
11/1	**Manufacturers National Corp., Detroit**	**Affiliated Banc Group, Morton Grove, Ill./$812**	**$142**	**2.4**	**12.1**	**←INTERSTATE→ $8,500**
11/24	Marine Corp., Springfield, Ill.	Commercial Bancshares, Champaign, Ill./$98	$16.6	N.A.	N.A.	$875
11/25	**Trustcorp, Toledo, Ohio**	**Citizens Bancorp, Hartford City, Ind./$54**	**$5.1**	**1.6**	**11.7**	**←INTERSTATE→ $5,125**
11/25	**Trustcorp, Toledo, Ohio**	**First State Bancorp, Dunkirk, Ind./$23.5**	**$2.4**	**1.4**	**16.8**	**←INTERSTATE→ $5,125**
11/25	**Trustcorp, Toledo, Ohio**	**Midwest Bancorp, Columbus, Ind./$68**	**$5.7**	**2.5**	**42.2**	**←INTERSTATE→ $5,125**
11/30	**Huntington Bancshares, Columbus, Ohio**	**United Midwest Bancorp., Troy, Mich./$403**	**$66**	**2.2**	**20.6**	**←INTERSTATE→ $8,000**
12/31	First of America Bank Corp., Kalamazoo, Mich.	Manistee B&T Co., Manistee, Mich./$114	$11.3	1.4	9.5	$8,500
12/31	**Trustcorp, Toledo, Ohio**	**Ypsilanti Savings Bank, Ypsilanti, Mich./$138**	**$19**	**2.0**	**12.6**	**←INTERSTATE→ $5,125**

American Banker
1987 BIG DEALS

Mergers Completed in 1987

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

Mid-Atlantic Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Combined Size ($ Mil.)
1/1	Fidelcor, Philadelphia	Merchants Bancorp, Allentown, Pa./$2,000	$380	2.6	15.1	$11,700
1/2	**Midlantic Corp. Edison, N.J**	**Continental Bancorp. Philadelphia**	**$680**	**2.2**	**13.3**	**←INTERSTATE→ $16,800**
2/16	The Bank of New York, New York	Long Island Trust Co., Garden City, N.Y./$1,300	$300	2.8	34	$24,000
3/16	**MNC Financial Corp., Baltimore**	**American Security Corp., Washington, D.C./$4,300**	**$438**	**1.7**	**15.3**	**←INTERSTATE→ $15,000**
4/1	Republic N.Y. Corp, New York	Williamsburgh Savings Bank, Brooklyn, N.Y./$2,200	$150	5.8	14.9	$20,500
7/1	Savings & Trust Co., Indiana, Pa.	Union Bank & Trust, DuBois, Pa./$150	N.A.	N.A.	N.A.	$700
7/7	Commonwealth Bancshares, Williamsport, Pa.	County Bancorp., Montrose, Pa./$145	N.A	N.A.	N.A.	$1,100
7/7	Commonwealth Bancshares, Williamsport, Pa.	First Bank, Troy, Pa./$82	N.A.	N.A.	N.A.	$1,100
7/7	**NCNB Corp., Charlotte, N.C.**	**CentraBank, Baltimore/$260**	**N.A.**	**N.A.**	**N.A.**	**←INTERSTATE→ $25,000**
8/26	**First Virginia Banks, Falls Church, Va.**	**United Bancorp, Upper Marlboro, Md./$151.1**	**$36**	**3.1**	**23.7**	**←INTERSTATE→ $4,350**
10/1	Community Bank System, DeWitt, N.Y.	Nichols National Bank, Nichols, N.Y./$18.6	2.8	1.6	8.0	$500
11/16	Bank Maryland Corp., Towson, Md.	Maryland State Bank, Salisbury/$39	$5	1.8	20	$70

Southwest Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Combined Size ($ Mil.)
1/5	Union Bancorp Los Angeles	United Bancorp, Phoenix	N.A.	N.A.	N.A.	$12,200
1/30	Equitable BankShares, Inc. Dallas	Landmark National Bank Arlington, Tex.	N.A.	N.A.	N.A.	$45,000
4/30	United Banks of Colorado, Denver	IntraWest Financial Corp., Denver/$1,100	$127.4.	1.5	31.0	$5,800
5/1	**Chemical N.Y. Corp, New York**	**Texas Commerce Bancshares, Houston/$18,900**	**$1,190**	**1.0**	**18.0**	**←INTERSTATE→ $78,400**
5/1	**Commercial Federal S&L Assn., Omaha**	**Empire Savings, Building & Loan, Dever/$2,100**	**$45**	**0.5**	**10.2**	**←INTERSTATE→ $5,100**
5/18	**Valley National Corp., Phoenix**	**Valley Utah Bacorp., Salt lake City, Utah/$825**	**$117**	**2.3**	**16.3**	**←INTERSTATE→ $11,000**
6/6	First RepublicBank Corp, Dallas	InterFirst Corp, Dallas/$18,500	$588	0.66	N.A.	$34,400
12/31	**Keycorp, Albany, N.Y.**	**Western Security Financial Corp, Salem, Ore./$125**	**$16.8**	**N.A.**	**N.A.**	**←INTERSTATE→ $10,300**

West Coast Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Combined Size ($ Mil.)
1/12	Puget Sound Bancorp, Tacoma, Wash	First State Bank Port Orchard, Wash.	$4.3	1.4	5.9	$3,500
2/28	Security Pacific Corp., Los Angeles	Diablo Bank, Danville, Calif./$110	$18	2.4.	20.3.	$75,000
3/15	Rainier Bancorp., Seattle	United Bank, A Savings Bank, Tacoma, Wash./$4,300	$59	1.5	29.7	$10,000
5/1	Gibraltar Financial Corp., Beverly Hills, Calif.	Santa Clara Savings, Santa Clara, Calif./$350	$16.5	N.A.	N.A.	$14,350
5/19	Pacific Western Bancshares, San Jose, Calif.	Cobanco, Santa Cruz, Calif./$479	$34.3	1.2	16.7	$1,000
7/1	**U.S. Bancorp., Portland, Ore.**	**Old National Bancorp, Spokane, Wash./$1,700**	**$174**	**1.8**	**16.2**	**←INTERSTATE→ $10,700**
7/17	**KeyCorp, Albany, N.Y.**	**Seattle Trust & Savings Ban, Seattle, Wash./$693**	**$74**	**1.8**	**30.8**	**←INTERSTATE→ $10,300**
8/20	**Security Pacific Corp., Los Angeles**	**Rainier Bancorp., Seattle, Wash./$10,000**	**$1,150**	**2.0**	**16.4**	**←INTERSTATE→ $75,000**
11/1	Glenfed, Inc., Glendale, Calif.	Guarantee Financial Corp., Fresno, Calif./$2,800	$145	N.A.	N.A	$22,350
12/31	**Keycorp, Albany, N.Y.**	**Commercial Security Bancorp, Ogden, Utah/$830.3**	**$102**	**1.9**	**20**	**←INTERSTATE→ $10,300**

American Banker
1987 BIG DEALS

1987 Agreements and Offers

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

New England Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Other Information
8/26	**Hartford National Corp, Hartford, Conn./$14,400**	**Shawmut Corp, Boston/$10,697**	**$850**	**1.3**	**10.8**	**←INTERSTATE→**
9/21	Heritage-NIS Savings Bank, Northampton, Mass./$859	Community Savings Bank, Holyoke, Mass./$531	$92	1.1	21.9	
12/10	Marble Financial Corp, Rutland, Vt./$331	Eastern Bancorp, Burlington, Vt./$421	$67	1.2	14.5	
11/10	**Bank of Boston Corp, Boston/$31,000**	**BankVermont Corp, Burlington, Vt./$667**	**$60**	**1.2**	**25**	**←INTERSTATE→**
1//10	Cooperative Bancorp, Concord, Mass./$273	Quincy Cooperative Bank, Quincy, Mass./$257	$58	1.5	18.7	
11/23	New Bedford Savings, New Bedford, Mass./$869.4	Tauton Savings Bank, Taunton, Mass./$205	$55	1.2	25	
8/17	**The One Bancorp, Portland, Me./$1,500**	**Southstate Bank for Savings, Brockton, Mass./$213**	**$41.4**	**N.A.**	**N.A.**	**←INTERSTATE→**
10/30	**Citizens Financial Group, Providence, R.I./$2,600**	**Fairhaven Savings Bank, Fairhaven, Mass./$260.7**	**$39**	**1.26**	**19.5**	**←INTERSTATE→**
10/12	**Excel Bancorp, Quincy, Mass./$594**	**Lincoln Trust Co., Hingham, Mass./$594**	**$37**	**3.0**	**14.8**	**←INTERSTATE→**
9/14	N.H. Savings Bank, Concord, N.H./$1,000	First Federal Bank, Nashua, N.H./$289	$30.6	2.3	16	
12/11	**The One Bancorp, Portland, Me./$1,500**	**East Weymouth Savings Bank, East Weymouth, Mass./$95**	**$19.8**	**1.2**	**26**	**←INTERSTATE→**
2/20	Bank of New Hampshire, Manchester, N.H./$668	Suncook Bank, Suncook, N.H./$104	$19.3	2.9	18.2	
10/2	Cheshire Financial Corp, Keene, N.H./$$321	Monadnock Bank, Jaffrey, N.H./$106	$15.6	2.3	24.5	
3/12	N.H. Savings Bank Corp, Concord, N.H./$900	Seabrook B&T Co., Seabrook, N.H./$46	$9.8	3.5	16.3	
3/20	BankEast Corp., Manchester, N.H./$650	First Federal Bank, Nashua, N.H./$28	$8.9	0.7	N.A.	
11/30	**Merrimack Bancorp, Lowell, Mass./$386**	**Hillsborough B&T Co., Milford, N.H./$26**	**$6.7**	**2.3**	**25**	**←INTERSTATE→**
9/30	**First Service Savings, Leominster, Mass./$627**	**Fortune Guaranty Savings, Windham, Mass./$35**	**$6.62**	**3.0**	**N.A.**	**←INTERSTATE→**
9/29	First N.H. Banks, Manchester, N.H./$2,100	Bay Point Bancorp, Meridith, N.H./$33.4	$6	2.7	14.5	

1987 Agreements and Offers

Listed below are financial institution merger and acquisition deals, ranked by price.
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Mid-Atlantic Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Other Information
9/25	Bank of New York Co., New York/$24,000	Irving Bank Corp./$24,000	$1,400	1.7	11	
7/31	**First Fidelity Bancorp, Newark, N.J./$15,500**	**Fidelcor, Philadelphia/$11,700**	**$1,340**	**1.9**	**13.3**	**←INTERSTATE→**
3/18	**Fleet Financial Group, Providence, R.I./$12,300**	**Norstar Bancorp, Albany, N.Y./$12,100**	**$1,250**	**1.6**	**12**	**←INTERSTATE→**
8/5	**National Westminster PLC, London/$123,400**	**First Jersey National Corp, Jersey City, N.J./$4,400**	**$820**	**3.1**	**21.9**	**←INTERSTATE→**
9/15	**Hongkong & Shanghai Banking Corp, Hong Kong/$90,862**	**Marine Midland Banks, Buffalo, N.Y./$24,400**	**$800**	**1.8**	**11.6**	**←INTERSTATE→**
8/4	**Home Group, Inc., New York, New York/N.A.**	**Carteret Savings Bank, Morristown, N.J./$4,400**	**$320**	**3.1**	**21.9**	**←INTERSTATE→**
11/4	Union National Corp, Pittsburgh/$3,300	Penbancorp, Titusville, Pa./$3,200	$300	1.3	10	
7/21	**United Jersey Banks, Princeton, N.J./$8,200**	**First Valley Corp, Bethlehem, Pa./$1,300**	**$265**	**2.4**	**16.1**	**←INTERSTATE→**
1/20	**First Chicago Corp, Chicago/$41,700**	**Beneficial National Bank USA, Wilmington, Del./$1,000**	**$247**	**2.4**	**17.4**	**←INTERSTATE→**
10/5	**H.F. Ahmanson & Co., Los Angeles/$28,500**	**Bowery Savings Bank, New York/$6,300**	**$200**	**0.6**	**10.6**	**←INTERSTATE→**
7/22	First Empire State Corp, Buffalo, N.Y./$2,900	East New York Savings Bank, Brooklyn, N.Y./$1,700	$200	1.8	6.5	
5/21	**Meridian Bancorp, Reading, Pa./$7,000**	**Delaware Trust Co., Wilmington, Del./$1,150**	**$196**	**2.5**	**23.6**	**←INTERSTATE→**
6/17	Equimark Corp., Pittsburgh/$2,800	Liberty Savings Bank, Philadelphia/$450	$42.3	1.41	14	
2/4	**First Virginia Banks, Falls Church/$4,350**	**United Bancorp, Upper Marlboro, Md./$151**	**$36**	**3.1**	**23.7**	**←INTERSTATE→**
3/6	Dauphin Deposit Corp, Harrisburg, Pa./$3,000	Colonial Bancorp, New Holland, Pa./$150	$30.5	3.1	21.7	
10/14	**Citizens Bancorp, Riverdale, Md./$1,700**	**McLachlen Bancshares, Washington, D.C./$170**	**$27**	**3.5**	**27.8**	**←INTERSTATE→**
7/31	PNC Financial Corp, Pittsburgh/$28,200	First Bancorp, Mechanicsburgh, Pa./$119	$26	2.3	14.4	
11/30	Fulton Financial Corp, Lancaster, Pa./$1,100	Lafayette Trust Bank, Easton, Pa./$77	$26	2.9	16.2	
6/27	Midlantic Corp, Edison, N.J./$16,800	County Bancorp, Lyndhurst, N.J./$121	$23.1	2.4	18.5	
3/17	Norstar Bancorp, Albany, N.Y./$12,100	United National Bank, Callicoon, N.Y./$90	$20	3.0	13.3	
6/10	**Riggs National Corp, Washington, D.C./$6,100**	**First Fidelity Bank, Rockville, Md./$67.1**	**$19**	**2.9**	**40**	**←INTERSTATE→**
6/4	PNC Financial Corp, Pittsburgh/$28,200	First National Bank, Avoca, Pa./$48	$14	N.A.	N.A.	
10/23	United National Bank, Plainfield, N.J./$498.8	First National Bank, Blairstown, N.J./$40.5	$8.8	2.75	19	
3/2	Union National Corp, Pittsburgh/$3,300	Second National Bank, Masontown, Pa./$60	$8.7	1.5	8.7	
5/15	Bank Maryland Corp, Towson, Md./$30	Maryland State Bank, Salisbury, Md./$40	$5	1.8	20	
4/14	Oxford First Holdings, Wilmington, Del./N.A.	First Feeral Savings Bank, Wilmington, Del./$215.5	$4	0.8	5.6	
7/7	**Atlantic Bancorp, Voorhees, N.J./$150**	**William Penn Bank, Philadelphia/$30**	**$3**	**0.9**	**0.6**	**←INTERSTATE→**
6/8	Atlantic Financial Federal, Bala Cynwyd, Pa./$6,000	Uniontown Savings, Uniontown, Pa./$35.2	$2.79	N.A.	N.A.	
3/2	Community Bank System, De Witt, N.Y./$428	Nichols National Bank, Nichols, N.Y./$18.6	1.6	8.0		

Midwest Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Other Information
7/31	**PNC Financial Corp, Pittsburgh/$28,200**	**Central Bancorp, Cincinnati/$4,510**	**$700**	**2.5**	**13.2**	**←INTERSTATE→**
7/24	**Banc One Corp, Columbus, Ohio/$18,000**	**Marine Corp., Milwaukee/$4,300**	**$546**	**2.0**	**15.3**	**←INTERSTATE→**
12/28	**Trustcorp, Toledo, Ohio/$5,125**	**Summcorp, Fort Wayne, Ind./$2,000**	**$200**	**2.0**	**13.3**	**←INTERSTATE→**
12/15	ABN/LaSalle North America, Chicago/N.A.	Lane Financial Corp, Northbrook, Ill./$1,600	$200			
1/15	First Chicago Corp, Chicago/$41,700	First United Financial Corp, Arlington Heights, Ill./$1,100	$175	2.4	15.9	
4/28	**Manufacturers National Corp, Detroit/$8,000**	**Affiliated Banc Group, Morton Grove, Ill./$798**	**$142**	**2.4**	**12.1**	**←INTERSTATE→**
11/24	First Chicago Corp., Chicago/$41,700	Gary-Wheaton Corp., Wheaton, Ill./$791	$136	3.0	17	
6/25	**NBD Bancorp, Detroit/$22,600**	**State National Corp., Evanston, Ill./$684**	**$103**	**2.2**	**15.8**	**←INTERSTATE→**
7/20	Marshall & Ilsley Corp, Milwaukee/$5,500	Central Wisconsin Bankshares, Wausau, Wis./$726	$84	1.9	14.4	
9/10	**Huntington Bancshares, Columbus, Ohio/$7,800**	**United Midwest Bancorp, Troy, Mich./$403**	**$66**	**2.2**	**20.6**	**←INTERSTATE→**
2/17	Valley Bancorp, Appleton, Wis./$2,200	Community Banks, Inc., Middleton, Wis./$375	$51.5	1.9	16	
7/1	First Financial Group, Columbus, Ohio/N.A.	Buckeye Financial Corp, Columbus, Ohio/$1,400	$51.3	1.2	23.3	
5/6	**Trustcorp, Toledo, Ohio/$5,125**	**Citizens Trust Bancorp, Ann Arbor, Mich./$316**	**$50**	**N.A.**	**N.A.**	**←INTERSTATE→**
3/10	Merchants National Corp, Indianapolis/$4,200	Elston Corp, Crawfordsville, Ind./$143	$31.7	2.2	8.8	
11/30	**Household Bank, Newport Beach, Calif./$2,900**	**Freedom Federal Savings, Oak Brook, Ill./$750**	**$31**	**N.A.**	**N.A.**	**←INTERSTATE→**
5/28	**Old National Bancorp, Evansville, Ind./$1,500**	**First Farmers Corp, Madisonville, Ky./$135**	**$23**	**1.7**	**11.5**	**←INTERSTATE→**
11/24	Harris Bankcorp, Chicago/$10,000	Norris Bancorp, St. Charles, Ill./$200	$22	2.4	14.6	
7/30	Exchange International Corp, Chicago/$$1,928	River Oaks Bancorp, Calumet City, Ill./$114	$20.8	2.5	16	
7/30	**Trustcorp, Toledo, Ohio/$5,125**	**Ypsilanti Savings Bank, Ypsilanti, Mich./$138**	**$19**	**2.0**	**12.6**	**←INTERSTATE→**
8/30	Fourth Financial Corp, Wichita, Kans./$2,500	Union Financial Corp, Manhattan, Kan./$158	$18.8	1.9	11	
10/2	**Landmark Bancshares, St. Louis/$1,600**	**Eagle Bancorp, Highland, Ill./$174**	**$18.5**	**1.4**	**N.A.**	**←INTERSTATE→**
6/1	Suburban Bancorp, Palatine, Ill./$553	Woodstock State Bancorp, Woodstock, Ill./$110	$18	1.9	21	
2/1	Marine Corp., Springfield, Ill./$$875	Commercial Bancshares, Champaign, Ill./$98	$16.6	N.A.	N.A.	
7/15	**Fifth Third Bancorp, Cincinnati/$3,600**	**Firstbancorp, Batesville, Ind./$90**	**$13.7**	**1.5**	**14**	**←INTERSTATE→**
9/26	Liberty National Bancorp, Louisville, Ky./$2,600	Indiana First National Bancorp, Charleston, Ind./$97.1	$13.6	2.0	17	
8/4	**Banc One Corp, Columbus, Ohio/$18,000**	**Universal Corp, Ypsilanti, Mich./$107.5**	**$13**	**1.7**	**10**	**←INTERSTATE→**
4/17	First of America Bank Corp, Kalamazoo, Mich./$8,400	Manistee B&T Co., Manistee, Mich./$114	$11.3	1.4	9.5	
9/23	**First of America Bancorp, Kalamazoo, Mich./$8,400**	**First National Bancorp, Monroe, Wis./$93**	**$8.8**	**2.0**	**14.3**	**←INTERSTATE→**
9/16	Lincoln Financial Corp, Fort Wayne, Ind./$1,554	Rush National Bank, Rushville, Ind./$61	$8	1.9	15.5	
11/17	Liberty National Bancorp, Louisville, Ky./$2,600	Bank of Shelbyville, Ky./$45.5	$7.2	2	14.4	
7/31	CBT Corp, Paducah, Ky./$350	Pennyrile Citizens Bank, Hopkinsville, Ky./$45	$6.6	1.8	10.5	
3/19	**First Wisconsin Corp., Milwaukee/$7,000**	**North Shore Bancorp, Northbrook, Ill./N.A.**	**$6.16**	**2.0**	**16.4**	**←INTERSTATE→**
6/8	Merchants National Corp., Indianapolis/$4,200	New Palestine Bank, New Palestine, Ind./$40	$5.7	1.5	17	
1/21	**Trustcorp, Toledo, Ohio/$5,125**	**Midwest Bancorp, Columbus, Ind./$68.2**	**$5.7**	**2.5**	**42.2**	**←INTERSTATE→**
11/20	Liberty National Bancorp, Louisville, Ky./$2,600	Bank of Elizabethtown, Elizabethtown, Ky./$32.5	$5.4	2.0	22.3	
1/21	**Trustcorp, Toledo, Ohio/$5,125**	**Citizens Bancorp, Hartford City, Ind./$54.5**	**$5.1**	**1.6**	**11.7**	**←INTERSTATE→**
2/25	1stSource Corp, South Bend, Ind./$1,000	Hamlet State Bank, Hamlet, Ind./$33	$5	1.4	12.5	
2/20	CNB Bancshares, Evansville, Ind./$941	WVB Bancorp, Vincinnes, Ind./$30	$4.4	1.5	16	
6/22	Midwest Financial Group, Peoria, Ill./$2,200	Pershing National Bank, Decatur, Ill./$23	$3.2	1.2	19	
6/22	Midwest Financial Group, Peoria, Ill./$2,200	South Shore National Bank, Decatur, Ill./$18	$2.5	3.2	1.3	
1/12	**Trustcorp, Toledo, Ohio/$5,125**	**First State Bank, Dunkirk, Ind./$23.5**	**$2.4**	**1.4**	**16.8**	**←INTERSTATE→**
9/26	**Liberty National Bancorp, Louisville, Ky./$2,600**	**First Indiana Bank, Milltown, Ind./$7.3**	**$1.2**	**1.9**	**N.A.**	**←INTERSTATE→**

1987 Agreements and Offers

Listed below are financial institution merger and acquisition deals, ranked by price.
←INTERSTATE→ signifies interstate deals.

Southeast Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Other Information
4/27	**Sovran Financial Corp, Norfolk, Va./$$20,350**	**Commerce Union Corp, Nashville/$3,900**	**$654**	**2.2**	**16**	**←INTERSTATE→**
10/9	**First Union Corp, Charlotte, N.C./$26,800**	**Florida Commercial Banks, Miami/$979**	**$176**	**2.5**	**19.1**	**←INTERSTATE→**
6/25	**Kinder-Care, Inc., Montgomery, Ala/N.A.**	**American S&L Association, Miami/$3,100**	**$138**	**0.8**	**3.9**	**←INTERSTATE→**
1/12	**AmSouth Bancorp, Birmingham, Ala./$6,500**	**First Mutual Savings, Pensacola, Fla./$800**	**$56.5**	**1.5**	**28.2**	**←INTERSTATE→**
12/3	First American Corp., Nashville/$6,250	Northern of Tennessee, Clarksville, Tenn./$328	$51.3	2.6	18.3	
9/9	**Dominion Bankshares, Roanoke, Va./$7,300**	**Greene County Bancshares, Greeneville, Tenn./$185.4**	**$44.2**	**2.5**	**14.8**	**←INTERSTATE→**
9/16	**Dominion Bankshares, Roanoke, Va./$7,300**	**Citizens Union Bancorp, Rogersville, Tenn./$165.4**	**$36.9**	**2.5**	**13.6**	**←INTERSTATE→**
9/30	United Bancshares, Charleston, W.V./$785	Heritage Bancorp, Glenville, W.V./$135	$29.7	2.2	13.5	
4/22	**Great Western Financial Corp, Los Angeles/$29,500**	**Southern Home Savings, Pensacola, Fla./$251**	**$28.4**	**1.5**	**14.9**	**←INTERSTATE→**
1/12	**First Union Corp, Charlotte, N.C./$26,800**	**Sarasota B&T Co., Sarasota, Fla./$21**	**$24.5**	**2.4**	**N.A.**	**←INTERSTATE→**
1/18	Bankers First Corp, Augusta, Ga./$1,600	First Federal Savings Bank, Brunswick, Ga./$205	$24	2.4	9.6	
6/1	**Montrose Capital Corp, Durham, N.C./N.A.**	**Virginia Federal Savings, Richmond, Va./$700**	**$20**	**N.A.**	**N.A.**	**←INTERSTATE→**
2/13	Southeast Banking Corp, Miami/$12,700	West Florida Bank, Pensacola, Fla./$98.9	$20	1.8	N.A.	
10/19	First American Corp, Nashville/$6,250	American B&T Co., Cookeville, Tenn./$154	$19.1	2.5	15.9	
11/30	**Peoples Bancorp, Rocky Mount., N.C./$1,000**	**Seaboard S&L Association, Virginia Beach, Va./$97**	**$18.5**	**2.2**	**37**	**←INTERSTATE→**
4/30	Bank South Corp, Atlanta/$3,000	First Bank Financial Corp, Conyers, Ga./$64.6	$17.8	3.0	12.7	
2/4	**SunTrust Banks, Inc., Atlanta/$26,200**	**Loudon County Bancshares, Lenoir City, Tenn./$70**	**$16**	**2.6**	**16**	**←INTERSTATE→**
8/19	**Dominion Bancshares, Roanoke, Va./$7,300**	**Peoples National Bancorp, Shelbyville, Tenn./$91.3**	**$15**	**2.2**	**N.A.**	**←INTERSTATE→**
8/12	First Tennessee National Corp, Memphis/$6,000	Peoples & Union Bank, Lewisburg, Tenn./$66	$15	2.6	15.5	
10/21	Key Centurion Bankshares, Charleston, W.V./$1,800	Lincoln National Bank, Hamlin, W.V./$60	$14.3	1.5	11	
3/5	**First Union Corp, Charlotte, N.C./$26,800**	**First State Bancshares, Pensacola, Fla./$104.3**	**$12.5**	**2.0**	**11.3**	**←INTERSTATE→**
7/21	**Dominion Bankshares, Roanoke, Va./$7,300**	**Franklin First Corp, Decherd, Tenn./$57**	**$11.7**	**2.5**	**13.5**	**←INTERSTATE→**
3/18	Fortune Financial Group, Clearwater, Fla./$2,400	Marine S&L Association, Naples, Fla./$133	$10	1.6	16	
6/26	**Citizens & Southern Corp, Atlanta/$19,300**	**Southern Bank, Tallahassee, Fla./$55**	**$10**	**N.A.**	**N.A.**	**←INTERSTATE→**
11/27	**Barnett Banks, Jacksonville, Fla./$22,000**	**First Fulton Bancshares, Palmetto, Ga./$41**	**$9.8**	**3.5**	**21.7**	**←INTERSTATE→**
7/15	Grenada Sunburst Corp, Grenada, Miss./$1,200	Bank of Laurel, Laurel, Miss./$73	$9.1	1.8	14.5	
3/18	**First Union Corp, Charlotte, N.C./$26,800**	**Commerce National Bank, Naples, Fla./$43.2**	**$8.5**	**2.5**	**N.A.**	**←INTERSTATE→**
3/4	Metropolitan Federal Savings/$1,000	American Trust Savings, Hendersonville, Tenn./$40	$8.25	2.1	9.4	
1/10	**Mercantile Bankshares, Baltimore/$2,800**	**Eastville Bank, Eastville, Va./$22**	**$7.1**	**2.1**	**19.3**	**←INTERSTATE→**
7/27	First American Corp, Nashville/$6,250	First National Bank, Rockwood, Tenn./$110	$6.4	1.0	7.1	
10/8	Peoples Bancorp, Rocky Mt., N.C./$1,000	Citizens National Bank, Winston-Salem, N.C./$36.2	$6.5	1.8	36	
8/3	**First United Bancorp, Oakland, Md./$250**	**First National Bank, Piedmont, W.V./$23**	**$5**	**2.1**	**19.23**	**←INTERSTATE→**
2/6	Commerce Union Corp, Nashville/$3,900	Security B&T Co., Centerville, Tenn./$31	$5	1.2	9.9	
10/6	**RHNB Corp, Rock Hill, S.C./$249.3**	**MetroBank, Charlotte, N.C./$21.4**	**$4.2**	**2.5**	**6**	**←INTERSTATE→**
2/2	Bancorp of Mississippi, Tupelo, Miss./$1,100	American Bank, Vicksburg, Miss./$23.7	$2.9	1.16	N.A.	
7/2	**First Union Corp, Charlotte, N.C./$26,800**	**Bank of Bellevue, Nashville, Tenn./$8.9**	**$1.9**	**2.9**	**N.A.**	**←INTERSTATE→**
2/25	Union Planters Corp, Memphis, Tenn./$2,100	Bank of Trenton & Trust Co., Trenton, Tenn./$27.7	$1.6	0.8	3.2	

Southwest Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Other Information
5/21	**First Interstate Bancorp, Los Angeles/$52,000**	**Allied Bancshares, Houston/$9,863**	**$425**	**0.6**	**N.A.**	**←INTERSTATE→**
3/31	**Keycorp, Albany, N.Y./$10,300**	**Commercial Security Bancorp, Ogden, Utah/$830**	**$102**	**1.9**	**20**	**←INTERSTATE→**
6/17	Citizens Bank & Trust Co., Thibodaux, La./$265	Lafourche National Bank, Thibodaux, La./$118.5	$25.2	2.3	40	
8/17	**SunWest Financial Services, Albuquerque, N.M./$2,550**	**American Southwest Bancshares, El Paso, Texas/$202**	**$22.9**	**1.6**	**26.3**	**←INTERSTATE→**
9/16	Colson Investments, New York/N.A.	Jefferson Guaranty Bank, Metairie, La./$300	$17	N.A.	N.A.	
6/4	**Great Western Financial, Beverly Hills, Calif./$29,500**	**First Commercial Savings, Phoenix, Ariz./$76**	**$17**	**N.A.**	**N.A.**	**←INTERSTATE→**
9/14	First Commerce Corp, New Orleans/$3,600	First Commercial Bancshares, Chalmette, La./$110	$16.5	1.6	39.3	
1/17	**Security Pacific Corp, Los Angeles/$75,000**	**The State Bank, Lake Havasu City, Ariz./$77**	**$12.7**	**2.6**	**N.A.**	**←INTERSTATE→**
10/19	First American Bancorp, Levelland, Texas/N.A.	Texas American Bank, Levelland, Texas/$196.7	$12	1.0	6	
5/18	**Continental Illinois Corp, Chicago/$33,400**	**Grand Canyon Bank, Scottsdale, Ariz./$26.1**	**$4.2**	**2.3**	**N.A.**	**←INTERSTATE→**
2/17	**First Nationwide, San Francisco/$15,000**	**Capital Savings, Phoenix, Ariz./$36.7**	**$3**	**1.3**	**N.A.**	**←INTERSTATE→**

West Coast Region

Date	Acquirer/Asset Size ($ Mil.)	Acquired/Asset Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings	Other Information
2/24	**Security Pacific Corp, Los Angeles/$75,000**	**Rainier Bancorp, Seattle/$10,000**	**$1,150**	**2.0**	**16.4**	**←INTERSTATE→**
5/19	**U.S. Bancorp, Portland, Ore./$10,000**	**Peoples Bancorp, Seattle/$2,400**	**$288**	**2.0**	**N.A.**	**←INTERSTATE→**
2/26	Glenfed, Inc., Glendale, Calif./$22,350	Guarantee Financial Corp, Fresno, Calif/$2,800	$145	N.A.	N.A.	
8/24	D.P. Holdings, Marina del Rey, Calif./N.A.	Western Federal Savings, Marina del Rey, Calif./$2,000	$145	1.5	12.9	
7/28	**Great Western Financial Corp, Los Angeles/$29,500**	**Great Western Savings Bank, Bellevue, Wash./$750**	**$53**	**0.75**	**N.A.**	**←INTERSTATE→**
3/16	**San Paolo U.S. Holding Co., New York/$625**	**Valley National Bank, Glendale, Calif./$243**	**$46.7**	**2.45**	**13.3**	**←INTERSTATE→**
8/26	San Francisco Federal Savings, San Francisco/$2,800	Capital Federal Savings, Sacramento, Calif./$926	$35	1.0	11.6	
10/26	Pacific First Financial, Tacoma, Wash./$4,500	Prudential Bancorp, Seattle/$725	$34	0.75	N.A.	
8/6	**Talley Industries, Phoenix, Ariz./N.A.**	**East-West Federal Bank, Los Angeles/$338**	**$27.3**	**2.4**	**8.2**	**←INTERSTATE→**
6/25	**Keycorp, Albany, N.Y./$10,000**	**Western Security Financial Corp., Salem, Ore./$125**	**$16.8**	**N.A.**	**N.A.**	**←INTERSTATE→**
3/10	Bank of California, San Francisco/$4,200	Bank of Palm Springs, Palm Springs, Calif./$100	$16.2	2.5	23.1	
11/6	Ventura County National Bancorp, Oxnard, Calif./$175.3	Pacific Bancorp./Bakersfield, Calif./$192.2	$15.5	1.8	N.A.	
2/23	**Keycorp, Albany/$10,000**	**First Northwest Bancorp, Seattle, $109**	**$14.5**	**1.7**	**13.5**	**←INTERSTATE→**
10/9	**Nevada Savings Corp, Las Vegas/$2,180**	**Union Savings Association, Phoenix, Ariz./$38.1**	**$8.7**	**2.2**	**N.A.**	**←INTERSTATE→**
5/19	Washington Mutual Savings, Seattle/$5,600	Shoreline Savings Bank, Seattle/$450	$7.5	0.6	N.A.	
3/3	California Commercial Bancshares, Santa Ana, Calif./$130.2	Corporate National Bank, Santa Ana, Calif./$52.6	$4.7	1.1	14.7	
7/27	California State Bank, Covina, Calif./$148	Southland Bank, Arcadia, Calif./$46	$4.5	2.0	N.A.	
11/18	Santa Barbara Bancorp, Santa Barbara, Calif./$478	Community Bank, Solvang, Calif./$26	$4.3	2.0	N.A.	

Directors Buy Stock In Proposed Bank

PHILADELPHIA — The 13 directors of the proposed Republic Bank here have agreed to buy 149,423 shares, or 24.5%, of the minimum of 610,000 shares being offered directly to investors, according to Rolf A. Stensrud, president and chief executive officer. The shares are being offered at $8.50 a share, or $5.18 million.

The maximum number of shares to be offered directly is 900,000.

Following the direct offering, an additional 300,000 will be offered at $10 a share by Bailey, Martin & Appel Inc., of Philadelphia. Of these, 200,000 shares will be underwritten, 100,000 offered on a "best-efforts" basis.

Mr. Stensrud, 49, is a former senior vice president of Fidelity Bank here. He and also had been with the old Industrial Valley Bank and Trust Co. and Girard Bank. He said Republic would "project the image of a community bank and emphasize personal service" to small and medium-size businesses and professionals. It has received preliminary approval from the Pennsylvania Department of Banking.

The bank will be in the former first-floor office of Bank Hapoalim, Israel, which has moved to the second floor. ■

US Bancorp Acquires Peoples

SEATTLE — U.S. Bancorp, Portland, Ore., has completed its acquisition of Seattle-based Peoples Bancorp., according to a filing with the Securities and Exchange Commission.

U.S. Bancorp, a bank holding company, issued 2.6 common shares for every Peoples Bancorp. share tendered, according to the filing. ■

Lenders Fine-Tune Strategies for '88

➜ Continued from Back Page

niche by targeting franchisees who decide they want to open operations outside their home areas. "A regional bank might be a little reluctant" to make such a loan, he said.

Other companies are looking to enter the field, such as a franchise funding unit of Citicorp and Franchise Finance Corp., an independent company that arranges equity and debt financing packages and passes the tax advantages on to investors.

Road Repairs Loom

On another front, roads that were built in the 1950s and 1960s have deteriorated, with states and municipalities only now realizing that their highways must be repaved or perhaps replaced.

"Sooner or later, someone has got to recognize that the infrastructure of this country is deteriorating," said Mr. Focareta, explaining the attention his company is devoting to road repair.

"Typically, we're a company that will go to the end user — like the construction company that wants to buy a bulldozer," said Mr. Focareta. "We'll do it by knocking on the doors of the end users. If at times we have to go a little beyond the loan, we will." That might mean arranging receivables financing or offering another financial service to the construction firm.

While he acknowledged it is a very competitive business, Mr. Focareta says openings exist because many companies exited several years ago, when little road repair work was being done.

"Back 5, 10, or 15 years, when you talk about asset-based lending, road construction is where you were," he said. He added that about 60% of Westinghouse's business traditionally was related to road construction. ■

MasterCard Completes Acquisition of Cirrus

Card Issuer Plans to Use Name in ATM Network, Replacing MasterTeller Logo

By YVETTE D. KANTROW

NEW YORK — MasterCard International Inc. on Friday completed its acquisition of Cirrus System Inc., the nation's largest shared automated teller machine network.

The price was not disclosed, but earlier reports placed the value of the transaction at $38 million. Under the purchase agreement, Cirrus becomes a wholly owned subsidiary of New York-based MasterCard.

Cirrus is based in Downers Grove, Ill. It will continue to operate as a separate entity with its own management team and a board of directors chosen from its members. Russell E. Hogg, president and chief executive officer of MasterCard, will join the Cirrus board.

The network of 18,500 ATMs was owned by NBD Bancorp, Detroit; BayBanks Inc., Boston; First Interstate Bancorp, Los Angeles; Mellon Bank Corp., Pittsburgh; Bank of Montreal; and Norwest Corp., Minneapolis.

About 3,400 U.S. and Canadian financial institutions participated in Cirrus as of yearend 1987. Cirrus expects to have 30,500 ATMs, 4,300 member institutions, and 116 million eligible cardholders by the end of 1988, with much of the growth resulting from the merger.

MasterCard announced its agreement in principle to acquire Cirrus last September. The card issuer said it would use the Cirrus name on its worldwide network of ATMs, replacing its current MasterTeller logo. As MasterTeller members apply for Cirrus membership, the Cirrus network could gain approximately 8,300 machines.

The Cirrus network would then extend into Alabama, where it was not previously represented, and beyond the United States for the first time.

NBD Bancorp will continue to operate the ATM network's switch for another three years, according to Cirrus president Bruce A. Burchfield. After the contract with NBD expires, it is likely that MasterCard will take over the telecommunications responsibility.

"Most of Cirrus' members are connected to NBD already," Mr. Burchfield said. "To move it now would be the most move to advance the least."

The link between the two networks will be operational within this quarter.

With MasterCard's purchase of Cirrus, both major nationwide ATM networks are now affiliated with a bank credit card association. Visa U.S.A., San Mateo, Calif., purchased a minority interest last year in Plus System Inc. for $5 million. Visa has an option to acquire Denver-based Plus outright, but has said it does not anticipate taking that step.

Visa did decide to offer ATM services internationally using the Plus name and logo. This could double the size of the Plus 18,000-machine ATM network if all Visa members worldwide adopt the Plus identity. ■

Connecticut Thrift Asks Merrill Lynch to Help Find Suitors

By LINDA ELLIS

NEW YORK — Northeast Savings, Hartford, Conn., has asked its investment banker to find a buyer for the $6.8 billion-asset thrift.

Kent Dixon, Northeast's chairman and chief executive officer, said the board has directed Merrill Lynch Capital Markets to "explore strategic financial alternatives to maximize stockholder value."

While it is not clear whether this is the best time to sell Northeast, the thrift already has "several possible candidates" for buyers, said Mr. Dixon. A sale will not take place unless the purchaser, the terms, and the price are appropriate, he added.

Northeast lost $5.3 million in the quarter ended Sept. 30, down from earnings of $7.2 million for the period in 1986. The company took a one-time charge of $5.5 million in the 1987 quarter for restructuring, including the sale of 17 unprofitable branches and a reduction in overhead.

For its fiscal year ended March 31, the thrift earned $33.2 million, down from $37.8 million the previous year.

Discussions with investor Abraham D. Gosman had reached a holding pattern, but Mr. Gosman declined to accept a tentative standstill agreement with Northeast after he learned the board is considering alternative buyers, Mr. Dixon said. Mr. Gosman and family members own 9.8% of Northeast stock and have regulatory approval to buy up to 35% of the thrift's common shares.

Mr. Gosman is traveling and could not be reached for comment.

In October, Northeast adopted a shareholder rights plan designed to protect against hostile takeovers. On Dec. 29, four shareholders filed a class-action suit against the company, charging the antitakeover plan was not in the best interest of shareholders. ■

Citibank South Dakota a Major Participant in Swap Market

➜ Continued from Page 8

charges of between 18% and 21%, the bank is able to lock in quite sizable spreads, especially in today's environment, where the six-month London interbank offered rate hovers at about 7.5%, and two-year Treasury note yields are about 7.8%. Citibank's goal is to make sure that the floating-rate payment it receives offsets its own cost of raising funds for the credit card portfolio.

In an environment of rising rates, Citibank South Dakota may stand to profit because the floating-rate payment generally increases at a faster rate than the cost of its funds.

The strategy used by Citibank is not the only one available for managing credit card portfolios. For instance, a bank that finances its credit card receivables with medium-term notes, such as three-year instruments, would then want to arrange a swap in which it could receive three-year money to help pay its funding costs. This institution would then pay the floating side of the transaction and receive the fixed rate.

Many other banks said they aggressively hedge their credit card portfolios with swaps, but figures are not available for each institution.

"There are a variety of synthetic instruments that can help a bank fund, at a favorable interest rate, the maturity of its credit card portfolio, and swaps are one of those which is used fairly well," said Robert Rosholt, treasurer of First Chicago Corp.

"The real key a bank has to know is what interest rate sensitivity it has. It uses swaps to match that sensitivity."

Notional Value of Swaps Outstanding

Top 25 banks (thousands of dollars)

6/87 Rank Notional Value	6/87 Rank Asset Size		Notional Value June 1987	Notional Value Dec. 1986	Notional Value Dec. 1985
1	1	**Citibank**	$90,838,000	$66,071,000	$33,380,000
2	5	**Chemical Bank**	67,253,000	35,531,000	16,051,133
3	7	**Bankers Trust Co.**	66,828,183	51,565,000	23,541,000
4	6	**Manufacturers Hanover Trust Co.**	52,550,000	37,956,000	22,413,601
6	3	**Chase Manhattan Bank**	40,051,644	21,948,194	9,994,300
7	8	**Security Pacific National Bank**	28,457,392	14,739,495	1,328,598
8	9	**First National Bank of Chicago**	19,381,043	17,722,840	8,458,000
9	2	**Bank of America**	14,472,000	11,489,000	7,367,000
10	15	**First Interstate Bank**	13,882,489	11,343,601	7,176,760
11	13	**Marine Midland Bank**	10,139,480	4,242,480	3,154,600
12	11	**Mellon Bank**	6,629,518	5,956,720	2,440,046
13	14	**Irving Trust Co.**	4,898,851	2,437,141	502,400
14	10	**Continental Illinois**	4,615,319	4,923,875	3,322,362
15	16	**Bank of New York Co.**	4,534,529	3,573,540	1,216,076
16	19	**Bank of New England**	2,319,680	1,412,192	312,333
17	22	**Philadelphia National Bank**	2,281,844	1,210,426	684,000
18	23	**Harris Trust & Savings Bank**	2,117,715	2,109,170	1,603,700
19	20	**Citibank South Dakota**	2,100,000	945,000	0
20	21	**Seattle-First National Bank**	1,825,362	1,799,569	754,300
21	12	**Bank of Boston**	1,819,239	1,931,948	1,482,270
22	24	**Comerica Bank-Detroit**	1,540,716	1,565,716	1,168,000
23	26	**Bank One Columbus**	1,524,790	1,362,790	1,607,280
24	25	**National City Bank**	1,344,218	1,229,218	658,400
24	18	**NCNB-North Carolina**	1,228,709	689,942	10,000

Source: Board of Governors of the Federal Reserve System, Combined Call and Income File. 1987 data from call reports filed June 30, 1987. Other data from yearend call reports.

Swaps are also more attractive than other kinds of interest rate protection, such as futures contracts, because of the liquidity of the market and the fact that maturities are much longer than

Citibank: Page 31 ➜

1/14/88 C0175-1

American Banker

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Today

CONSUMER FINANCIAL SERVICES

Credit card affinity groups are getting bigger, despite evidence that this bank marketing trend has passed its peak of popularity. Researchers find that consumer response to solicitations is rapidly diminishing, but banks are trying to offset the lower response rates by defining the affinity groups more broadly. ________ 2

Institutions that sell private banking services to affluent customers have attracted the wrong people — most wealthy clients are more interested in low-cost loans than in high-priced services, according to Payment Systems Inc. ________ 2

Dollar Dry Dock Savings Bank, a White Plains, N.Y.-based thrift, has adopted an innovative retailing strategy and hired a manager with retail merchandising experience. ________ 6

Marketers in the financial services industry are increasingly turning to the wealth of computer-massaged demographic and psychographic information to serve existing customers and to identify new prospects. ________ 7

INSIDE

Hawaii's major utility has taken a big step into the financial services business by agreeing to acquire the state's second largest savings and loan association. Hawaiian Electric Industries Inc., parent of Hawaiian Electric Co., said it would pay $112 million for American Savings Bank. ________ 2

Some money center banks would have to set aside more than $2 billion to match the loan-loss reserves established by leading regionals to cover Third World debt, according to a study by the bank stock firm of Keefe, Bruyette & Woods Inc. ________ 3

Special provisions to offset potential losses on Third World debt hurt the fourth-quarter results of National Westminster Bank USA, New York, and the Bank of New England Corp., Boston. ________ 3

Bond-for-debt swap plans like the one envisioned by Mexico and J.P. Morgan & Co. must offer bankers more repayment guarantees if they are to succeed, according to the Brookings Institution. ________ 3

COMMENT

Marketing Management: To combat the rising cost of sending people to conferences, many banks are setting up their own in-house educational programs, writes consultant Michael P. Sullivan. ________ 4

KEEPING CURRENT

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Quote/Unquote

When you reach a point of saturation, I don't care what your plan is or how creative it seems, the odds are against you from the start.

Greg Spagna, president of Market Facts, on the decline of affinity card popularity. [Page 2]

Payment-System Glitch Complicated Stock Crash

Brady Report Cites Wire Transfer Shutdown as One Factor in Market Turmoil

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — On the day after Black Monday — when the financial system was on the verge of collapsing and huge amounts of cash were being shuttled between New York and Chicago — a critical link in the nation's funds-transfer system suddenly shut down for two hours.

The snafu occurred at a critical time: Billions of dollars were being moved out of New York to meet margin calls on Chicago's futures and options exchanges. The midday halt came at the height of the crisis, when chaotic trading was threatening to close the New York Stock Exchange.

The impact of the computer glitch is disputed. Federal Reserve officials are downplaying the incident. But the presidential commission appointed to study the market crash has suggested that the delay was one of several interruptions in the flow of funds to Chicago banks that contributed to problems in the market and could have led to default by one of the market's clearing houses.

Fed officials say the breakdown, which was brought to light in the commission's report, was triggered not by excessive volume, but by a bank that entered a lengthy electronic message — an instruction to transfer funds — into the central bank's Fed Wire system. That message unveiled a previously undetected glitch in the programs that run the Chicago Fed's computers. The Chicago link shut down Tuesday, Oct. 20, between 10 a.m. and 12:30 p.m. central time, just as the market turmoil was peaking.

Among many market factors cited by the commission's report were the Fed Wire breakdown and new central bank rules limiting intraday overdrafts in accounts banks hold at the Federal Reserve. These so-called daylight overdrafts occur when banks transfer customers' funds to other banks with the expectation that the deficits will be covered by incoming funds later in the day. The Fed has established a system of caps under which a bank's overdraft limit is determined by its capital and other factors.

The commission said that the overdraft caps nearly created "gridlock" in the payments system during the crisis.

Fed: Page 12 ➞

Citicorp Shuffles Staff Within Its Institutional Bank

By JED HOROWITZ

NEW YORK — Citicorp, barely pausing after reorganizing its investment bank, is engineering a number of changes in its corporate banking sector, known in company jargon as the institutional bank.

The changes, announced in an internal memorandum last Friday, center on the North American finance group, the corporate bank's most profitable division.

Jeffrey Grandy, 48, takes star billing in the reorganization, moving from the top spot at the bank's real estate industries group to lead its corporate and asset-based finance division. The unit, which has more than 1,500 staffers, in-

Citicorp: Page 10 ➞

Bank Firm Uses State Charter Loophole To Expand into Suburbs of Chicago

By ANDREA BENNETT
Midwest Bureau

CHICAGO — A Chicago bank holding company has circumvented statutory restrictions on branch banking by using an Illinois regulatory policy to expand its presence in suburban markets.

Exchange International Corp. is the first to use an Illinois provision that allows a bank holding company to buy a "less active" Illinois bank charter and relocate that bank elsewhere in the state.

Under the Illinois regulation, which applies only to state-chartered banks, one bank can purchase and assume most of the assets and liabilities of a second, which then has a less-active, but still operating, bank charter. That charter can, in essence, be put on the shelf and sold to another bank. Illinois regulators said there are no restrictions on where in the state a purchasing bank can move a bank charter.

Exchange, parent company of the $2.1 billion-asset Exchange National Bank, said Tuesday it bought the charter of the Farmers' State Bank of Sheffield in western Illinois and plans to use it to open a bank in Du Page County, a fast-growing Chicago suburban area.

"This is the first time that a less-active charter has been sold and [will be] reactivated," said William Conaghan, Illinois deputy banking commissioner. "I can assure you we will see more in the future."

Since mid-1986, when Illinois loos-

Loophole: Page 12 ➞

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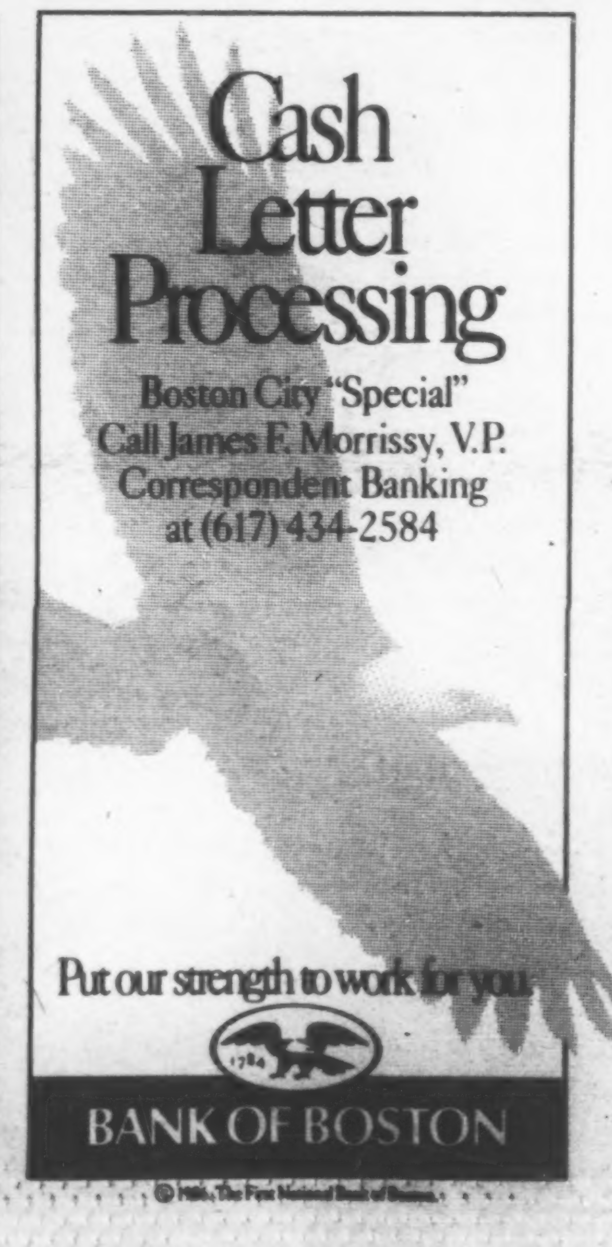

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IN THE NEWS

Bank Fined on Boycott Rules

WASHINGTON — The Department of Commerce said it fined American National Bank and Trust Co., Chattanooga, Tenn., $33,000 for violating antiboycott provisions of the Export Administration Act. The act requires U.S. companies to report any requests for restrictive trade or boycotts. The department says American National failed to report promptly 22 receipts between January 1983 and June 1984 from Kuwait that asked the bank not to conduct business with Israel. American National agreed to pay the civil penalty but did not deny or admit the violations.

Chemical Officer in London Quits

LONDON — Chemical Bank's London-based managing director for international banking and corporate finance activities, John Howland-Jackson, is resigning to pursue other interests. Mr. Howland-Jackson joined Chemical in October 1986 from Kleinwort Benson Ltd., where he had been head of global capital market activities. Mr. Howland-Jackson was one of Chemical's two top operating officers in London.

Sources said the resignation was tied to pending changes in the business strategy of the London branch. Mr. Howland-Jackson could not be reached for comment.

Union Buys Stake in Bank

CHICAGO — Teamsters Local 705 has completed an agreement to purchase a 14% interest in Amalgamated Trust & Savings Bank, a $300 million-asset Chicago bank with strong union ties. The purchase price was not disclosed. Local 705, which represents truck drivers, oil drivers, filling station employees, and platform workers, will be Amalgamated's second largest stockholder.

Citibank Upgrades in Portugal

LONDON — Citibank is upgrading its Portuguese branch into a subsidiary with full commercial banking status to participate more fully in that country's capital markets, a spokesman said. The new bank, Citibank SA, has received approval from the Portuguese finance ministry and is scheduled to begin operations on Friday.

Citibank is the second U.S. bank to create a subsidiary with full banking status in Portugal, following Manufacturers Hanover SA, a unit of Manufacturers Hanover Corp.

Westinghouse Unit Buys Stock

CHICAGO — Westinghouse Financial Services has acquired 20% of the common stock of Mesirow Financial Holdings Inc., the two parties said. The terms were not disclosed. Westinghouse Financial is the parent of Westinghouse Credit Corp. of Pittsburgh, a diversified business finance company. Mesirow, based in Chicago, is a financial services and investment banking firm.

Pacific First Sells Mortgage Unit

TACOMA, Wash. — Pacific First Financial Corp. said it has agreed to sell its mortgage servicing operation in Walnut Creek, Calif., which has a $2.3 billion portfolio, to Commonwealth Mortgage America, Houston. The parent of Pacific First Federal Savings Bank and Pacific First Mortgage Corp. said the sale will generate about $33 million in cash.

— **Compiled by Dennis P. O'Connell**

Money Centers Lag in Loan-Loss Reserves

By JOHN P. FORDE

NEW YORK — Some money center banking companies would have to set aside more than $2 billion to match the loan-loss reserves established by leading regionals to cover Third World debt, according to a study by Keefe, Bruyette & Woods Inc.

For comparison, the study used Security Pacific Corp., Los Angeles, which has boosted its reserve to about 54% of its nontrade-related exposure to developing countries.

SecPac Makes Major Provision

On Monday, Security Pacific said fourth-quarter results would include a $350 million special provision in connection with loans to Third World countries.

The provision will result in a $40 million loss for the quarter, the company said, placing earnings at about $15 million for the year.

Combined with special provisions made previously — $558 million in the second quarter and $150 million in the third quarter — the latest action raises Security Pacific's reserve allocated to Third World debt to about $980 million.

The Keefe Bruyette study shows that several of the largest regional firms have higher percentages in reserves than Security Pacific. Others, such as Bank of Boston Corp., have similar percentages in reserve.

Money Centers About 25%

Money center banking companies have followed the lead of Citicorp, which raised its Third World loan-loss reserve in May to about 25% of its total LDC debt. At the time, Citicorp's move was hailed as a major breakthrough, signaling attempts to evaluate more realistically the actual risk posed by Third World loans.

According to the study, BankAmerica Corp., San Francisco, would have to set aside almost $3.1 billion to boost its reserve to 54% of its exposure. Citicorp would have to add $3 billion to its reserve to cover that percentage of its Third World debt.

Regional firms with reserves representing more than 54% of their nontrade-related Third World debt include Bank of New England Corp., Boston, and PNC Financial Corp., Pittsburgh. ■

Third World Loan-Loss Reserves

At major U.S. banks (millions of dollars)

	Total Nontrade LDC Exposure[1]	Existing LDC Reserve[1]	Actual Reserve Coverage Nontrade LDC Exposure[1]	Addl. Provision To Cover 54% Of Nontrade LDC Exposure[1]
Citicorp	$11,900	$3,432	29%	$2,994
BankAmerica	9,054	1,808	20	3,081
Chase Manhattan[7]	8,140	1,970	24	2,426
Manufacturers Hanover[3]	7,893	1,813	23	2,449
J.P. Morgan[4]	4,481	1,317	29	1,103
Bankers Trust[6]	4,000	1,000	25	1,160
Chemical[9]	3,963	1,505	38	635
First Chicago	2,325	930	40	326
Continental Illinois	2,048	660	32	446
Security Pacific	1,815	980	54	0
Wells Fargo	1,630	760	47	120
Irving Bank Corp.	1,615	289	18	583
Mellon Bank Corp.	1,375	620	45	123
First Republic[8] [9]	1,360	304	22	430
First Interstate[6]	1,350	530	39	199
Bank of Boston	800	430	54	2
Norwest[8] [9]	592	269	45	51
Republic New York[8]	487	100	21	163
Bank of New York	484	148	31	113
PNC Financial	400	240	60	(24)
First Bank System	264	145	55	(2)
Bank of New England	257	196	76	(57)
Manufacturers National	229	118	52	6
Mercantile Bancorp[8]	217	109	50	8
First Wachovia[8]	207	105	51	7
First Wisconsin[8]	195	108	55	(3)
National City Corp.	172	110	64	(17)
Riggs National[8]	106	47	44	11
NCNB Corp.[5]	105	54	51	3
Signet Banking Corp.[8]	97	58	59	(5)
Centerre Bancorp	87	45	52	2
Midlantic Corp.[8]	86	54	63	(8)
Fleet/Norstar Financial[8]	75	75	100	(35)
Huntington Bancshares[8]	68	33	48	4
Indiana National	67	37	55	0
First Kentucky National[8]	43	22	50	2
First Tennessee[8]	40	20	49	2

[1] Data used in calculations are net of previous (or intended in Bank of Boston's case) LDC chargeoffs.
[2] Reserve coverage ratios include previous LDC chargeoffs.
[3] LDC exposure includes short-term outstandings for the five largest Latin American countries only.
[4] LDC exposure includes short-term outstandings for Brazil, Mexico, and Argentina only; as of 12/31/86.
[5] NCNB has written down its Mexican debt by 56%; the remaining $54 million in LDC reserves is allocated solely against the debt from LDC countries other than Mexico. Hence the portion of Mexican debt which has not been charged off is not included in the current LDC exposure amount.
[6] LDC exposure includes short-term outstandings for Brazil and Mexico only.
[7] LDC exposure includes short-term outstandings for Brazil, Mexico, Argentina, and Venezuela only.
[8] LDC exposure figure includes trade-related debt. A breakdown on nontrade-related debt was not available.
[9] Existing LDC reserve data as of 6/30/87.

Source: Keefe, Bruyette & Woods Inc.

Loss Provisions Mar Results at NatWest And Boston Bank

By JOHN P. FORDE
and MICHAEL WEINSTEIN

Special provisions to offset potential losses on Third World debt hurt the results of National Westminster Bank USA, New York, and Bank of New England Corp., Boston, in the fourth quarter.

National Westminster lost $46.4 million in the fourth quarter because of a $75 million addition to its reserve against potential losses to countries with severe debt servicing problems.

Bank of New England Corp. on Wednesday reported a drop in fourth-quarter and yearly earnings compared to last year, because of special provisions in 1987 to cover possible loan losses to lesser-developed countries.

NatWest's loss compared with net income of $17.9 million for the fourth quarter of 1986. For all of 1987, NatWest lost $212 million, primarily because the company set aside $295 million against possible losses on lesser-developed-country loans during the

Loss Provisions: Page 10 ➜

Debt Swap Plans Need Guarantees To Attract Banks: Brookings Study

By JIM McTAGUE
Washington Bureau

WASHINGTON — Bond-for-debt plans like the one developed by Mexico and Morgan Guaranty Trust Co. must give bankers more repayment guarantees if they are to succeed, according to a paper released by the Brookings Institution.

Under the Morgan plan, Mexico would swap its debt at a discount for 20-year bonds collateralized by zero-coupon U.S. Treasuries. Creditor banks are expected to receive from 50 cents to 70 cents on the dollar for their loans if they participate in the plan.

Though banks would be assured of receiving the bonds' principal because of the collateral, interest payments would depend on Mexico's ability to service its debt, which might make bankers reluctant to buy the bonds, according to the authors of the paper, Jeffrey Sachs and Harry Huizinga, Harvard University economics professors.

The economists, who analyzed various proposals, suggest a program to allow banks to exchange foreign debt for a bond with the same face value but a below-market coupon rate. Such a swap would allow banks to avoid debt writedowns until they sold the bonds in the secondary market, they said.

Since the stock markets already have discounted bank stock to reflect Third World loans, bankers should be willing to swap the debt for a safer instrument, according to the paper from the independent research organization.

The swaps would be conducted through a facility of the World Bank or some other organization that would accept exit bonds from the debtor nations and at the same time swap its own bonds with debt held by commercial banks. The bank debts would be erased at that time.

Each creditor country would participate in the international debt facility in proportion to its banks' exposure in the problem countries. The costs to the creditor countries would be modest, the professors said.

U.S. banks held approximately $57 billion in claims against governments

Swap Plans: Page 10 ➜

MARKETING MANAGEMENT

Bringing Banker Education 'Within the Walls'

By MICHAEL P. SULLIVAN

THEY DON'T educate and train bankers like they used to. In fact, if you read this newspaper, you will find that a number of commercial banks take a different tack when looking at the organizational imperative to train and educate bankers. Assume for our purposes that banker education includes anything in the annual budget spent on classroom instruction — banker schools, conferences and workshops, and annual conventions.

At a number of banks today, the party line is that the bank is in an austerity mode and attendance is being cut for bank employee attendance at external meetings. But, with recent trends in the industry, there may be a lot more to it than that. A lot of soul-searching is going on in the executive suites about the value of external meetings. The chief executive at one major regional bank says his organization is giving up attendance at national and regional meetings for at least a year.

After a one-year hiatus, bank employees will provide the organization with a report of what they and the bank missed by not attending the conference or school. The idea, a clever one for the bank seeking to cut expenses, is that bank employees will not have an adequate rationale for what their bank lost by not having them attend and they won't be able to justify attendance. The profitability of this bank could be enhanced by as much as a million dollars a year. Likely, bank employees will be hesitant to ask to go to meetings in the future.

Sullivan Says:

The cost of sending a banker halfway across the country to a banking school for two to three weeks over a period of several years can be sizable. So the bank creates its own school.

Quite a number of banks have issued instructions to employees: If it doesn't contribute to the bottom line in the next six months, don't bother to ask. If this move by a few becomes commonplace, pity the banking associations that depend on high-return conferences to carry the many low-return services they offer. There could be more mergers among banking associations than among banks in 1988.

Quality education and training of bankers is performed by others, not just industry associations. A number of commercial enterprises provide banker educational programs. In fact, some of the best leading-edge educational formats and programs come from private firms, offered either as a mainline activity or as an adjunct to another business such as consulting, publishing, or information processing. They, too, are under pressure in this banking environment.

I call this emerging trend "banker education within the walls." It is easy to see why this form of intramural education is becoming popular. The cost of sending a banker halfway across the country to a banking school for two to three weeks over a period of several years can be sizable. So the bank creates its own school.

The Banc One College in Columbus, Ohio, is run twice a year for executive management of its operational units. Faculty for the two-week school are top-notch academicians and banking consultants. And, the bank doesn't stop there. Internal seminars are held for bank employees on popular subjects, such as sales management.

The benefit, as far as the bank is concerned, is that a greater number of its employees can be part of a significant educational process than could attend a national meeting. Even better, the programs can be specific to Banc One — a decided advantage, the bank believes.

Sovran Bank in Virginia conducts a 10-month fast-track program for its entry-level management associates, but with a new twist. The program is run for the bank by banking faculty members from Virginia Commonwealth University in Richmond. The program creates greater return for the bank because students work in teams on a significant banking project and at the end of the program they present solutions to senior bank executives.

Mellon's Approach

Mellon Bank, Pittsburgh, runs three levels of in-bank education. The first is corporate-wide and includes skills building. For its correspondent banks, it runs the Mellon Concentrated Course in Banking. The program for newly appointed officers of correspondent banks is a two-week residential course.

The second level is cross-departmental, sponsored by such groups as marketing. It conducts a forum twice a year to provide marketing education for its affiliate banks, especially for line bankers. A combination of inside and outside faculty are used.

At the third level, it runs job-specific, technologically based programs. Mellon's Master Trust University and Cash Management University are two programs that are widely publicized in the banking industry.

In addition, Mellon's physical facilities for in-bank programs are equipped with the latest in training resources, including video options.

First Union National Bank, Charlotte, N.C., believes that if you are going to develop a strong institutional sales culture, then you need to act like a strong national sales-driven organization. It conducts an annual sales conference for hundreds of bank employees that rivals national sales meetings by Avon, IBM, and Chevrolet for its intensity and motivational and informational content.

The popularity of in-bank training has led to the formation of a new trade association as a central reference location for bank trainers. The Association of Bank Trainers and Consultants, New York City, conducts conferences and forums and provides data and other information.

While banker education within the walls appears to be a growing phenomenon among mid- to large-size banks, it is not as popular among small banks that cannot afford a full-time staff. They seem to rely more on external bank trainers who provide training at the bank for employees or participating in programs conducted by the state banking association or other regionally based trainers.

Perhaps banking associations and other providers of in-residence training programs ought to look more closely at alternatives to traditional ways of delivering services, such as taking their schools "inside the walls" of a number of commercial banks. ■

Mr. Sullivan is president of Michael P. Sullivan Associates, a marketing and communications consulting firm in Charlotte, N.C.

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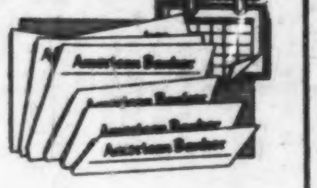
We need your views to be a true community newspaper.

FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

• Chase National Bank's annual report revealed the bank handled the largest volume of business in its history in 1947. Chase's net earnings were $19.8 million, or $2.68 a share.

• The President's Economic Report to Congress commended leaders of the commercial banking system for their "far-sighted action" in curtailing an "inflationary expansion of bank credit."

20 Years Ago

• Credit card sales of banks participating in the national BankAmericard system amounted to $459 million in 1967, its first full calendar year of operation, according to Vern C. Richards, president of BankAmerica Service Corp.

• U.S. exports in 1967 rose 5.5% and imports rose 4.5%, boosting the U.S. trade surplus to $4.3 billion for the year.

10 Years Ago

• The Ford City Bank & Trust Co., Chicago, announced it would offer diamonds as interest on four-year savings certificates. The bank offered the gems unset at wholesale prices, and promised to "refund the deposit for any customer who is not satisfied, and to reimburse such a customer for the cost of the appraisal."

• The Federal Reserve Board was considering implementing its two-year-old proposal to permit automatic transfers between savings and checking accounts. The proposed regulation had sweeping competitive and political implications because it would allow customers of Fed member banks to receive interest on most checking account deposits.

• Saying his presence could be a "complicating distraction to a new chairman," Federal Reserve Board Chairman Arthur F. Burns told President Carter he would not continue as a Fed member beyond March 31.

• Bank stocks declined across a wide range following a general market trend led by the drop in the Dow Jones industrial average of 55.27 points over the week.

5 Years Ago

• Officials of 35 Western and Japanese banks established a private global organization to help lenders judge the creditworthiness of countries seeking loans. The Washington-based Institute of International Finance Inc. was to be funded solely by dues from banks wishing to use the organization's services.

• Most of the nation's largest banks dropped their prime rates to 11% from 11½% amid renewed optimism of lower market rates and an economic upturn that was expected to gather steam in the early part of the year.

• Century 21, the nationwide real estate brokerage firm, announced its entry into the financial services field with the establishment of subsidiaries for mortgage brokerage, property insurance, and sales of real estate limited partnerships.

• The financial community's ongoing battle against tax withholding provisions on interest and dividend income gained strength on Capitol Hill, where members of Congress were receiving hundreds of letters a day urging the repeal of a law that would require financial institutions to withhold 10% of investors' interest and dividends.

1 Year Ago

• The Supreme Court upheld the right of national banks to establish interstate brokerage branches, a decision bankers expected to encourage development of nationwide securities businesses by commercial banks.

• A federal appeals court denied a rehearing sought by the Securities and Exchange Commission to force banks to register their securities subsidiaries with the agency as broker-dealers. The decision reduced the burden of regulation that had deterred some banks from entering the discount brokerage business.

— Domenica Trevor

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Today

NEWS MONDAY WEEKLY REVIEW

Third World debt continued to dominate banks' concerns in the fourth quarter as regionals opted for another round of loan-loss provisions. — 13

All things seemed possible last fall after Senate Banking Committee Chairman William Proxmire said he would seek an overhaul of the Glass-Steagall Act. Now reality is beginning to set in. — 15

Community banks don't like the moratorium on new bank products, but they're not exactly clamoring for new securities powers. — 15

Capital People — 14

INSIDE

Europe's version of interstate banking came a step closer to reality this month with the adoption of a plan to allow European banks to break into each other's national markets. — 2

Meritor Financial Group, Philadelphia, reported losses for the fourth quarter and the year. In Los Angeles, CalFed Inc. and H.F. Ahmanson & Co. also had lower profits. — 2

BankAmerica Corp., in a drive to remove 5,000 jobs from its payroll this year, reportedly intends to reduce the number of workers in its retail branch system as well as continue its retrenchment in overseas markets. 2

Bankers Trust Co. has rewarded Jay Pomrenze, head of its highly profitable foreign exchange trading operations, with responsibility for trading activities worldwide. — 2

The Entree debit card program is facing intense scrutiny by a task force of the National Association of Attorneys General. The probe could lead to an antitrust case against banks. 3

Now that the doors have closed at its two Southern California offices, the law firm of Finley Kumble ends a chapter that was marked by ties to a string of troubled California banks. 32

COMMENT

Foreign owners bought their investments in the United States fair and square, writes Dr. Paul S. Nadler. 4

Alan Greenspan's actions provide a clear view of a conventional, if troubling, approach to central banking, writes H. Erich Heinemann. — 4

KEEPING CURRENT

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Quote/Unquote

The first 200 years are going to be the worst. After that, we should have an easier job.

Lord Young, Britain's minister for trade and industry, commenting on efforts to break down financial barriers between European countries. [Page 2]

Bank Investments in Mortgage Securities Soar

By L. MICHAEL CACACE

NEW YORK — Commercial banks and thrift institutions continued last year to increase substantially their holdings of mortgage securities. However, the growth in these investments at commercial banks was four times faster than at thrifts and three times faster than the growth in the total supply of these securities.

Exemplifying the growth in mortgage security investments is New York-based Chemical Bank. Chemical was the No. 1 bank in mortgage security investment. Its holdings of these securities rose almost ninefold to $3.7 billion on June 30, 1987, from $387 million a year earlier, when it ranked No. 11 in these investments.

A Chemical spokeswoman said, "Most of the portfolio was bought in the latter part of 1986, because of the historically wide spread between these securities and Treasuries."

(During the last quarter of 1986, the yield on Government National Mortgage Association securities expected to mature in 12 years exceeded the yield on 10-year Treasury securities by 151 to 163 basis points.)

Several factors contributed to the sharp growth in investment in these securities last year. First, alternative investment opportunities for banks were slim. For example, business loans grew a modest 4% last year, and consumer loans rose by less than 3%.

Second, tax law changes removed municipal bonds as candidates for addi-

Bank: Page 21 ➸

AN American Banker SURVEY

Top Holders of Mortgage Securities

On June 30, 1987 (millions of dollars)

Banks		Thrifts	
1. Chemical Bank	$3,668	1. American S&L Assn.	$17,340
2. Bank of America	2,929	2. Gibraltar Savings	5,149
3. Wells Fargo Bank	2,028	3. Standard Federal Bank	4,334
4. Pittsburgh National Bank	1,988	4. Franklin Savings Assn.	3,998
5. First Union Nat'l Bank of Fla.	1,519	5. First Federal of Michigan	3,658

WASHINGTON BRIEFING

New Bank Powers May Be a Weapon In Community Reinvestment Act Battle

By JAY ROSENSTEIN

WASHINGTON — Members of Congress are beginning to stockpile some of the ammunition they will use this year in the fight to strengthen the Community Reinvestment Act.

An Insider's Guide
To Capital Issues

The 1977 law requires federal regulators to take into account the community reinvestment record of banks and thrifts when those institutions apply to expand, such as through branching and mergers. Community groups also have the right under the law to challenge applications from institutions they sense have not met their community reinvestment obligations.

In the next week or so, federal regulators are expected to respond in writing to a lengthy request from Senate Banking Committee Chairman William Proxmire, D-Wis., for details about how the agencies are enforcing the law. Some observers say the results may show the agencies enforcing the letter of the community reinvestment law, but casting doubt on enforcement of the spirit of the law.

Consumer and community representatives say the law needs to be toughened. They claim that enforcement by the regulators to date has been lax. They add that if banking powers

Briefing: Page 14 ➸

Hostile Bid For Centerre Termed Low

Special to the American Banker

ST. LOUIS — Banking analysts expect Centerre Bancorp. to reject the unsolicited $260 million takeover offer made last week by United Missouri Bancshares Inc., a smaller cross-state rival.

Mergers, Acquisitions

The offer, which has baffled some bankers and analysts, amounts to only slightly more than Centerre's market value and a 25% discount to book value.

Centerre's board has "no reason to sell" at the offered price, said Kenneth F. Puglisi, a vice president with the New York securities firm of Keefe, Bruyette & Woods Inc. United Missouri's attempt at a "bear hug at market prices just doesn't make sense," he said.

Family Stake

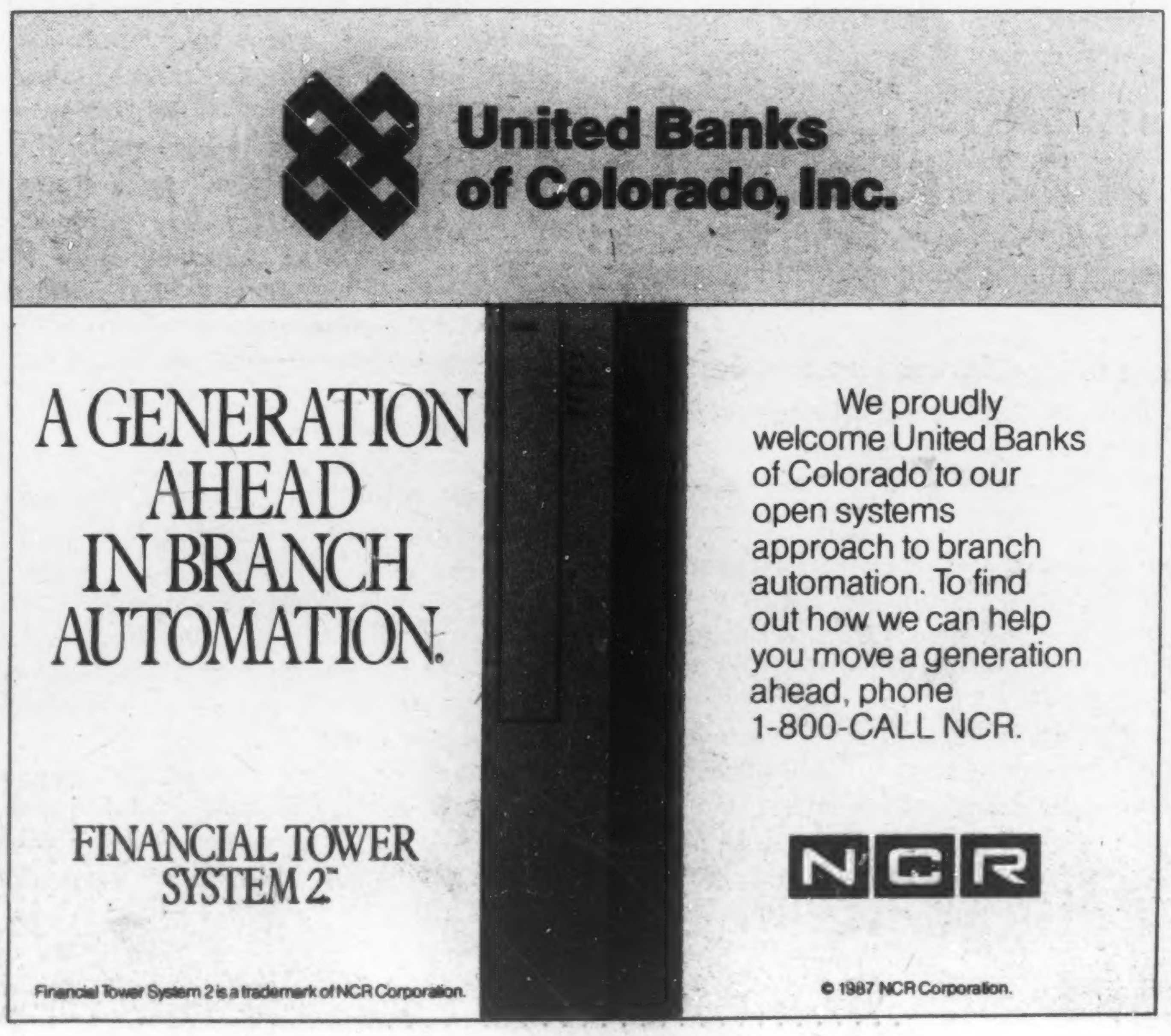
R. Crosby Kemper Jr., chairman of United Missouri, set a Wednesday deadline for Centerre to respond to the offer, which was made late last Thursday. A Centerre spokeswoman said the company's board would meet before the deadline.

Mr. Kemper, members of his family, and United Missouri control about 8% of Centerre's stock, the chairman said. He and his family obtained much of their stock in the early 1970s after selling two Missouri banks to Centerre.

During an interview on Friday, Mr. Kemper termed hostile bank takeover attempts "unfortunate." He said he wanted "a friendly merger" but added that Centerre's chairman said "he was shocked" when informed of the offer. Mr. Kemper declined to comment on whether he would pursue a hostile tender offer if Centerre rejects the initial bid.

Centerre's stock opened higher Friday on speculation that Mr. Kemper

Centerre: Page 30 ➸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BANKING TRENDS

Foreign Ownership Is Price We Pay for Buying Goods Made Abroad

By DR. PAUL S. NADLER

AT EVERY LECTURE and discussion where there is a question period, I get one inevitable query: "What's going to happen as foreigners buy up more and more of the United States?"

It is not hard to see why this is a major concern. Every day we read about Japanese and others buying land, hotels, office buildings, and even banks when they can.

The worry of bankers and other business people everywhere in the nation is whether these foreigners will start controlling our country and make things more difficult for Americans.

There are answers to this question, however, that should calm reasonable people, even though some of the answers are not as pleasant as we would like.

First and foremost, they have a right to buy America. After all, they sold us goods and services. We paid for them with dollars, which they have a right to use. They don't want to keep the dollars in a museum in Yokahama.

For a while foreigners used most of their dollars to buy U.S. government securities and thereby finance our budget deficits. But as the dollar's value dropped in half, or even more, relative to their currencies, they decided this was not a very smart policy.

That is why the foreign supporters of the U.S. dollar now are not private dollar holders but rather official groups like central banks and governments. The private holders have decided hotels and office buildings are real assets whose value has more stability than U.S. dollar fixed-income investments.

Buying into Foreign Ownership

In addition, they feel that the U.S. is the most stable governmental system in the world, so fixed investments here should be far less risky than those elsewhere. This is especially true of Europeans who fear Russian intervention or expropriation of their buildings and other fixed assets by socialists in their own countries.

So foreigners use their dollars to buy America. They only own a small part — some have estimated as little as 3%, which is far less than the 6% of European assets Americans owned at our peak a decade or so ago. Yet this is a major worry to many in my audiences.

So when the question of foreign ownership in America comes up, I respond: "What kind of car do you drive?" Almost invariably the question plays right into my hand.

"A Mercedes," he replies, or "I drive a Toyota."

"The defense rests," I conclude.

In other words, if we want foreign goods in preference to our own, foreigners have a right to use the proceeds to buy our goods. We created our own problem.

But is this really dangerous to America? Should we worry that foreigners are buying more and more of our buildings, setting up manufacturing companies here, and otherwise making "direct investments" in the United States?

To the contrary, this is good.

Nadler Says:

If the foreign investor becomes antisocial, he will quickly find his properties subject to control.

First, think of the people who sell the facilities or those who are put to work erecting the plants and making the equipment that foreigners buy.

The sellers of the land, the people employed to make a Japanese auto factory in Kentucky, are not unhappy. They have jobs, income, profits. Whether the dollars come from Japanese, Chinese, or Eskimos makes little difference to them — the dollars are green.

Second is the issue of whether foreign owners of U.S. facilities are going to be good citizens. Again the answer is positive. Why would someone invest money in facilities to wreck them? The foreign owners of U.S. plants, hotels, and buildings want them to be successful so they can earn profits.

Vested Interest

In fact, having U.S. investments makes them more solicitous of our country than they otherwise would be, for they have a dollar-and-cents reason to want us to prosper. It is like the man who always flicks his lighted cigarettes off his terrace except when his own convertible is parked underneath.

Third, the U.S. government will not allow foreigners to be poor citizens of our economy. We know governments take precedence over individual owners of plants and other assets in today's world. There are no more "banana republics," under which the government is owned by the major manufacturer, as was the case when banana companies owned many Central American governments and ran them for the benefit of the company instead of the people.

We saw that with our investments in oil development in the Middle East. The investments of American companies meant little when they were expropriated by the governments. In a

BANKING TRENDS: Page 8 ➸

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OVERVIEW

Silence May Not Be Golden for Alan Greenspan

By H. ERICH HEINEMANN

ALAN GREENSPAN took the oath of office as chairman of the Board of Governors of the Federal Reserve System almost six months ago. Since that time, Mr. Greenspan has had little to say in public about monetary policy. Because other members of the Fed have continued to be outspoken in expressing their views, rightly or wrongly, some analysts are starting to question the quality of Mr. Greenspan's leadership.

His actions, by contrast, have provided a clear view of a conventional, if troubling, approach to the art of central banking. The Greenspan Fed, like the regime under former Chairman Paul A. Volcker, appears to be primarily concerned with trying to fend off both existing and potential inflation.

As befits the proprietor of one of the world's leading currencies, Mr. Greenspan suggests through his actions that if necessary he would defend the dollar at the cost of a recession. (Martha R. Seger, the leading advocate of easy money on the Fed Board, charged last week that a recession is likely during 1988.) Meanwhile, manipulating short-term interest rates continues to be the central bank's preferred technique for achieving its targets.

Early last year, Mr. Volcker initiated an abrupt shift in Fed policy from easy money to tight. The growth rates of total bank reserves and the money supply, which had risen at a record pace in 1985 and 1986, dropped faster and further than in any other period since World War II. At the beginning of September, Mr. Greenspan accentuated Mr. Volcker's tight policy by boosting the Fed's discount rate by half a percentage point to 6%.

When this action backfired and helped trigger the October stock market crash, Mr. Greenspan issued a statement that "The Federal Reserve, consistent with its responsibilities as the nation's central bank, affirmed today its readiness to serve as a source of liquidity to support the economic and financial system."

Heinemann Says:

If the dollar does stabilize within a narrow trading range, the Fed is likely to restart its printing press well in advance of the November election.

For a brief period, the Fed appeared to relent and pump fresh cash into the credit markets at a rapid rate.

This return to accommodation lasted only a couple of weeks. By the end of the year, total bank reserves (the raw material for the money supply) were once again well below the level of late October and were even lower than in April. Interest rates rose only modestly because the overall demand for credit has been, and continues to be, exceptionally weak.

Several conclusions seem to emerge from an examination of the Fed's recent actions. First, stabilizing the dollar is the Fed's most important short-term priority. A majority of the members of the Federal Open Market Committee, the Fed's key policy group, appears to be unconcerned with the rapidly spreading signs of economic weakness in the United States. Signs include a sharp upturn in initial claims for unemployment insurance, a significant drop in real retail sales and housing starts and a large rise in inventories of unsold goods.

Second, if the dollar does stabilize within a narrow trading range, the Fed is likely to restart its printing press well in advance of the November election. Mr. Greenspan is a skilled political operator in the tradition of his late mentor, former Fed Chairman Arthur F. Burns. Above all, he wants to avoid being forced to raise interest rates at the height of the Presidential campaign — as was Mr. Volcker in 1980.

Third, so long as the Federal Reserve continues to use short-term interest rates as a principal target in its day-to-day operations, monetary policy will continue to be unstable. Periods of exceptionally slow monetary growth (such as 1987) will alternate with periods of usually rapid expansion (1985 and 1986).

Over time, progressively larger swings in monetary growth — one of the hallmark's of the Volcker era — seem likely to contribute to parallel instability in real economic activity.

Mr. Greenspan's honeymoon with the business establishment may well have ended already. In an unusual action, the National Association of Manufacturers last month sent an open letter to the members of the Federal Open Market Committee "to urge the Federal Reserve to adopt an accommodative monetary policy in 1988. While we recognize that the dilemmas confronting the central bank at this juncture are

Overview: Page 8 ➸

Mr. Heinemann is chief economist of Ladenburg, Thalman & Co., a New York investment banking firm.

Summary Statistics

Top 100 Banks in Mortgage Securities at Midyear 1987

Largest Ratio: Mortgage Securities/Assets

	Ratio (%)
1. Equitable Bank of Delaware, Dover	37.04
2. United National Bank, Miami	26.55
3. Lehigh Valley Bank, Bethlehem, Pa.	25.29
4. Equitable Bank NA, Baltimore	23.41
5. Allied Bank of Texas, Houston	23.39
6. Cheltenham Bank, Pa.	23.07
7. Hibernia Bank, San Francisco	21.91
8. United Jersey Bank NA, Princeton	21.70
9. Marine Bank, Warren, Pa.	19.62
10. First Union NB of Fla., Jacksonville	19.44

Largest Ratio: Mortgage Securities/Total Securities

	Ratio (%)
1. Chemical Bank-Delaware, Wilmington	100.00
2. Hibernia Bank, San Francisco	96.73
3. First Union National Bank, Greenville, S.C.	92.10
4. Allied Bank of Texas, Houston	83.94
5. Louisiana National Bank, Baton Rouge	77.88
6. Guaranty Bank & Trust Co., Lafayette, La.	76.43
7. Old National Bank of Wash., Spokane	73.39
8. Wells Fargo Bank NA, San Francisco	70.82
9. Seattle-First National Bank	70.08
10. Dominion Bank NA, Roanoke, Va.	69.65

Largest Gain in Mortgage Securities (6/86-6/87)

	Ratio (%)
1. Chase Manhattan Bank NA, New York	51,976
2. First Union NB of Fla., Jacksonville	44,325
3. Wells Fargo Bank NA, San Francisco	16,200
4. Citizens Fidelity B&T Co., Louisville	4,407
5. Bank South NA, Atlanta	3,250
6. Sovran Bank NA, Richmond	2,742
7. Central Bank of the South, Birmingham	1,681
8. First American National Bank, Nashville	1,531
9. First National Bank, Shreveport, La.	1,352
10. South Carolina National Bank, Columbia	1,249

Top 100 Thrifts in Mortgage Securities at Midyear 1987

Largest Ratio: Mortgage Securities to Assets

	Ratio (%)
1. Guardian S&L Assn., Houston	80.97
2. Financial FT&SB, Olympia Fields, Ill.	68.85
3. Franklin SA, Ottawa, Kan.	62.91
4. Roosevelt FS&LA, Chesterfield, Mo.	53.89
5. Superior Fed. Bank, FSB, Fort Smith, Ark.	51.22
6. American S&L Assn., Stockton, Calif.	51.10
7. Standard Federal Bank, Troy, Mich.	48.25
8. John Hanson S&LA, Inc., Beltsville, Md.	47.75
9. Nevada S&LA, Las Vegas	47.57
10. Seamen's Bank for Savings, FSB, N.Y.	47.06

Largest Ratio: Mortgage Interest/Operating Income

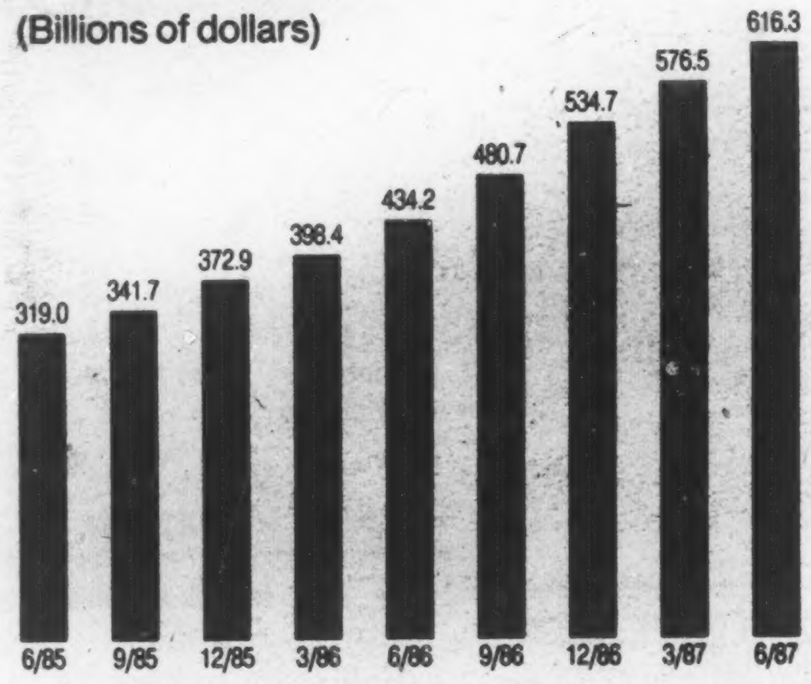
	Ratio (%)
1. Guardian S&L Assn., Houston	86.24
2. Franklin SA, Ottawa, Kan.	66.30
3. Financial FT&SB, Olympia Fields, Ill.	56.68
4. Standard Federal Bank, Troy, Mich.	52.16
5. American S&L Assn., Stockton, Calif.	51.66
6. Gibraltar Savings, FA, Bellevue, Wash.	46.03
7. D&N Savings Bank, FSB, Hancock, Mich.	43.04
8. Santa Barbara S&LA, Calif.	42.81
9. TCF Bkg and Svgs, FA, Minneapolis	42.03
10. Seamen's Bank for Savings, FSB, N.Y.	41.64

Largest Gain in Mortgage Securities (6/86-6/87)

	Ratio (%)
1. Crossland Savings, FSB, Salt Lake City	146,938
2. Lyons Federal T&S Bank, Countryside, Ill.	5,745
3. Gibraltar Savings, FA, Bellevue, Wash.	1,331
4. Nevada Savings & Loan Assn., Las Vegas	1,325
5. Home Owners FS&LA, Burlington, Mass.	789
6. Roosevelt FS&L Assn., Chesterfield, Mo.	534
7. Standard Federal S&LA, Gaithersburg, Md.	301
8. Citizens Federal S&L Assn., Dayton, Ohio	275
9. Farm and Home SA, Nevada, Mo.	268
10. Great Amer. First Svgs Bank, San Diego	247

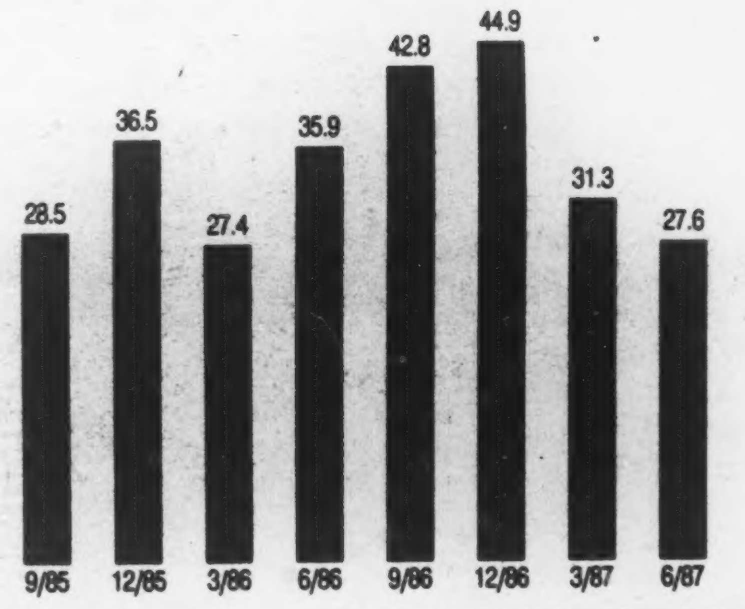
Total Mortgage Securities Outstanding

(Billions of dollars)

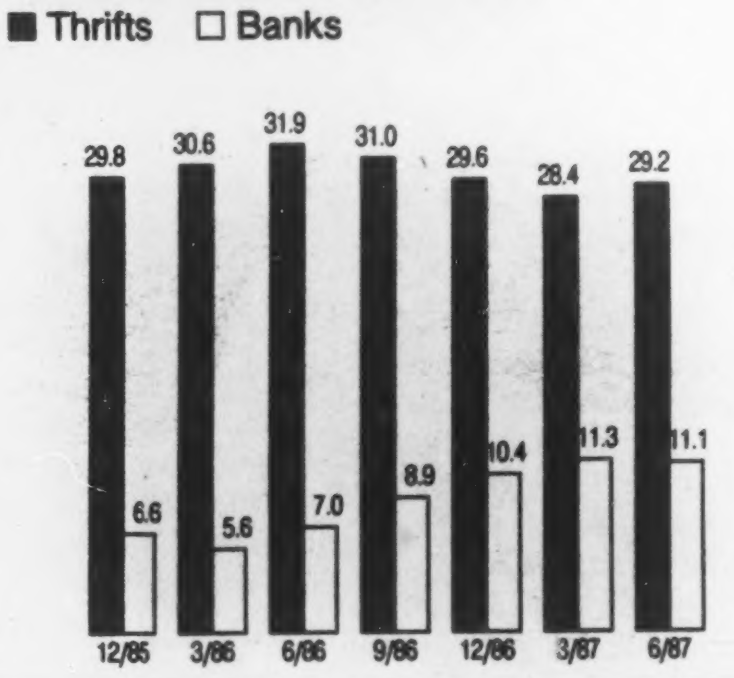


Total Mortgage Securities: Annual Growth Rates

(Percentage)



Percentage of Total Mortgage Securities



Bank and Thrift Holdings of Mortgage Securities

1985-1987 (Billions of dollars)

		Thrift Mortgage Securities					Bank Mortgage Securities				
Date	Total Mortgage Securities Outstanding[1]	Total Held[2]	As % of Total Outstanding	As % of Thrift Assets	Held by Top 100 Thrifts	Top 100's % Share of Thrift Total	Total Held[3]	As % of Total Outstanding	As % of Bank Assets	Held by Top 100 Banks	Top 100's % Share of Bank Total
6/30/87	$616.3	$180.1	29.2%	15.0%	$124.3	69.0%	$68.6	11.1%	2.4%	$39.3	57.3%
3/31/87	576.5	164.0	28.4	14.0			65.4	11.3	2.3		
12/31/86	534.7	158.2	29.6	13.6			55.5	10.4	1.9		
9/30/86	480.7	149.2	31.0	13.1			42.9	8.9	1.5		
6/30/86	434.2	138.6	31.9	12.3	97.9	70.6%	30.3	7.0	1.1	$18.0	59.4%
3/31/86	398.4	121.9	30.6	11.1			22.4	5.6	0.8		
12/31/85	372.9	111.1	29.8	10.4			24.5	6.6	0.9		

(1)— Total mortgage-backed pass through securities issued or guaranteed by an agency or instrument of the U.S. Source of these data: Mortgage Bankers Association of America, Washington, D.C. (Does not include privately-placed mortgage-backed pass through securities. Aggregate data on private placements are not available.) (2)— Total mortgage-backed pass through securities issued or guaranteed by an agency or instrument of the U.S. plus conventional (private) mortgage-backed pass through securities held by FSLIC-insured thrifts. Source of these data: Federal Home Loan Bank Board, Washington, D.C. (3)— Total mortgage-backed pass through securities issued or guaranteed by an agency or instrument of the U.S. plus conventional (private) mortgage-backed pass through securities held by FDIC-insured commercial banks. Source of these data: Data for 12/85-3/87 are from the Board of Governors of the Federal Reserve Board System, Washington, D.C.; data for 6/87 are from the Federal Deposit Insurance Corp., Washington, D.C.

Bank Investments in Mortgage Securities Soar 126% in 1987

➸ Continued from Page 1

tional portfolio investments. Over the period, banks' municipal bond investments fell by more than 10%.

Third, mortgage securities were in abundant supply, offering attractive yields, little credit risk, and a relatively high degree of liquidity. Given these factors, the banks' demand for mortgage securities soared.

The *American Banker* found that over the 12-month period ended June 30, 1987, mortgage securities investments at federally insured commercial banks rose 126% to $68.6 billion, while these securities rose 30% to $180.1 billion at thrifts insured by the Federal Savings and Loan Insurance Corp. The overall supply of these securities was up 42% over the period to $616.3 billion.

These are some of the findings of the *American Banker*'s third annual survey of bank and thrift holdings of mortgage securities.

Mortgage securities are certificates of participation in pools of residential mortgages. Most are government mortgage securities — that is, mortgage securities insured or guaranteed by three federally sponsored agencies: the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corp. Other mortgage securities called "private mortgage securities" are issued by depository institutions and insurance companies.

According to a banker at a large southeastern regional: "Last year, banks began to recognize more correctly the value of mortgage securities investments." In fact, among the top 100 banks in mortgage security investments at midyear 1987, 11 had no such holdings a year earlier.

The top 100 banks had $39.3 billion in mortgage security investments on June 30, 1987, up 118% from $18 billion held a year earlier.

Of the $39.3 billion of these securities held by the top 100 banks, $35.7 billion, or 90.8%, were government mortgage securities and $3.6 billion were private mortgage securities. A year earlier, government mortgage securities accounted for 92% of the top 100 banks' total investment in such securities.

Mortgage securities accounted for 3.7% of the top 100 banks' total assets but more than 28% of their entire investment in securities of all types. A year earlier, mortgage securities accounted for 2.2% of the top 100 banks' assets and 22% of their total securities portfolio.

The top 100 FSLIC-insured thrifts had $124.3 billion in mortgage security investments on June 30, 1987, up 27% from the $97.9 billion a year earlier. The top 100 thrifts accounted for 69% of the $180.1 billion in mortgage securities held by all FSLIC-insured thrifts at midyear 1987.

According to data from the Federal Home Loan Bank Board, the ratio of mortgage securities to total assets at all FSLIC-insured thrifts rose from 10.4% at the end of 1985 to 15% last June.

Analysts say thrifts have been increasing their holdings of mortgage securities largely as way to gain more flexibility in asset management and in borrowing. The securities can be sold off much more easily than whole mortgages and they can be used as collateral for a range of financings.

In addition, a growing number of thrifts have been purchasing large amounts of mortgage securities as part of "risk-controlled arbitrage" strategies. Here, a thrift typically purchases the securities with borrowed money and then vigorously hedges against interest rate changes. The supposed result is profits, no matter which way rates move.

Franklin Savings Association, Ottawa, Kan., a leading practitioner of such arbitrage, has grown rapidly almost entirely through mortgage securities. While pass-through securities accounted for about 63% of assets at midyear, derivative mortgage securities — such as collateralized mortgage obligations — brought the total of mortgage securities holdings closer to 90% of assets.

In pass-through holdings as a percentage of assets, Franklin trailed Guardian Savings and Loan Association, Houston, and Financial Federal Trust and Savings Bank, Olympia Fields, Ill.

Phil Roosevelt contributed to this article.

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our survey of mortgage securities holdings by banks and thrifts meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

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(2.) What do you like **best** about the survey?

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(4.) How do you use the survey information in your work?

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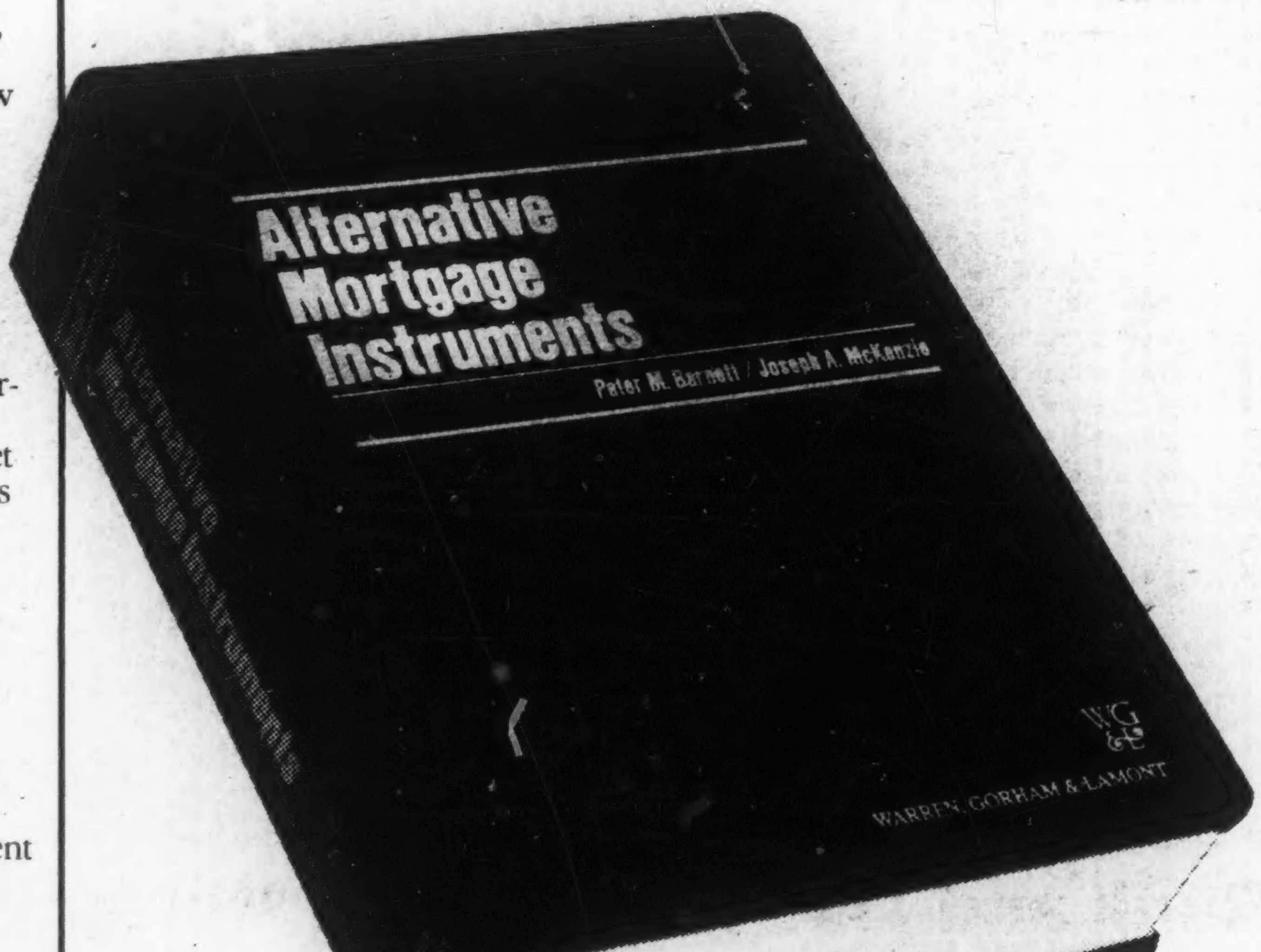
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Top 100 Banks in Mortgage Security Holdings

Based on Combined Government- and Private-Insured Securities on June 30, 1987 (Dollar Amounts in Thousands)

Rank 6/87		Total Mortgage Securities 6/30/87			Govt. Mtge. Sec. as % Of Total Mtge. Sec. 6/30/87		Total Assets 6/30/87	Total Securities 6/30/87	Mtge. Sec. /Assets 6/30/87		Mtge. Sec. /Securities 6/30/87		Securities /Assets 6/30/87	
		6/30/87	6/30/86	% Chg.	6/30/87	6/30/86	6/30/87	6/30/87	6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
1	Chemical Bank, New York	3,668,000	387,071	847.63	100.00	97.91	60,922,000	6,534,000	6.02	0.68	56.14	8.06	10.73	8.42
2	Bank of America NT&SA, San Francisco	2,929,000	1,049,000	179.22	100.00	100.00	84,859,001	6,399,000	3.45	1.00	45.77	21.75	7.54	4.58
3	Wells Fargo Bank NA, San Francisco	2,027,850	12,441	16,200	100.00	100.00	39,541,739	2,863,265	5.13	0.03	70.82	2.19	7.24	1.48
4	Pittsburgh National Bank	1,987,633	1,181,717	68.20	100.00	100.00	14,443,223	4,726,486	13.76	9.38	42.05	32.92	32.72	28.51
5	First Union National Bank of Florida, Jacksonville	1,519,348	3,420	44,325	100.00	100.00	7,813,666	2,240,567	19.44	0.05	67.81	0.35	28.67	14.84
6	First Union National Bank of North Carolina, Charlotte	1,144,879	2,060,997	-44.45	100.00	100.00	13,102,948	2,880,685	8.74	15.47	39.74	47.88	21.99	32.31
7	Citibank NA, New York	1,057,000	394,000	168.27	100.00	100.00	147,106,000	10,545,000	0.72	0.28	10.02	4.81	7.17	5.75
8	Connecticut National Bank, Hartford	1,053,473	113,880	825.07	72.76	100.00	9,212,953	1,743,848	11.43	1.58	60.41	12.63	18.93	12.54
9	Allied Bank of Texas, Houston	1,049,987	0	....	100.00	....	4,488,388	1,250,909	23.39	0.00	83.94	0.00	27.87	14.31
10	Florida National Bank, Jacksonville	998,843	309,223	223.02	64.95	7.42	7,275,974	1,638,008	13.73	4.87	60.98	30.96	22.51	15.74
11	Equitable Bank NA, Baltimore	984,333	189,193	420.28	100.00	100.00	4,205,473	1,696,881	23.41	5.55	58.01	18.59	40.35	29.85
12	Mellon Bank NA, Pittsburgh	701,936	0	....	80.42	....	23,975,038	2,982,366	2.93	0.00	23.54	0.00	12.44	11.23
13	Hibernia National Bank, New Orleans	618,990	624,569	-0.89	100.00	99.68	4,487,195	981,136	13.79	15.77	63.09	61.22	21.87	25.76
14	Signet Bank/Virginia, Richmond	590,495	66,072	793.71	100.00	100.00	6,811,619	1,154,693	8.67	1.20	51.14	7.06	16.95	17.01
15	Manufacturers Hanover Trust Co., New York	582,000	288,685	101.60	43.64	100.00	60,768,000	4,444,000	0.96	0.46	13.10	7.83	7.31	5.93
16	First National Bank of Maryland, Baltimore	480,736	203,987	135.67	70.62	100.00	4,714,611	868,277	10.20	4.71	55.37	29.25	18.42	16.10
17	Morgan Guaranty Trust Co., New York	467,202	152,160	207.05	100.00	100.00	68,706,459	12,725,857	0.68	0.22	3.67	1.29	18.52	17.33
18	Dominion Bank NA, Roanoke, Va.	456,292	231,138	97.41	100.00	100.00	3,782,541	655,088	12.06	7.23	69.65	43.84	17.32	16.49
19	First Pennsylvania Bank NA, Philadelphia	447,795	552,679	-18.98	100.00	100.00	5,524,227	704,281	8.11	9.70	63.58	77.03	12.75	12.59
20	First National Bank, Boston	443,294	1,019,777	-56.53	100.00	100.00	21,538,230	1,457,778	2.06	4.56	30.41	55.90	6.77	8.15
21	Comerica Bank-Detroit	436,687	297,904	46.59	100.00	100.00	7,196,076	1,357,995	6.07	4.41	32.16	28.52	18.87	15.45
22	Maryland National Bank, Baltimore	428,820	167,253	156.39	89.81	86.09	8,239,068	1,176,620	5.20	2.31	36.45	17.66	14.28	13.07
23	Signet Bank-Maryland, Baltimore	411,525	186,749	120.36	100.00	100.00	3,328,924	655,347	12.36	6.71	62.79	38.77	19.69	17.32
24	Northern Trust Co., Chicago	394,662	150,806	161.70	0.00	0.00	6,648,349	1,168,406	5.94	2.17	33.78	15.10	17.57	14.40
25	European American Bank, New York	378,441	0	....	100.00	....	6,536,246	1,647,228	5.79	0.00	22.97	0.00	25.20	8.09
26	Fleet National Bank, Providence, R.I.	362,058	77,936	364.56	100.00	100.00	6,684,804	1,141,429	5.42	1.34	31.72	7.37	17.07	18.20
27	Texas Commerce Bank NA, Houston	360,145	150,622	139.11	50.17	100.00	10,984,317	1,636,719	3.28	1.17	22.00	12.62	14.90	9.29
28	Hibernia Bank, San Francisco	354,796	118,400	199.66	74.04	60.97	1,619,552	366,773	21.91	9.33	96.73	94.91	22.65	9.83
29	First Interstate Bank of Oregon NA, Portland	352,637	0	....	100.00	....	5,443,498	1,029,851	6.48	0.00	34.24	0.00	18.92	11.84
30	Bank of Baltimore	325,129	257,581	26.22	100.00	100.00	2,454,121	833,099	13.25	12.58	39.03	28.02	33.95	44.88
31	Republic National Bank, New York	323,972	377,549	-14.19	100.00	100.00	17,103,409	2,916,654	1.89	2.32	11.11	13.00	17.05	17.87
32	Crestar Bank, Richmond	314,836	119,774	162.86	36.04	84.66	8,261,842	995,525	3.81	1.65	31.63	13.52	12.05	12.22
33	Citizens & Southern National Bank of Fla., Fort Lauderdale	308,122	101,595	203.28	100.00	100.00	4,686,989	1,317,174	6.57	2.23	23.39	8.14	28.10	27.37
34	Equibank, Pittsburgh	293,132	409,192	-28.36	99.80	99.76	2,518,366	489,420	11.64	17.49	59.89	69.36	19.43	25.22
35	Marine Bank, Warren, Pa.	292,203	26,937	984.76	100.00	100.00	1,489,661	614,848	19.62	2.47	47.52	8.14	41.27	30.37
36	First Tennessee Bank NA, Memphis	290,261	71,847	304.00	100.00	100.00	5,798,873	982,369	5.01	1.38	29.55	9.87	16.94	13.95
37	United Jersey Bank, Hackensack, N.J.	289,995	118,543	144.63	4.47	0.00	3,663,736	625,173	7.92	3.77	46.39	23.13	17.06	16.28
38	irving Trust Co., New York	288,832	252,448	14.41	99.49	99.48	21,388,498	1,682,662	1.35	1.30	17.17	20.74	7.87	6.25
39	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	286,634	6,360	4,406.82	100.00	100.00	4,498,310	696,180	6.37	0.17	41.17	1.54	15.48	11.16
40	MBank Dallas NA, Tex.	270,486	0	....	100.00	....	7,455,611	719,154	3.63	0.00	37.61	0.00	9.65	7.67
41	AmSouth Bank Birmingham NA, Ala.	266,687	111,614	138.94	100.00	100.00	5,922,685	1,293,576	4.50	2.13	20.62	11.08	21.84	19,24
42	Louisiana National Bank, Baton Rouge	264,551	27,275	869.94	100.00	100.00	1,404,864	339,685	18.83	1.94	77.88	14.30	24.18	13.59
43	Citizens & Southern National Bank, Atlanta	263,208	73,751	256.89	100.00	100.00	10,340,870	1,486,940	2.55	0.73	17.70	4.21	14.38	17.34
44	Central Bank of the South, Birmingham, Ala.	252,341	14,172	1,680.56	100.00	100.00	3,376,742	812,837	7.47	0.40	31.04	1.51	24.07	26.84
45	Continental Illinois National Bank & Trust Co., Chicago	250,020	290,257	-13.86	100.00	100.00	32,828,955	2,524,041	0.76	1.01	9.91	11.16	7.69	9.06
46	Frost National Bank, San Antonio, Tex.	242,793	0	....	82.61	....	1,749,069	457,845	13.88	0.00	53.03	0.00	26.18	26.94
47	National Bank of Detroit	240,426	446,146	-46.11	100.00	100.00	14,599,402	3,111,003	1.65	3.43	7.73	14.88	21.31	23.04
48	South Carolina National Bank, Columbia	233,811	17,328	1,249.32	100.00	100.00	4,796,919	570,746	4.87	0.41	40.97	3.49	11.90	11.85
49	First Interstate Bank of Nevada NA, Reno	230,097	74,137	210.37	100.00	100.00	2,947,744	633,833	7.81	2.61	36.30	14.92	21.50	17.47
50	Bucks County Bank & Trust Co., Perkasie, Pa.	219,978	60,011	266.56	33.21	54.96	1,181,322	414,868	18.62	6.89	53.02	24.48	35.12	28.16
51	First Fidelity Bank NA, Newark, N.J.	219,553	531,487	-58.69	100.00	64.51	10,119,891	2,239,628	2.17	5.83	9.80	26.76	22.13	21.79
52	First National Bank, Atlanta	214,417	106,096	102.10	100.00	100.00	7,236,360	1,092,082	2.96	1.52	19.63	17.20	15.09	8.82
53	Norwest Bank of South Dakota NA, Sioux Falls	213,322	35,323	503.92	100.00	100.00	1,549,097	493,159	13.77	2.42	43.26	11.07	31.84	21.90
54	Central Fidelity Bank, Richmond	202,189	18,176	1,012.40	100.00	79.23	4,076,420	560,428	4.96	0.50	36.08	2.91	13.75	17.13
55	Centerre Bank NA, St. Louis	198,841	76,978	158.31	100.00	100.00	3,541,700	473,505	5.61	2.14	41.99	20.65	13.37	10.36
56	American Security Bank NA, Washington, D.C.	198,242	164,507	20.51	100.00	100.00	4,672,138	815,311	4.24	3.89	24.31	22.02	17.45	17.68
57	Southeast Bank NA, Miami	195,960	314,008	-37.59	100.00	86.75	12,124,642	2,266,940	1.62	2.79	8.64	14.22	18.70	19.60
58	State Street Bank & Trust Co., Boston	190,720	57,395	232.29	2.12	100.00	7,092,141	1,867,897	2.69	0.84	10.21	3.91	26.34	21.49
59	Lehigh Valley Bank, Bethlehem, Pa.	186,765	84,806	120.23	30.11	64.38	738,567	380,178	25.29	14.67	49.13	37.82	51.48	38.79
60	Huntington National Bank, Columbus, Ohio	175,870	164,968	6.61	100.00	100.00	6,712,666	1,063,691	2.62	2.50	16.53	16.78	15.85	14.87
61	Fidelity Bank NA, Malvern, Pa.	174,732	282,412	-38.13	100.00	76.06	9,257,432	1,389,306	1.89	3.19	12.58	27.03	15.01	11.80
62	First Union National Bank, Greenville, S.C.	174,546	0	....	100.00	....	1,108,141	189,518	15.75	0.00	92.10	0.00	17.10	1.17
63	First American National Bank, Nashville, Tenn.	169,063	10,364	1,531.25	100.00	100.00	2,876,657	727,166	5.88	0.45	23.25	3.60	25.28	12.58
64	Bank South NA, Atlanta	166,256	4,963	3,249.91	100.00	100.00	2,974,178	491,672	5.59	0.19	33.81	1.39	16.53	13.38
65	Exchange National Bank, Chicago	156,123	114,608	36.22	100.00	100.00	1,843,903	472,576	8.47	7.23	33.04	37.59	25.63	19.23
66	United Jersey Bank NA, Princeton	152,972	71,517	113.90	5.96	34.12	704,817	252,841	21.70	11.69	60.50	38.21	35.87	30.59
67	First American Bank NA, Washington, D.C.	150,047	0	....	66.02	....	1,655,297	411,086	9.06	0.00	36.50	0.00	24.83	20.08
68	Bank IV Wichita NA, Kan.	149,283	21,751	586.33	100.00	100.00	1,407,962	397,912	10.60	1.53	37.52	6.70	28.26	22.79
69	Equitable Bank of Delaware, Dover	143,984	104,014	38.43	100.00	100.00	388,750	274,789	37.04	23.18	52.40	34.97	70.69	66.29
70	First National Bank, Shreveport, La.	141,916	9,773	1,352.12	98.10	100.00	1,213,384	331,203	11.70	0.76	42.85	3.37	27.30	22.53
71	SouthTrust Bank of Alabama NA, Birmingham	132,380	82,811	59.86	100.00	100.00	2,764,070	477,116	4.79	3.28	27.75	26.21	17.26	12.51
72	Michigan National Bank-Farmington, Farmington Hills	130,920	71,445	83.25	100.00	100.00	7,658,818	1,020,469	1.71	0.95	12.83	6.11	13.32	15.52
73	First Fidelity Bank NA, Totowa, N.J.	130,706	109,354	19.53	100.00	100.00	1,532,886	296,535	8.53	7.46	44.08	30.74	19.34	24.26
74	Merchants National Bank & Trust Co., Indianapolis	129,026	100,589	28.27	98.11	40.94	2,669,631	608,354	4.83	4.11	21.21	24.14	22.79	17.03
75	Sovran Bank NA, Richmond	128,491	4,521	2,742.09	100.00	100.00	11,819,749	1,741,339	1.09	0.04	7.38	0.33	14.73	13.55
76	Old National Bank of Washington, Spokane	126,761	42,895	195.51	100.00	100.00	1,829,658	172,728	6.93	2.73	73.39	50.43	9.44	5.42
77	Shawmut Bank NA, Boston	121,876	88,189	38.20	47.77	72.55	5,714,405	802,106	2.13	1.74	15.19	11.96	14.04	14.58
78	BancOhio National Bank, Columbus	120,475	179,730	-32.97	100.00	100.00	4,792,647	746,983	2.51	3.93	16.13	26.53	15.59	14.82
79	First American Bank, New York	116,144	0	....	100.00	....	1,259,942	301,217	9.22	0.00	38.56	0.00	23.91	16.83
80	First National Bank, Minneapolis	115,623	96,028	20.41	100.00	100.00	10,779,065	2,168,623	1.07	0.96	5.33	6.02	20.12	15.97
81	Seattle-First National Bank	113,271	88,477	28.02	100.00	100.00	9,933,300	161,620	1.14	0.92	70.08	51.50	1.63	1.78
82	Cheltenham Bank, Pa.	111,874	76,459	46.32	44.44	48.73	484,918	209,700	23.07	18.71	53.35	48.14	43.24	38.85
83	Bank of Oklahoma Tulsa NA	111,532	25,067	344.94	95.40	69.72	1,977,784	332,913	5.64	1.15	33.50	7.42	16.83	15.55
84	Bank One NA, Indianapolis	108,962	18,776	480.33	100.00	100.00	4,087,886	518,476	2.67	0.48	21.02	4.02	12.68	11.90
85	Chemical Bank-Delaware, Wilmington	104,907	. 0	....	100.00	....	1,343,737	104,907	7.81	0.00	100.00	0.00	7.81	0.15
86	Norwest Bank Nebraska NA, Omaha	104,237	20,546	407.33	100.00	100.00	1,340,804	364,913	7.77	1.44	28.56	7.78	27.22	18.55
87	Chase Manhattan Bank NA, New York	103,632	199	51,976	0.17	100.00	84,312,677	5,986,868	0.12	0.00	1.73	0.00	7.10	6.40
88	Guaranty Bank & Trust Co., Lafayette, La.	102,686	0	....	100.00	....	640,735	134,352	16.03	0.00	76.43	0.00	20.97	15.80
89	International Bank of Commerce, Laredo, Tex.	101,571	18,978	435.20	100.00	100.00	581,041	231,795	17.48	3.37	43.82	7.75	39.89	43.44
90	Norwest Bank Minneapolis NA	100,227	83,144	20.55	65.99	100.00	6,734,295	1,468,761	1.49	1.40	6.82	14.15	21.81	9.89
91	Society National Bank, Cleveland	99,090	111,599	-11.21	100.00	100.00	5,231,009	870,086	1.89	2.09	11.39	10.30	16.63	20.25
92	First Interstate Bank of Washington NA, Seattle	99,039	112,534	-11.99	100.00	100.00	3,343,093	328,571	2.96	3.50	30.14	34.15	9.83	10.24
93	Gainer Bank NA, Gary, Ind.	97,280	0	....	0.00	....	979,560	387,221	9.93	0.00	25.12	0.00	39.53	41.58
94	MBank Alamo NA, San Antonio, Tex.	96,461	25,373	280.17	100.00	100.00	1,026,966	228,063	9.39	3.09	42.30	10.95	22.21	28.17
95	Bank One Columbus NA, Ohio	96,370	28,114	242.78	24.35	95.50	3,076,770	441,368	3.13	0.97	21.83	7.28	14.35	13.36
96	San Diego Trust & Savings Bank, San Diego	90,655	0	....	52.72	....	1,290,905	452,235	7.02	0.00	20.05	0.00	35.03	29.02
97	Calcasieu Marine National Bank, Lake Charles, La.	90,595	15,104	499.81	100.00	100.00	724,716	215,837	12.50	2.08	41.97	7.27	29.78	28.65
98	Key Bank of Western New York NA, Jamestown	90,382	19,898	354.23	100.00	100.00	914,940	284,965	9.88	2.43	31.72	8.08	31.15	30.09
99	United National Bank, Miami	88,479	80,237	10.27	100.00	98.87	333,274	166,991	26.55	30.43	52.98	60.57	50.11	50.23
100	Merchants Bank NA, Allentown, Pa.	88,061	46,578	89.06	100.00	12.48	1,619,041	465,611	5.44	3.34	18.91	11.18	28.76	29.90

Compiled by American Banker Copyright 1988. Data are for FDIC-insured commercial banks. **Data source: ADP Data Services Division, New York,** from its data base of FDIC-insured commercial banks. ADP restates the 1986 data for 1987 mergers. **Total Mortgage Securities** are the book value of all of bank's holdings of U.S. government and private certificates of participation in pools of residential mortgages. Mortgage securities held in a bank's trading accounts are excluded. **Government Mortgage Securities** are the book value of all holdings of certificates of participation in pools of residential mortgages that are U.S. government-issued or -guaranteed. Included are certificates of participation in pools of residential mortgages issued or guaranteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corp. (FHLMC). **Private Mortgage Securities** are the book value of all holdings of certificates of participation in pools of residential mortgages that are issued by others (e.g. other depository institutions or insurance companies) that are not guaranteed by the U.S. government. **Govt. Mtge. Sec. as % of Total Mtge. Sec.** is the ratio of government mortgage securities to total mortgage securities. **Total assets** are total assets of the bank, including domestic and foreign offices. **Total Securities** are the book value of securities of all types held as assets by the bank. **Mtge Sec./Assets** is the ratio of total mortgage securities to total assets. **Mtge. Sec./Securities** is the ratio of total mortgage securities to total securities. **Securities/Assets** is the ratio of total securities to total assets. All ratios are expressed as a percent.

Top 100 Thrifts in Mortgage Security Holdings

Based on Mortgage-Backed Pass-Through Securities Held in Portfolios on June 30, 1987 (Dollar Amounts in Thousands)

Rank 6/87		Total Mortgage Securities			Total Assets		Mortgage Securities /Assets (%)		Interest Earned On Mortgage Securities			Operating Income	Mtge. Int. /Oper. Inc.
		6/30/87	6/30/86	% Chg.	6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86	% Chg.	6/30/87	6/30/87
1	American Savings & Loan Assn., Stockton, Calif.	17,339,721	10,945,648	58.42	33,932,563	29,179,482	51.10	37.51	1,432,516	762,086	87.97	2,772,726	51.66
2	Gibraltar Savings, Beverly Hills	5,149,461	3,919,130	31.39	12,442,224	10,358,704	41.39	37.83	330,056	190,599	73.17	914,315	36.10
3	Standard Federal Bank, Troy, Mich.	4,333,505	2,905,507	49.15	8,980,741	7,455,032	48.25	38.97	369,660	197,296	87.36	708,638	52.16
4	Franklin Savings Association, Ottawa, Kan.	3,997,881	2,859,838	39.79	6,355,066	3,481,398	62.91	82.15	308,142	276,820	11.31	471,904	65.30
5	First Federal of Michigan, Detroit	3,658,456	3,944,393	-7.25	11,517,126	10,550,686	31.77	37.39	351,353	332,970	5.52	1,002,107	35.06
6	Crossland Savings, FSB, Brooklyn, New York	3,098,790	2,337,616	32.56	9,154,154	7,855,960	33.85	29.76	236,476	129,294	82.90	721,023	32.80
7	World Savings & Loan Assn., FS&LA, Oakland, Calif.	2,558,236	2,319,247	10.30	13,209,711	12,214,404	19.37	18.99	232,159	256,844	-9.61	1,240,066	18.72
8	Guardian Savings & Loan Assn., Houston	2,409,190	2,040,426	18.07	2,975,523	2,579,081	80.97	79.11	184,442	196,044	-5.92	213,878	86.24
9	Glendale Federal Savings & Loan Assn., Calif.	2,384,420	2,373,245	0.47	18,059,868	15,966,689	13.20	14.86	211,483	230,661	-8.31	1,651,784	12.80
10	TCF Banking and Savings, FA, Minneapolis	2,324,305	2,033,285	14.31	5,642,144	5,823,743	41.20	34.91	195,699	198,041	-1.18	465,565	42.03
11	Northeast Savings, FA, Hartford, Conn.	2,175,040	1,264,448	72.01	6,670,772	5,276,220	32.61	23.97	167,749	89,589	87.24	522,226	32.12
12	Centrust Savings Bank, Miami	2,140,776	827,480	158.71	7,231,219	5,421,883	29.60	15.26	106,961	92,693	15.39	605,961	17.65
13	Commercial Federal S&L Assn., Omaha, Neb.	2,106,141	869,511	142.22	5,627,962	3,001,023	37.42	28.97	124,140	76,060	63.21	357,796	34.70
14	City Federal Savings Bank, Bedminster, N.J.	2,066,472	1,208,013	71.06	10,776,524	10,194,595	19.18	11.85	174,249	69,531	150.61	983,941	17.71
15	Home Savings of America, FA, Los Angeles	2,043,563	2,359,816	-13.40	27,748,974	27,878,939	7.36	8.46	132,818	326,088	-59.27	2,760,716	4.81
16	United Savings Association of Texas, Houston	2,026,464	1,948,247	4.01	5,909,915	5,615,049	34.29	34.70	183,405	132,179	38.76	496,813	36.92
17	Homestead Savings, FS&LA, San Francisco	1,966,797	2,247,797	-12.50	5,497,745	5,060,565	35.77	44.42	227,304	205,655	10.53	571,956	39.74
18	Imperial Savings Association, San Diego, Calif.	1,798,609	967,451	85.91	9,374,734	7,957,387	19.19	12.16	141,756	50,280	181.93	937,274	15.12
19	Santa Barbara Savings & Loan Assn., Calif.	1,770,323	1,075,104	64.67	4,669,950	3,416,953	37.91	31.46	143,436	64,200	123.42	335,052	42.81
20	Seamen's Bank for Savings, FSB, New York	1,756,492	885,245	98.42	3,732,706	3,189,257	47.06	27.76	132,678	46,475	185.48	318,594	41.64
21	Great Western Bank, FSB, Beverly Hills	1,728,254	975,326	77.20	25,305,516	23,166,716	6.83	4.21	81,042	90,970	-10.91	2,473,032	3.28
22	Goldome, Buffalo, N.Y. (a)	1,718,231	1,392,152	23.42	12,809,782	12,290,494	13.41	11.33	117,912	104,015	13.36	1,045,043	11.28
23	TransOhio Savings Bank, Cleveland	1,674,097	634,916	163.67	5,612,553	3,580,270	29.83	17.73	91,880	41,051	123.82	435,458	21.10
24	Florida Federal Savings & Loan Assn., St. Petersburg	1,626,424	916,197	77.52	5,408,156	5,194,406	30.07	17.64	113,656	91,233	24.58	439,566	25.86
25	Coast Savings & Loan Assn., Los Angeles	1,600,023	1,521,687	5.15	11,096,110	8,044,701	14.42	18.92	151,410	106,940	41.58	906,862	16.70
26	Gibraltar Savings Association, Houston	1,587,563	1,114,286	42.47	5,921,285	5,276,174	26.81	21.12	99,077	107,293	-7.66	422,139	23.47
27	Talman Home FS&LA of Illinois, Chicago	1,535,104	1,297,827	18.28	5,794,831	5,834,376	26.49	22.24	126,123	137,895	-8.54	497,105	25.37
28	Columbia Savings & Loan Assn., Beverly hills	1,518,770	2,569,023	-40.88	9,101,839	7,322,457	16.69	35.08	222,738	210,225	5.95	964,509	23.09
29	Carteret Savings Bank, FA, Newark, N.J.	1,445,710	1,390,914	3.94	5,672,718	5,345,308	25.49	26.02	131,755	142,581	-7.59	540,176	24.39
30	Benjamin Franklin Fed. S&L Assn., Portland, Ore.	1,413,608	1,618,001	-12.63	4,450,246	4,394,547	31.76	36.82	178,179	194,728	-8.50	453,341	39.30
31	Great American First Savings Bank, San Diego, Calif.	1,384,717	398,907	247.13	11,150,994	9,710,313	12.42	4.11	87,775	40,954	114.33	948,119	9.26
32	Merabank, FSB, Phoenix, Ariz.	1,285,535	1,197,990	7.31	6,342,785	5,322,461	20.27	22.51	134,016	141,290	-5.15	600,564	22.32
33	Pacific First Federal Savings Bank, Tacoma, Wash.	1,231,389	899,420	36.91	4,330,257	3,627,491	28.44	24.79	99,806	84,574	18.01	393,716	25.35
34	Roosevelt Federal S&L Assn., Chesterfield, Mo.	1,222,742	192,824	534.12	2,268,977	1,424,598	53.89	13.54	41,785	15,209	174.74	155,686	26.84
35	Bright Banc Savings Association, Dallas	1,150,128	950,540	21.00	4,870,282	4,612,430	23.62	20.61	87,406	64,042	36.48	385,575	22.67
36	First Nationwide Bank, FSB, San Francisco	1,136,986	762,465	49.12	15,357,142	12,995,194	7.40	5.87	137,260	74,744	83.64	1,351,943	10.15
37	Columbia Savings, FS&LA, Englewood, Colo.	1,130,626	804,822	40.48	2,767,405	2,660,310	40.86	30.25	87,144	60,412	44.25	237,236	36.73
38	Anchor Savings Bank, FSB, Northport, N.Y.	1,127,953	1,410,116	-20.01	7,486,870	7,328,381	15.07	19.24	126,608	87,068	45.41	612,699	20.66
39	Atlantic Financial Federal, Bala Cynwyd, Pa.	1,107,489	491,120	125.50	6,822,380	4,883,970	16.23	10.06	55,242	35,888	53.93	544,462	10.15
40	Farm and Home SA, Nevada, Mo.	1,063,233	288,979	267.93	3,460,060	3,212,034	30.73	9.00	61,613	37,747	63.23	279,350	22.06
41	Nevada Savings & Loan Assn., Las Vegas	1,043,941	73,260	1,324.98	2,194,577	1,648,194	47.57	4.44	41,372	29,316	41.12	171,751	24.09
42	Empire of America FSB, Buffalo, N.Y.	1,030,798	804,509	28.13	6,403,866	6,256,640	16.10	12.86	85,495	65,534	30.46	546,911	15.63
43	Bank Western Federal Savings Bank, Denver	1,030,250	579,638	77.74	3,807,731	3,278,655	27.06	17.68	62,644	18,810	233.04	315,542	19.85
44	California Federal S&L Assn., Los Angeles	1,005,146	901,723	11.47	21,339,064	19,253,289	4.71	4.68	111,623	138,776	-19.57	1,969,536	5.67
45	Fortune Savings Bank, Clearwater, Fla.	929,201	764,000	21.62	2,708,972	2,155,506	34.30	35.44	74,919	78,357	-4.39	228,181	32.83
46	Dime Savings Bank of New York, FSB, Garden City	890,078	965,306	-7.79	9,177,566	7,999,700	9.70	12.07	77,463	88,723	-12.69	821,843	9.43
47	Community Federal Savings & Loan Assn., St. Louis	874,939	1,379,688	-36.58	3,800,298	4,363,265	23.02	31.62	101,794	67,853	50.02	277,924	36.63
48	Fulton Federal Savings & Loan Assn., Atlanta	870,076	456,313	90.68	2,361,536	2,069,860	36.84	22.05	48,534	23,337	107.97	189,794	25.57
49	Altus Bank, FSB, Mobile, Ala.	825,780	553,105	49.30	2,746,364	2,280,325	30.07	24.26	61,953	54,716	13.23	226,285	27.38
50	Georgia Federal Bank, FSB, Atlanta	817,469	902,983	-9.47	3,602,921	3,086,980	22.69	29.25	69,567	55,592	25.14	304,675	22.83
51	Great Lakes Bancorp., FSB, Ann Arbor, Mich.	787,929	522,603	50.77	3,056,996	2,586,045	25.77	20.21	29,478	38,618	-23.67	286,248	10.30
52	Household Bank, FSB, Newport Beach, Calif.	785,154	272,293	188.35	2,615,849	1,653,404	30.02	16.47	45,143	10,056	348.92	216,643	20.84
53	Metropolitan Federal Bank, FSB, Fargo, N.D.	718,010	469,794	52.84	2,075,568	1,961,793	34.59	23.95	50,447	31,833	58.47	179,656	28.08
54	Financial Federal T&S Bank, Olympia Fields, Ill.	712,309	346,270	105.71	1,034,605	744,262	68.85	46.53	44,378	15,250	191.00	78,301	56.68
55	Home Federal Savings & Loan Assn., San Diego, Calif.	700,963	599,064	17.01	12,733,612	10,686,525	5.50	5.61	59,867	40,747	46.92	1,206,048	4.96
56	San Francisco Federal S&L Assn.	699,442	450,709	55.19	2,650,580	2,088,520	26.39	21.58	49,402	26,126	89.09	230,608	21.42
57	Perpetual Savings Bank, FSB, McLean, Va.	688,610	427,637	61.03	4,479,394	4,120,959	15.37	10.38	50,194	69,895	-28.19	385,673	13.01
58	Albuquerque Federal Savings & Loan Assn., N.M.	678,477	243,906	178.17	2,377,582	1,868,954	28.54	13.05	32,050	13,194	142.91	225,495	14.21
59	Columbia First Federal S&L Assn., Washington, D.C.	668,893	430,708	55.30	1,813,636	1,562,911	36.88	27.56	50,043	27,700	80.66	155,478	32.19
60	Peoples Heritage Federal S&L Assn., Salina, Kan.	667,772	481,733	38.62	1,840,742	1,489,966	36.28	32.33	55,317	61,196	-9.61	188,140	29.40
61	First Texas Savings Association, Dallas	660,943	742,186	-10.95	3,602,520	3,902,537	18.35	19.02	57,414	48,783	17.69	265,489	21.63
62	Lyons Federal Trust and Savings Bank, Countryside, Ill.	636,852	10,895	5,745.36	2,267,696	1,855,333	28.08	0.59	34,467	528	6,327.84	192,461	17.91
63	Long Island Savings Bank FSB, Centereach, N.Y. (b)	620,772	724,673	-14.34	3,105,783	3,075,671	19.99	23.56	65,635	88,817	-26.10	283,880	23.12
64	Great American First Savings Bank, FSB, Tucson, Ariz.	606,879	478,087	26.94	3,034,963	2,682,968	20.00	17.82	48,312	21,550	124.19	259,883	18.59
65	First Federal Savings & Loan Assn., Rochester, N.Y.	591,431	959,049	-38.33	4,388,623	4,635,586	13.48	20.69	76,250	101,065	-24.55	388,644	19.62
66	First Minnesota Savings Bank, FSB, Minneapolis	580,014	241,822	139.85	3,061,592	2,835,362	18.94	8.53	41,211	11,905	246.17	255,862	16.11
67	Honolulu Federal Savings & Loan Assn.	520,589	222,689	133.77	1,836,221	1,669,478	28.35	13.34	22,800	13,042	74.82	153,758	14.83
68	Atlantic Federal S&L Assn., Fort Lauderdale, Fla.	518,565	371,168	39.71	2,069,729	1,720,286	25.05	21.58	35,142	32,985	6.54	168,081	20.91
69	D&N Savings Bank, FSB, Hancock, Mich.	515,237	674,239	-23.58	1,613,577	1,726,526	31.93	39.05	63,955	51,645	23.84	148,584	43.04
70	John Hanson S&L Assn., Inc., Beltsville, Md.	512,019	272,581	87.84	1,072,360	712,182	47.75	38.27	22,555	14,724	53.19	74,563	30.25
71	Home Owners Federal S&L Assn., Burlington, Mass.	498,164	56,067	788.52	1,847,933	1,211,486	26.96	4.63	17,915	5,337	235.68	247,850	7.23
72	Crossland Savings, FSB, Salt Lake City, Utah	496,988	338	146,938	1,830,593	133,652	27.15	0.25	19,205	30	63,916	71,762	26.75
73	Chevy Chase Savings Bank, FSB, Md.	494,144	309,330	59.75	3,121,682	2,507,445	15.83	12.34	35,195	28,369	24.06	295,277	11.92
74	Citicorp Savings of Illinois, FS&LA, Chicago	467,123	563,506	-17.10	5,601,121	4,590,681	8.34	12.27	44,396	48,939	-9.28	477,502	9.30
75	American Savings & Loan Assn., Miami	452,924	632,896	-28.44	3,048,228	2,622,072	14.86	24.14	51,075	75,278	-32.15	247,454	20.64
76	Columbia Federal Savings Bank, Queens, New York	447,289	505,875	-11.58	1,234,655	1,157,058	36.23	43.72	37,045	22,372	65.59	108,785	34.05
77	Northwestern Savings & Loan Assn., Chicago	422,385	173,218	143.85	1,199,222	786,654	35.22	22.02	30,311	8,488	257.10	103,555	29.27
78	Mid-America Federal S&L Assn., Columbus, Ohio	419,480	376,327	11.47	1,408,762	1,350,439	29.78	27.87	38,824	23,006	68.76	121,584	31.93
79	Astoria Federal S&L Assn., Queens, New York	403,362	536,565	-24.83	2,652,888	2,289,476	15.20	23.44	42,976	49,869	-13.82	239,968	17.91
80	American Charter Federal S&L Assn., Lincoln, Neb.	395,399	348,921	13.32	1,403,002	1,485,831	28.18	23.48	36,594	26,864	36.22	147,141	24.87
81	AmeriFirst Federal Savings & Loan Assn., Miami	380,651	247,519	53.79	4,055,319	3,957,579	9.39	6.25	19,538	37,251	-47.55	368,857	5.30
82	Leader Federal Savings & Loan Assn., Memphis, Tenn.	378,019	231,405	63.36	1,953,166	1,723,663	19.35	13.43	29,111	20,241	43.82	176,746	16.47
83	Gibraltar Savings, FA, Bellevue, Wash.	368,782	25,780	1,330.50	871,874	378,790	42.30	6.81	30,814	271	11,270	66,947	46.03
84	First Home FS&LA of the Carolinas FA, Greensboro, N.C.	360,827	370,397	-2.58	1,224,259	1,231,072	29.47	30.09	31,718	27,177	16.71	120,516	26.32
85	Citizens Federal S&L Assn., Dayton, Ohio	352,046	93,993	274.54	2,243,610	2,215,115	15.69	4.24	9,195	9,102	1.02	210,251	4.37
86	Superior Federal Bank, FSB, Fort Smith, Ark.	345,551	159,771	116.28	674,617	557,117	51.22	28.68	20,804	10,099	106.00	57,072	36.45
87	Financial FS&LA of Dade County, Miami Lakes, Fla.	343,713	377,487	-8.95	1,300,549	1,338,205	26.43	28.21	26,724	18,399	45.25	111,323	24.01
88	First Federal S&L Assn., Greenville, S.C.	342,587	238,070	43.90	1,898,114	1,890,827	18.05	12.59	7,279	7,325	-0.63	186,006	3.91
89	Standard Federal S&L Assn., Gaithersburg, Md.	341,681	85,120	301.41	1,213,108	1,025,967	28.17	8.30	9,211	3,895	136.48	114,602	8.04
90	Lincoln Savings Bank, FSB, Brooklyn, New York	341,450	503,703	-32.21	2,323,019	2,286,205	14.70	22.03	37,230	39,048	-4.66	203,438	18.30
91	Baltimore Federal Financial, FSA	331,707	143,734	130.78	1,849,192	1,720,210	17.94	8.36	19,696	19,675	0.11	162,735	12.10
92	Washington Federal Savings & Loan Assn., Seattle	330,074	152,347	116.66	1,401,108	1,123,740	23.56	13.56	29,318	14,780	98.36	138,657	21.14
93	Citizens Federal Savings & Loan Assn., Miami	322,856	237,941	35.69	2,693,105	1,959,894	11.99	12.14	33,646	27,359	22.98	228,064	14.75
94	Far West Savings & Loan Assn., Newport Beach, Calif.	319,476	163,192	95.77	3,371,518	2,726,087	9.48	5.99	24,573	15,675	56.77	290,598	8.46
95	American Savings Bank, FSB, New York	317,459	192,912	64.56	3,881,394	3,724,636	8.18	5.18	14,884	13,478	10.43	348,618	4.27
96	Crestmont Federal S&L Assn., Maplewood, N.J.	309,821	140,797	120.05	1,348,771	1,059,091	22.97	13.29	18,141	8,101	123.94	115,385	15.72
97	Cumberland Federal Savings Bank, Louisville, Ky.	305,574	281,801	8.44	981,210	925,334	31.14	30.45	23,968	24,914	-3.80	87,780	27.30
98	American Federal S&L Assn. of Iowa, Des Moines	304,987	250,258	21.87	1,055,896	1,062,481	28.88	23.55	26,124	25,304	3.24	96,533	27.06
99	Unifirst Bank for Savings, FA, Jackson, Miss.	299,801	160,090	87.27	863,358	761,925	34.72	21.01	25,685	10,614	141.99	76,449	33.60
100	Goldome Savings Assn., St. Petersburg, Fla.	295,241	261,491	12.91	1,782,810	1,876,399	16.56	13.94	29,298	17,234	70.00	158,019	18.54

Compiled by American Banker Copyright 1988. Data are for FSLIC-insured thrifts. **Data source: ADP Data Services Division, New York,** from its Federal Home Loan Bank Board data base of FSLIC-insured savings institutions. **Total Mortgage Securities** are mortgage-backed pass through securities held in the thrift's portfolio on June 30. **Mortgage-backed pass through securities** are the sum of: (1) all mortgage-backed pass-through securities insured or guaranteed by an agency or instrument (e.g., FHLMC, FNMA, or GNMA) of the United States, including those eligible for liquidity plus (2) conventional mortgage-backed pass-through securities that are not insured or guaranteed by an agency or instrument of the United States. They include Mortgage Guaranty Insurance Corp. (MGIC) short-term participation certificates which are collateral loans secured by liens on real estate. **Interest earned on mortgage securities** is all interest earned on mortgage-backed pass through securities for the year-ended June 30, 1987 (sum of the four quarters ended June 30, 1987). Included is the amortization of discounts and premiums earned during the period. **Total operating income** is the sum of gross interest income from loans and investments; plus net income from leasing, REO operations, service corporations and subsidiaries, and office building operations; plus all other operating income, for year-ended June 30, 1987. **Mtge. Int./Oper. Inc.** is the ratio of interest earned on mortgage securities to total operating income, expressed as a percentage. **(a)**— Formerly Goldome FSB, changed title 8/87. **(b)**— A division of Long Island Savings Bank FSB, Syosset, N.Y.

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Today

CORPORATE FINANCE

Most chief financial officers and treasurers do not hedge with futures and options either because they do not know enough about them or because top management does not differentiate between hedging and speculating, according to a study by the Conference Board. 8

Randall Jenkins, who left his own small firm to start a private placement unit at First National Bank of Maryland, enjoys the best of both worlds. He has an incentive-based compensation package that is comparable to those on Wall Street and the security of a larger corporation. 8

Prudential-Bache Securities has raised $455 million for the Prudential Insurance Company of America in the first securitization of insurance policyholder loans. 9

Campeau Corp.'s hostile bid for Federated Department Stores is making life difficult for commercial banks that hope to sell pieces of a refinancing for Campeau's purchase of Allied Stores. 9

About three-fourths of last year's asset-backed offerings carried at least partial guarantees from third parties, with the Union Bank of Switzerland leading the field. A survey shows issuers purchased $1.6 billion in guarantees in 1987 from either banks or insurance companies to enhance the credit of 28 asset-backed issues worth $8.7 billion. 17

INSIDE

Fourth-quarter earnings at the 36 superregional bank holding companies declined by almost two-thirds from a year ago. The 23 superregionals in the Southeast and Midwest posted the strongest performances, despite an anemic earnings rise of 4% in both regions. 2

The Bank Board's oft delayed plan to salvage savings and loans in the Southwest is scheduled for release this week. The effort likely will involve merging several smaller, unprofitable institutions with bigger, better-managed ones. 3

International Thomson Organisation, parent of the *American Banker,* announced the acquisition of Securities Data Co. from Capital Cities/-ABC Inc. 6

Commercial Federal Corp., an Omaha-based thrift holding company that is aggressively expanding its interstate network, moved into Oklahoma by acquiring the deposits of the Territory Savings and Loan Association of Seminole from the FSLIC. 23

KEEPING CURRENT

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Quote/Unquote

'We developed this, but we may not end up being the biggest player if it does go to the public market, which is cheaper.'

David Donovan, of Chase Manhattan, on securitizing policy receivables. [Page 1]

COMMENT

To Mismatch or Not to Mismatch

By SANFORD ROSE

As noted previously in this column, a bank can be short-funded (liability sensitive) and still profit from rising rates, depending on the relationship between spot rates and the implied forward rates embedded in the yield curve.

Every yield curve contains an implicit forecast of rate changes. If the three-month rate is 5.50% and the six-month rate is 6.00%, then the marketplace is forecasting a three-month rate of 6.50% (more precisely 6.502%) three months hence. A bank that borrows at three months to lend for six months will make money from this mismatch as long as three-month rates don't rise by 100 basis points or more.

Otherwise put, the marketplace is paying the bank 5.50% for the first three months and 6.50% for the second three months. If rates fall or rise by less than 100 basis points, the bank in effect has a three-month asset yielding 6.50% in an environment in which the going rate is less than 6.50%. So the bank has a capital gain; it can sell its three-month asset at more than par.

Comment: Page 4 ➜

Chase Helps Insurer Fund Growth By Securitizing Policy Receivables

By DAVID NEUSTADT

Corporate Window

NEW YORK — Chase Manhattan Bank's $175 million financing for Monarch Capital Corp. — the first securitization of receivables from single-premium variable life insurance policies — began as a discussion about real estate in May 1986.

"We wanted to see if we could help them finance their new headquarters building in Springfield [Mass.]" recalls David Donovan, a managing director in Chase's investment bank.

The Bank of New England got the real estate deal and became a major tenant in the building. But Chase did even better, Mr. Donovan says.

Chase got an assignment from Monarch that resulted in the innovative securitized issue that came to market in December. As a result, Chase has a much stronger relationship with the fast-growing insurance company.

Chase has moved into the leading position in a new market that could total $1 billion in financing. The bank also can point proudly to the creative aspects of the issue to show off its investment banking abilities.

This opportunity came to Chase because Mr. Donovan figured out on the spot a solution for Monarch's most serious problem: financing growth.

The plan was hatched when some of Monarch's top executives came to New York from Springfield to meet with se-

Chase: Page 6 ➜

RAISING CAPITAL

Banks Issued $33 Billion in Securities in '87

By KENNETH J. HICKS

NEW YORK — U.S. banking companies issued $33 billion in debt, equity, and asset-backed securities in 1987, according to an *American Banker* survey.

The bulk of the issues were in the form of notes and debentures. Deposit notes, asset sales, and mortgage-backed securities also accounted for significant percentages of total bank issues.

More than half the offerings from thrift institutions came in the form of mortgage-backed securities, while equity offerings made up another significant block.

These are among the findings of the *American Banker's* first annual compilation of top financial services players in the debt/equity markets. Tables in this issue include a breakdown of debt is-

Banks Issued: Page 10 ➜

S&P Cuts Debt Ratings Of Five Major Banks

By JOHN P. FORDE

NEW YORK — Low equity capital, increased competition, and the nagging Third World debt problem prompted Standard & Poor's Corp. on Monday to downgrade its debt ratings on five large bank holding companies.

Affected were Chase Manhattan Corp., BankAmerica Corp., Chemical New York Corp., Manufacturers Hanover Corp., and First Chicago Corp.

"The debt load of Latin American

Standard & Poor's: Page 23 ➜

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COMMENT

Continued from Page 1

Conversely, if rates rise by more than 100 basis points, the bank has a three-month 6.50% asset in an environment in which the going rate is above 6.50%. The bank has sustained a capital loss.

What are the chances that rates will rise by 100 basis points or more? Many banks believe that, except in extreme bear markets (rates rising strongly), the likelihood is that future spot rates will not increase as much as implied forward rates predict. The reason is the existence of a liquidity premium.

Short Is Best

The liquidity premium arises because, regardless of their interest rate outlook, investors prefer shorter-term to longer-term securities. So they bid up the prices of the short obligations and bid down the prices of the long ones. As a result, even if interest rates were expected to remain level, the yield curve would slope upward — long rates higher than short rates.

In other words, proponents of the liquidity premium argue that the shape of the yield curve is determined both by expectations and by the premium. If the market expects rates to rise, the yield curve will slope upward. But the six-month rate will not be just an average of today's three-month rate and the three-month rate expected three months hence. It will be higher than that average by the amount of the liquidity premium.

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It follows that, if there is a liquidity premium, the implied forward rate will, on average, overstate the eventual rise in rates. That is, since the six-month rate is higher than it would be because of the premium, the current three-month implied forward must also be higher. And because implied forwards tend to exceed the market's best guess on likely future rates, bankers believe they can usually make money borrowing at a shorter maturity than that at which they lend.

The evidence suggests that the bankers are right. There is a liquidity premium in longer rates. Unfortunately, the value of this intelligence is limited because the data do not support the existence of a liquidity premium in other than the treasury market. Thus, in the great majority of markets in which banks typically operate, there appears to be no special incentive to borrow short and lend longer.

Hold vs. Roll

New evidence on liquidity premiums comes from Alden Toevs and David Mond, respectively principal and product manager at Morgan Stanley. Messrs. Toevs and Mond employed two complementary techniques to test for the existence of liquidity premiums.

They compared the return from holding a six-month security with that obtained from buying a one-month security and rolling it for a six-month horizon. If the return from the buy-and-hold strategy exceeds the return from the rolling strategy in a great variety of market conditions, then it can be presumed that there is some systematic bias in market pricing — i.e., a maturity or liquidity premium.

Second, the two researchers compared the return from a mismatch strategy of buying a six-month security and then selling it in three months in order to purchase another six-month obligation (analytically equivalent to lending for six months and borrowing for three months) with the return from a straightforward buy-and-hold-for-six-months approach. If there is a liquidity premium, the investor adopting the former strategy should realize higher, if more variable, average returns than he would by simply buying and holding for the full six months.

The Morgan Stanley researchers tested the liquidity-premium hypothesis in trials covering the period from January 1975 to July 1987. In each month from 1975 to the beginning of 1987, they bought a six-month treasury bill and compared the following six-month realized return with that obtained from rolling one-month bills to a six-month horizon. On average, the buy-and-hold strategy outperformed the one-month roll by 87 basis points.

The six-month strategy proved superior to the one-month roll in 124 out of 144 trials. Only during extreme bear markets — principally in 1980 and 1981 — did it pay to abandon the six-month approach and opt for the one-month roll.

Say Messrs. Toevs and Mond: "Although we might have expected the success of the six-month bill strategy in bull markets, its persistent success in all but the most bearish of markets provides strong evidence that the yield on six-month bills is boosted by liquidity premiums."

Next, Morgan Stanley compared the buy-six-sell-three strategy with the simple buy-and-hold approach for the same 1975-87 period. The average return from buy-and-sell exceeded that from merely holding by 31 basis points.

The more active portfolio method was successful in 103 out of 144 trials. This again supports the notion of a liquidity premium and the advantages of mismatching.

But what about the efficacy of mismatching in nontreasury markets? Morgan Stanley did the same analysis for the Eurodollar, commercial paper, and certificate of deposit markets. It found that, in contrast to T-bills, long maturities do not tend to beat a rolling strategy in periods of moderately to strongly rising interest rates.

Although in the case of bills, a six-month buy-and-hold strategy outperformed a one-month roll 77% of the time for most of the 1977-79 period, a comparable approach in the commercial paper market was successful only 15% of the time. The success rate in the Libor market during this period was 18%, while in CDs long maturities outstripped the roll only 35% of the time.

The fact that long maturities beat the roll in T-bills in all but the most bearish markets whereas the opposite is true for commercial paper, CDs, and Libor strongly suggests that there is no pricing bias — i.e., liquidity premium — in the latter group of markets.

A comparison of the return from a mismatching strategy — buy-six-sell-three — with that of maturity matching — buy six and hold — yielded the following results: On average, the returns from mismatching in commercial paper, Libor, and CDs were not measurably greater than those realized from a matched strategy.

Most significantly, however, the variance of these returns was unacceptably large. In commercial paper a mismatching strategy was successful in 71 trials, unsuccessful in 73 trials. In CDs, the mismatch paid off only 61 of 144 times.

A Failure to Flatten

Why does there appear to be a liquidity premium in bills while no such premium can be found in other money markets? The answer reflects the differential behavior of borrowers and lenders. If long rates are higher than short rates, private borrowers can be expected to minimize costs by shortening the maturity of their paper, thereby raising short rates relative to long ones.

Similarly, since there is apparently an excess demand for short bills and an excess supply of longer ones, the government can also minimize its borrowing costs by offsetting these conditions — that is, issuing more short bills.

Yet it does not do so. Either the government is insensitive to borrowing costs or else it feels that there is some compelling social objective to be achieved by adhering to its present policy of bill issuance.

Some analysts have suggested that shortening the maturity of bill offerings would unnecessarily complicate monetary policy by adding to the stock of money substitutes. So the government may have ample reason not to behave as a cost minimizer. In any event, there seems to be little pressure from the issuing side of the bill market to erase liquidity premiums and thereby flatten the yield curve, whereas there is considerable pressure to do so in private money markets.

Of course, even if private borrowers were not nimble enough to erase liquidity premiums, speculators would unquestionably do the job for them. Observing a liquidity premium in private securities, speculators would promptly employ a buy-six-sell-three strategy, thereby capitalizing the premium and tending to force securities prices into the equilibrium of a pure expectations framework.

Handicapped Speculators

Unfortunately, such an option is not available in the T-bill market. When investors borrow to finance a speculation in private securities, they need not pay a credit spread greater than received from owning the asset. But in borrowing to fund a T-bill speculation, the investor is disadvantaged. No one borrows at the treasury rate except the Treasury.

The investor must borrow at a somewhat higher rate than that earned from the bill. And the amount of this credit spread will tend to offset the profit from capitalizing the liquidity premium. So while speculators can arbitrage away liquidity premiums in private markets, they cannot do so as readily in bills.

As a result, bankers must live with the fact that the advantages of mismatching are restricted to instruments governed by treasury rates. The same advantages are not present in nontreasury markets, and they tend to be nullified in T-bills themselves by the credit-spread problem.

Tie Them to Treasuries!

The implications for asset-liability management are clear. The best chance of receiving liquidity-premium-enhanced returns is to link assets and liabilities directly to treasury rates. If a bank finances a six-month asset whose yield is tied to a comparable maturity treasury with a three-month liability similarly tied, it stands a fair chance of making extra profits.

Although it is taking some yield curve risk, the bank is in effect being paid by the marketplace to assume this risk. If rates rise sharply, the bank will lose money on the particular mismatch. But, on average, year-in and year-out, this type of a mismatch will pay off.

Stated in terms of the example used at the beginning of this article, a bank that borrows for three months at a treasury-determined rate of 5.50% in order to lend for six months at a treasury-determined rate of 6.00% is likely to profit most of the time. The reason: The bank's refinancing rate three months hence will probably be less than the 6.50% it is implicitly earning for the second three months.

Suppose, however, that the bank borrows at three months in the CD

Comment: Page 20

Banks Issued $33 Billion in Stocks and Bonds

➡ Continued from Page 1

sued in the U.S. by domestic bank holding companies, thrift institutions, and finance companies.

Also in this compilation is a listing of billion-dollar issuers of mortgage-backed securities.

In 1987, financial services companies — including bank holding companies, thrifts, finance companies, and insurance companies — brought a total of $177.7 billion to the credit markets. That accounted for 63% of the $281.9 billion issued by all U.S. companies last year.

More Debt/Equity Tables
Pages 12, 13

Banking companies and their subsidiaries, with $33 billion, accounted for 18.6% of the total financial issues. Of that amount, almost one-third were in the form of notes and debentures with maturities under 10 years. Another $4.3 billion was for notes due in over 10 years.

This particular debt/equity classification may increase further because of new capital guidelines being considered by the Federal Reserve Board. These guidelines essentially divide capital into two categories — common equity and all others.

Robert Baer Jr., a managing director of investment banking at Merrill Lynch Capital Markets, believes that the guidelines — if adopted — might prompt banking companies to issue more subordinated capital notes instead of convertible and preferred stock.

Debt/Equity Issuers

Leading financial services companies during January–December 1987 ($ millions)

	Yr-to-Date	In Dec.
First Boston	$11,401.4	$100.0
Salomon Brothers	11,151.8	328.5
Citicorp	7,393.4	89.0
Merrill Lynch	7,293.5	112.3
General Motors	4,176.9	0
M.D.C. Asset	4,072.0	0
Ford Motor Credit	4,002.7	200.0
Shearson Lehman	3,762.9	0
Goldman, Sachs	3,714.5	0
Morgan Stanley	3,604.6	0
Banks & subs.	47,209.5	3,677.8
Thrifts & subs.	19,335.7	1,276.7

Government agencies excluded. Figures include all subsidiaries.

Mr. Baer doesn't expect a sudden and major surge in such issues. "Banks would have a couple of years to phase in the guidelines" he said. However, he pointed out that subordinated capital is a cheaper means of increasing capital and he would expect those notes "to become increasingly attractive."

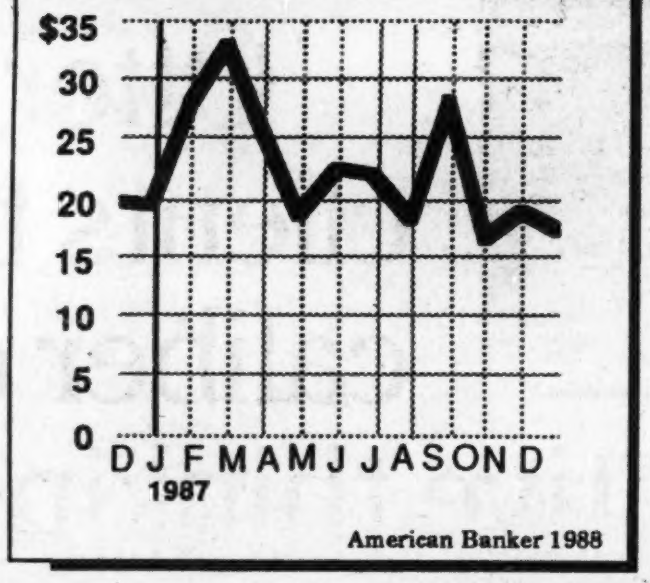
Another segment of bank issues was deposit notes. Initially, U.S. branches of foreign banks took advantage of these instruments because they didn't have to be reported to the Securities and Exchange Commission. Throughout 1987, "deposit notes became very popular," Mr. Baer said. Banks raised $4.2 billion in deposit notes last year, or 12.7% of their total.

A bank holding company could raise debt at the holding company level and downstream the funds to individual banks. However, this would appear on the holding company's books as debt and decreases its leverage. Since deposit notes are issued by the bank itself, the holding company's leverage is not affected. Further, rating agencies tend to look favorably upon such note issues.

Asset sales, primarily backed by credit card and automobile-loan receivables, accounted for another 10.5% of total banking company debt issuance. Mr. Baer expects banking companies to turn increasingly to asset sales, including the possibility of student and other consumer loan products, as a means of raising funds in the credit markets.

Debt/Equity Offerings

Issued by financial services firms, in billions of dolllars



American Banker 1988

Top Issuers Of Debt and Equity

Among banks and thrifts in 1987 (millions of dollars)

	Debt
Citicorp	$7,393.9
Manufacturers Hanover Corp.	2,530.5
Security Pacific Corp.	2,178.6
Chase Manhattan Corp.	1,925.0
Fincl Corp. of Santa Barbara	1,675.0

[1] Includes all subsidiaries.

However, Mr. Baer believes that those companies "with low loan growth and highly capitalized- . . . banks that are positioned for growth" may prefer to hold on to these assets. Such companies may even become buyers of other banks' assets.

Mortgage-backed securities made up another significant percentage of bank holding company issuance, as did equity offerings. Citicorp's $3.7 billion of mortgage securities accounted for 75% of the offerings in this category, and its $1.4 billion in equity accounted for 40%. In fact, Citicorp's $7.4 billion of funds raised in the various markets made up 22.4% of all banking issues in 1987.

Manufacturers Hanover Corp., parent of C.I.T. Group Holdings Inc., was a distant second in the markets with $2.5 billion, followed by Security Pacific Corp. at $2.2 billion.

Thrifts entered the quickly growing mortgage securities market heavily in 1987, issuing $7.6 billion, or 55.8% of the $13.7 billion of their total funding. Notes and debentures made up another $1.7 billion and equity issues, $1.4 billion. ■

Dear Reader, How Are We Doing?

The American Banker wants to make sure its statistical surveys of the financial services industry meet your information needs. So would you spend a moment to give us some feedback on the survey of 1987 debt and equity offerings that appears in today's edition? Please return this questionnaire to L. Michael Cacace, Statistical Chief, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-4836.

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RAISING CAPITAL

Top Issuers of Mortgage-backed Securities in 1987

Billion dollars or more, dollar amounts in millions

Company	Dollar amount of MBS issued	Fixed-rate	Floating-rate	CMO	Pass-through	Stripped
First Boston Corp.	$8,519.8	$4,159.9	$4,359.9	$8,447.2	$72.6	$956.9
Salomon Brothers Inc.	8,449.4	5,549.0	2,092.4	6,928.9	662.5	858.0
Merrill Lynch & Co., Inc.	5,824.5	2,968.7	2,855.8	5,551.8	272.7	0
M.D.C. Asset Investors	3,955.1	2,978.9	976.2	3,955.1	0	0
Citicorp	3,680.2	3,226.9	453.3	802.1	2,878.1	0
Morgan Stanley & Co. Inc.	3,374.6	2,571.4	803.2	3,250.7	0	123.9
Kidder, Peabody & Co., Inc.	3,191.0	2,472.3	718.7	2,721.0	170.0	300.0
Shearson Lehman Brothers Inc.	3,150.1	2,240.4	910.0	3,150.4	0	0
Ryland Acceptance Corp. Four	2,864.4	2,294.3	628.1	2,806.3	0	0
Goldman, Sachs & Co.	2,481.6	1,790.3	1,091.3	2,081.6	0	0
Drexel Burnham Lambert, Inc.	2,231.0	1,699.2	513.8	2,213.0	0	0
Oxford Acceptance Corp.	1,900.9	1,579.9	321.0	1,900.9	0	0
American Southwest Financial Corp.	1,786.5	1,414.3	372.2	1,786.5	0	0
American Savings & Loan Assn.	1,492.0	1,492.0	0	0	0	1,492.0
Bear, Stearns & Co. Inc.	1,300.0	899.0	400.6	1,100.0	0	200.0

Foreign Exchange Deals Rise at Largest Banks

➡ Continued from Page 6

over half the regional banks reduced their [foreign exchange] commitments in 1986."

However, calls to numerous regional banks failed to turn up one that had cut foreign exchange activity in the first nine months of 1987. Asked to explain this discrepancy, Mr. Chessen said: "Obviously, there were some that increased. With an average there are variations." Asked for the names of banks that had big reductions in foreign exchange transactions, he responded: "We are really hesitant to release bank-specific information."

Regionals reporting the same or higher volumes of foreign exchange include: NDB Bancorp, Detroit; National City Corp., Cleveland; PNC Financial Corp., Pittsburgh; and First Union Corp., Charlotte, N.C.

Frank Barkocy, a regional bank analyst for Merrill Lynch Capital Markets in New York, was not startled by Mr. Chessen's findings. "Regionals have been deemphasizing the whole international arena," he said. "There's less of a need to be involved in this type of business and more of a continued focus on the fundamental business in their region."

Foreign exchange is an investment-related off-balance-sheet activity, as are interest rate and currency swaps. Credit-related off-balance-sheet items include standby or commercial letters of credit and loan commitments.

Even with less participation by regionals, investment-related off-balance-sheet activity is booming.

Interest rate swap growth "continues to be stellar," Mr. Chessen found. The notional value of interest rate swaps written by U.S. banks increased $236 billion in the first three quarters of 1987, hitting $600 billion as of Sept. 30, 1987. That is up from $367 billion at yearend 1986. (The 1986 total was double the $186 billion racked up in 1985.) ■

RAISING CAPITAL

Debt/Equity Issued by Thrift Institutions in 1987 [1]

Including all subsidiaries, dollar amounts in millions

Thrift Institution	Dollar Amount of debt issued	Notes & Debentures 9 mos.-10 yrs.	Notes & Debentures Over 10 yrs.	Asset-backed Credit card	Asset-backed Auto	Asset-backed Other	Mortgage-backed Fixed rate	Mortgage-backed Floating rate	Equity	Other
Abraham Lincoln Federal Savings Bank	$7.1	$0	$0	$0	$0	$0	$0	$0	$7.1	$0
Alabama Federal Savings & Loan Assn.	200.0	0	0	0	0	0	200.0	0	0	0
Albuquerque Federal Savings & Loan Assn.	200.0	0	0	0	0	0	200.0	0	0	0
American Savings & Loan Assn.	1,492.0	0	0	0	0	0	1,492.0	0	0	0
Anchor Savings Bank FSB	326.0	0	0	0	0	0	0	326.0	0	0
Anchor Savings & Loan Assn.	1.6	0	0	0	0	0	0	0	1.6	0
Atlantic Financial Federal	175.0	175.0	0	0	0	0	0	0	0	0
Bell Savings Bank, PaSa	7.0	0	0	0	0	0	0	0	0	7.0
Brandywine Savings & Loan Assn.	3.1	0	0	0	0	0	0	0	0	3.1
Bristol Savings Bank	10.0	10.0	0	0	0	0	0	0	0	0
Brooklyn Savings Bank	2.8	0	0	0	0	0	0	0	0	3.1
California Federal Savings & Loan Assn.	352.6	0	0	0	0	0	0	352.6	0	0
CenTrust Savings Bank	235.0	0	0	0	0	0	100.0	0	135.0	0
Central Pennsylvania Savings Assn.	19.5	0	0	0	0	0	19.5	0	0	0
Chevy Chase Savings & Loan Assn.	70.0	0	70.0	0	0	0	0	0	0	0
Citizens Federal Savings & Loan Assn. [2]	450.0	100.0	0	0	0	0	0	0	0	0
CityFed Financial Corp.	123.7	0	0	0	0	0	81.0	42.7	0	0
City Federal Savings Bank	375.0	0	0	0	0	0	375.0	0	0	0
Coast Savings Assn.	52.0	0	0	0	0	0	52.0	0	0	0
Columbia Savings & Loan Assn.	594.5	0	0	0	0	0	594.5	0	0	0
ComFed Savings Bank	235.0	0	0	0	0	0	75.0	160.0	0	0
Commonwealth Savings & Loan Assn.	7.0	0	0	0	0	0	0	0	7.0	0
CrediThrift Financial Corp.	100.0	100.0	0	0	0	0	0	0	0	0
Crestmont Federal Savings	24.6	0	0	0	0	0	0	0	24.6	0
CrossLand Savings FSB	500.0	100.0	0	0	0	0	0	0	400.0	0
Cumberland Federal Savings Bank	20.6	0	0	0	0	0	0	0	20.6	0
Dollar-Dry Dock Savings Bank	65.0	0	0	0	0	0	0	0	65.0	0
Empire of America FSB	456.0	0	0	0	265.0	0	0	0	191.0	0
Eagle Financial Corp.	5.8	0	0	0	0	0	0	0	5.8	0
Fidelity Federal Savings & Loan Assn.	100.0	100.0	0	0	0	0	0	0	0	0
Financial Corp. of Santa Barbara	1,675.0	0	25.0	0	0	0	1,219.6	430.4	0	0
First Atlantic Savings & Loan Assn.	36.8	0	0	0	0	0	0	0	36.8	0
First Federal Savings & Loan Assn. of Rochester	50.0	0	0	0	0	0	0	0	50.0	0
First Federal Savings Bank of Charlotte County	5.8	0	0	0	0	0	0	0	5.8	0
First Federal Savings Bank of Puerto Rico	85.7	50.0	0	0	0	0	0	0	35.7	0
First Federal Savings & Loan Assn.	5.3	0	0	0	0	0	0	0	5.3	0
First Federal Savings & Loan Assn. of Canton	7.5	0	0	0	0	0	0	0	7.5	0
First Federal Savings & Loan Assn. of E. Hartford	6.2	0	0	0	0	0	0	0	6.2	0
First Federal Savings & Loan Assn. of Georgetown	5.0	0	0	0	0	0	0	0	5.0	0
First Federal of Western Pennsylvania	4.1	0	0	0	0	0	0	0	4.1	0
First Georgia Savings Bank	5.0	0	0	0	0	0	0	0	5.0	0
First Indiana Federal Savings Bank	5.0	0	0	0	0	0	5.0	0	0	0
Franklin Savings Assn.	450.0	250.0	0	0	0	0	200.0	0	0	0
Fulton Federal Savings & Loan Assn.	15.2	0	0	0	0	0	0	0	15.2	0
Great American First Savings Bank	222.2	102.7	0	110.0	0	0	0	0	9.5	0
Great Western Financial Corp.	544.7	200.0	0	0	0	0	292.9	0	51.8	0
Home Owners Federal Savings & Loan Assn.	600.0	0	0	0	0	600.0	0	0	0	0
Imperial Savings Assn. [3]	1,532.0	100.0	0	100.0	0	0	685.0	147.0	0	0
Leader Federal Savings & Loan Assn.	406.7	0	0	0	0	0	406.7	0	0	0
Roosevelt Federal Savings & Loan Assn.	643.3	0	0	0	0	0	600.0	0	0	43.3
Talman Home Federal Savings & Loan	500.0	0	0	0	0	0	0	500.0	0	0
TransOhio Savings Bank	75.0	0	0	0	0	0	75.0	0	0	0
United Savings & Loan Assn.	4.7	0	0	0	0	0	0	0	4.7	0
Valley Federal Savings & Loan Assn.	154.0	150.0	0	0	0	0	0	0	4.0	0
Washington Federal Savings Bank	1.8	0	0	0	0	0	0	0	1.8	0
Washington Mutual Savings Bank	40.0	0	50.0	0	0	0	0	0	0	0
Western Federal Savings & Loan Assn.	75.0	75.0	0	0	0	0	0	0	0	0
Western Financial Savings Bank	310.0	0	75	0	235.0	0	0	0	0	0
TOTALS	**$13,731.2**	**$1,512.7**	**$220.0**	**$210.0**	**$500.0**	**$1,606.7**	**$5,666.5**	**$1,958.7**	**$1,149.4**	**$13.2**

[1] — Domestic issues only; [2] — Total includes $350 million of medium-term notes due 9 months and longer from date of issuance; [3] — Total includes $500 million medium-term notes due from 9 months to 15 years from date of issuance.

RAISING CAPITAL

Debt/Equity Issued by Finance Companies in 1987

Including all subsidiaries, dollar amounts in millions

Bank Holding Company Subsidiaries	Dollar Amount of debt issued	Notes & Debentures 9 mos.-5 yrs.	Notes & Debentures 6 yrs.-10 yrs.	Notes & Debentures Over 10 yrs.	Asset-backed Credit card	Asset-backed Auto	Asset-backed Other	Mortgage-backed backed	Equity	Other
American Express Credit Corp.	$400.0	$0	$400.0	$0	$0	$0	$0	$0	$0	$0
Associates Corp. of North America	750.0	750.0	0	0	0	0	0	0	0	0
Avco Financial Services, Inc.	100.0	100.0	0	0	0	0	0	0	0	0
Borg Warner Holdings Corp.	600.0	0	600.0	0	0	0	0	0	0	0
Chrysler Finance Corp.	3,433.2	1,037.4	727.6	0	0	1,518.2	0	150.0	0	0
Commercial Credit Co.	650.0	500.0	150.0	0	0	0	0	0	0	0
Credithrift Financial Corp.	100.0	0	100.0	0	0	0	0	0	0	0
Countrywide Credit Industries, Inc.	43.1	0	0	0	0	0	0	43.1	0	0
First Home Credit Corp.	26.0	0	0	26.0	0	0	0	0	0	0
Ford Motor Credit Co.	3,343.1	1,930.0	1,400.0	0	0	0	0	13.1	0	0
General Electric Credit Corp.	1,401.6	700.0	300.0	0	283.1	0	0	118.5	0	0
General Motors Acceptance Corp.	3,916.2	2,916.2	1,000.0	0	0	0	0	0	0	0
Heller Financial, Inc.	150.0	150.0	0	0	0	0	0	0	0	0
Household Finance Corp.	959.1	500.0	459.1	0	0	0	0	0	0	0
I.B.M. Credit Corp.	300.0	300.0	0	0	0	0	0	0	0	0
International Lease Finance Corp.	100.0	50.0	0	0	0	0	0	50.0	0	0
NACO Finance Corp.	149.5	0	149.5	0	0	0	0	0	0	0
NZI Capital Corp.	150.0	0	150.0	0	0	0	0	0	0	0
Nissan Motor Acceptance Corp.	100.0	0	0	0	0	0	0	100.0	0	0
Pitney Bowes Credit Corp.	100.0	0	100.0	0	0	0	0	0	0	0
Southbury Finance	234.6	0	0	234.6	0	0	0	0	0	0
Tandy Credit Corp. [1]	200.0	0	0	0	0	0	0	0	0	0
Toyota Motor Credit Corp.	150.0	150.0	0	0	0	0	0	0	0	0
United States Leasing International, Inc. [2]	75.0	0	0	0	0	0	0	0	0	0
Volkswagen Lease Financial	150.0	150.0	0	0	0	0	0	0	0	0
Westinghouse Credit Corp.	50.0	50.0	0	0	0	0	0	0	0	0
Xerox Credit Corp.	350.0	200.0	150.0	0	0	0	0	0	0	0
TOTALS	**$17,981.4**	**$9,483.6**	**$5,686.2**	**$260.6**	**$283.1**	**$1,518.2**	**$0**	**$474.7**	**$0**	**$0**

[1] — Total includes $200 million of notes due from 9 months to 30 years from date of issuance; [2] — Total includes $75 million of medium-term notes due from 9 months to 15 years from date of issuance.

Debt/Equity Issued by Banking Companies in 1987

Including all subsidiaries, dollar amounts in millions

Bank Holding Company	Dollar Amount of debt issued	Notes & Debentures 9 mos.-10 yrs.	Notes & Debentures Over 10 yrs.	Asset-backed Credit card	Asset-backed Auto	Asset-backed Other	Mortgage-backed	Equity	Deposit Notes	Other
AmSouth Bancorp.	$100.0	$0	$100.0	$0	$0	$0	$0	$0	$0	$0
Ameribanc, Inc.	15.0	15.0	0	0	0	0	0	0	0	0
American Express Bank, Ltd.	300.0	200.0	100.0	0	0	0	0	0	0	0
American Fletcher Corp.	190.0	190.0	0	0	0	0	0	0	0	
Baltimore Bancorp.	50.0	0	50.0	0	0	0	0	0	0	0
BanPonce Corp.	136.6	60.0	0	0	0	76.6	0	0	0	0
Banc One	1,300.0	100.0	0	0	0	0	0	0	1,200.0	0
BankAmerica Corp.	1,100.0	300.0	100.0	700.0	0	0	0	0	0	0
Bank of Boston Corp.	252.9	150.0	0	0	102.9	0	0	0	0	0
Bank of Delaware	100.0	0	0	0	0	0	0	0	0	100.0
Bank of New England Corp.	200.0	0	200.0	0	0	0	0	0	0	0
Bank of New York Co., Inc. [1]	810.6	0	0	0	0	0	0	110.6	600.0	0
Bank South Corp.	30.0	0	30.0	0	0	0	0	0	0	0
Bankers Trust New York Corp. [2]	1,197.5	400.0	0	0	0	0	0	247.5	400.0	0
Barclays Plc. [3]	698.9	100.0	400.0	0	0	0	0	198.9	0	0
Barnett Banks of Florida, Inc.	200.0	0	200.0	0	0	0	0	0	0	0
CB&T Financial Corp.	4.0	0	0	0	0	0	0	4.0	0	0
Century Bancorp., Inc.	11.4	0	0	0	0	0	0	11.4	0	0
Chase Manhattan Corp. [4]	1,925.0	1,375.0	300.0	0	0	0	0	0	0	0
Chemical New York Corp.	178.0	0	0	0	0	0	178.0	0	0	0
Citicorp	7,393.9	1,400.0	800.0	0	0	0	3,680.2	1,390.0	0	123.7
Comerica, Inc.	75.0	0	75.0	0	0	0	0	0	0	0
Commerce Bancorp., Inc.	12.0	0	0	0	0	0	0	12.0	0	0
Continental Illinois Corp.	500.0	0	0	0	0	0	0	0	500.0	0
CoreStates Financial Corp.	150.0	0	150.0	0	0	0	0	0	0	0
Crestar Bank	100.0	0	0	0	0	0	0	0	100.0	0
Dominion BankShares Corp.	165.0	40.0	75.0	0	0	0	0	0	50.0	0
Eliot Bank	16.9	0	0	0	0	0	0	16.9	0	0
Equitable Bancorp.	40.0	0	0	0	0	0	0	40.0	0	0
First of America Bank Corp.	50.0	50.0	0	0	0	0	0	0	0	0
First Bancorp.	7.1	0	0	0	0	0	0	7.1	0	0
First Bank Pennsylvania	5.3	0	0	0	0	0	0	5.3	0	0
First Bank System, Inc. [5]	400.0	0	0	0	0	0	0	0	0	0
First Chicago Corp.	1,400.0	200.0	100.0	800.0	0	0	0	300.0	0	0
First Commercial Bancorp.	21.8	0	15.0	0	0	0	0	6.8	0	0
First Interstate Bancorp.	660.0	360.0	200.0	0	0	0	100.0	0	0	0
First Republic Bancorp.	15.0	10.0	0	0	0	0	0	5.0	0	0
First RepublicBank Corp.	630.0	0	100.0	200.0	230.0	0	0	100.0	0	0
First Tennessee National Corp.	75.0	0	75.0	0	0	0	0	0	0	0
First Union Corp.	100.0	0	0	0	0	0	0	0	100.0	0
Fleet Financial Group, Inc.	225.0	225.0	0	0	0	0	0	0	0	0
Florida National Banks of Florida, Inc.	75.0	0	75.0	0	0	0	0	0	0	0
Great Bay Bankshares, Inc.	9.2	0	0	0	0	0	0	9.2	0	0
Hartford National Corp.	150.0	0	150.0	0	0	0	0	0	0	0
High Point Financial Corp.	6.0	6.0	0	0	0	0	0	0	0	0
Indian Head Banks, Inc.	10.0	0	0	0	0	0	0	10.0	0	0
Irving Bank Corp.	50.0	50.0	0	0	0	0	0	0	0	0
MBanks	200.0	0	0	0	0	0	0	0	200.0	0
MNC Financial Corp.	575.0	75.0	0	500.0	0	0	0	0	0	0
Manufacturers Hanover Corp. [6]	2,530.5	1,754.5	150.0	0	0	0	0	276.0	0	0
Marine Midland Banks, Inc. [7]	1,225.1	125.0	0	0	600.1	0	0	0	0	0
Mark Twain Bancshares, Inc.	15.0	0	15.0	0	0	0	0	0	0	0
Mellon Bank Corp.	400.0	0	250.0	0	0	0	0	0	150.0	0
Mid-Atlantic Bankcorp.	10.3	5.0	0	0	0	0	0	5.3	0	0
Midlantic Corp.	100.0	0	100.0	0	0	0	0	0	0	0
J.P. Morgan & Co., Inc.	700.0	450.0	0	0	0	0	0	0	250.0	0
National Industrial Bancorp.	1.0	0	0	0	0	0	0	1.0	0	0
Norstar Bancorp., Inc.	134.9	65.0	0	0	0	0	69.9	0	0	0
Northern Trust Corp.	135.0	75.0	0	0	0	0	0	60.0	0	0
Norwest Corp.	550.0	300.0	100.0	0	0	0	0	150.0	0	0
Old National Bancorp.	50.0	0	0	0	0	0	0	50.0	0	0
Orange National Bancorp.	3.0	0	0	0	0	0	0	3.0	0	0
Peoples Bank & Trust	30.0	0	0	0	30.0	0	0	0	0	0
Provident Bankshares Corp.	33.6	0	0	0	0	0	33.6	0	0	0
Republic New York Corp.	1,102.1	321.1	100.0	0	0	0	0	231.0	450.0	0
St. Paul Bancorp., Inc.	118.0	0	0	0	0	0	0	118.0	0	0
Security Pacific Corp.	2,178.6	1,010.6	250.0	0	103.0	0	815.0	0	0	0
Shawmut Corp.	100.0	100.0	0	0	0	0	0	0	0	0
Signet Banking Corp.	275.0	0	0	0	0	0	0	0	0	275.0
SouthTrust Corp.	75.0	0	75.0	0	0	0	0	0	0	0
Southeast Banking Corp.	50.0	0	0	0	0	0	0	50.0	0	0
Suffolk Bancorp.	8.5	0	0	0	0	0	0	8.5	0	0
Summit Bancorp. [8]	203.5	0	0	0	0	0	0	3.5	0	0
SunTrust Banks, Inc.	100.0	100.0	0	0	0	0	0	0	0	0
U.S. Bancorp.	284.1	75.0	0	0	209.1	0	0	0	0	0
Union Bank	100.0	0	0	0	0	0	0	0	100.0	0
United Jersey Banks	60.0	0	0	0	0	0	0	60.0	0	0
United Virginia Bankshares, Inc.	100.0	0	0	0	0	0	0	0	100.0	0
Valley National Corp.	100.0	100.0	0	0	0	0	0	0	0	0
Washington Bancorp.	12.5	0	0	0	0	0	0	12.5	0	0
TOTALS	**$32,802.8**	**9,787.2**	**4,335.0**	**2,200**	**1,275.1**	**76.6**	**4,876.7**	**3,503.5**	**4,200.0**	**498.7**

[1] — Total includes $100 million of medium-term notes due 1 to 15 years from date of issuance; [2] — Total includes $150 million of subordinated Money Market Capital notes, unspecified maturity; [3] — The equity portion are American Depositary Shares; [4] — Total includes $250 of floating rate renewable notes, unspecified maturity; [5] — Total includes $400 million of medium-term notes due from 9 months to 15 years from date of issuance; [6] — Total includes $350 million of medium-term notes due from 9months to 15 years from date of issuance; [7] — Total includes $500 million of global medium-term notes due from 9 months to 15 years from date of issuance; [8] — Total includes $200 million of medium-term notes due from 9 months to 15 years from date of issuance.

Survey Shows Swiss Bank Leads In Support of Asset-Backed Paper

By ANDREW ALBERT

CORPORATE FINANCE

AN AMERICAN BANKER WEEKLY FEATURE

NEW YORK — About three quarters of last year's asset-backed offerings carried at least partial guarantees from third parties, with Union Bank of Switzerland leading the field.

According to an *Asset Sales Report* survey of credit enhancement in 1987, issuers purchased $1.6 billion in guarantees from either banks or insurance companies to enhance the credit of 28 asset-backed issues worth $8.7 billion. *Asset Sales Report*, published by the *American Banker*, is a weekly newsletter covering securitization.

Last year's offerings that did not include third-party support were generally guaranteed by the issuer — a practice typically followed by General Motors Acceptance Corp. and General Electric Credit Corp.

The third-party support allowed issuers to sell collateralized securities with triple-A or near-triple A ratings, a factor that is largely attributable to the growing popularity of the asset-backed market.

First-place UBS last year provided letters of credit for 11 asset-backed offerings worth $4.6 billion, far more than any other bank or insurer. Financial Security Assurance Inc. fully guaranteed five offerings worth $506.6 million to lock up the No. 2 spot in ranking.

The two triple-A rated companies — notably different in their history and approach — handled more than half of last year's 28 credit enhancement assignments in the asset-backed market.

UBS established its lead position in the industry by pioneering credit enhancement in the asset-backed market. In March 1985, the Swiss bank provided a letter of credit supporting 20% of the first issue of asset-backed paper — a $192.5 million issue backed by Sperry's computer lease receivables.

"We recognized the evolution of the market earlier than most other institutions and have been effective in executing our strategy to become a major factor in the enhancement of the securities," said Peter R. Haidorfer, a UBS vice president specializing in the asset-backed securities market. Prior to the birth of the asset-backed market, UBS had established itself as a guarantor in the commercial paper and industrial revenue bond markets.

UBS' letter of credit business is conducted out of the bank's four U.S. offices.

FSA, on the other hand, opened its doors in March 1984 and has quickly built a name for itself as a provider of 100% surety bonds for corporate debt. The FSA guarantee was employed last year in four auto-backed deals underwritten by Drexel Burnham Lambert Inc. and an issue of asset-backed preferred stock managed by First Boston Corp. — the first preferred issue of its kind.

FSA officials say they expect its deal volume to continue growing steadily in 1988, with a few transactions already in the works. Without the rich history of UBS, FSA has aggressively promoted itself to help win a market foothold.

Credit Suisse also made its mark last year by providing letters of credit in four deals, including a 6% letter of credit to support the year's largest asset-backed offering — a $1.4 billion issue collateralized by GMAC auto receivables. For a September issue of Union Carbide Corp.'s asset-backed preferred stock, the Swiss bank furnished a 100% letter of credit to provide funds for the purchase of trade receivables, if necessary. ■

Credit Enhancers Ranked

The table below lists those banks or insurers that provided guarantees for asset-backed securities that were publicly offered in 1987. The credit enhancement firms are ranked by the number of issues they guaranteed. (Millions of dollars.)

	Abbrev.	No. of Issues Guar.	Value of Issues with Guarantees	Amount Guar.
Union Bank of Switzerland	**UBS**	11	$4,640.3	$498.7
Financial Security Assurance	**FSA**	5	506.6	506.6
Credit Suisse	**CS**	4	2,440.7	400.9
Bayerische Vereinsbank	**BV**	2	402.0	38.2
Federal Home Loan Bank of S.F.	**FHLBSF**	2	210.0	37.0
Deutsche Bank	**Deut.**	1	150.0	27.0
Morgan Guaranty	**Morgan**	1	124.5	6.2
Other	**(1)**	2	183.5	41.0
TOTAL		**$28**	**$8,657.6**	**$1,555.6**

(1) Banks that provided only part of an issue's guarantee.

Listed below are the 1987 publicly-issued asset-backed securities that were guaranteed, either partially or fully, by third parties. The list includes the issue's principal amount, the amount guaranteed by a third party, and the firm that provided the guarantee. (Millions of dollars.)

Date	Seller-Servicer	Issue Total	Amt. Guar.	% Guar.	Guar. Provider
1/16	RepublicBank Delaware	$200.0	$10.0	5.0%	UBS
2/24	Bank of America	400.0	60.0	15.0	UBS
3/19	Western Financial Savings, Santa Ana, Calif.	125.0	125.0	100.0	FSA
5/28	RepublicBank Dallas	230.0	27.6	12.0	UBS
6/4	Marine Midland Automotive Finance Corp.	600.1	48.0	8.0	UBS
6/11	Chrysler Financial Corp.	515.9	36.1	7.0	CS
6/22	Bank of America	300.0	30.0	10.0	BV
6/23	Imperial Savings Association, San Diego	100.0	15.0	15.0	FHLBSF
6/30	Mack Financial Corp.	215.2	34.4	16.0	UBS
7/16	Security Pacific Credit Corp.	103.0	10.3	10.0	UBS
7/28	General Motors Acceptance Corp.	1,410.8	84.0	6.0	CS
7/29	Western Financial Savings, Santa Ana, Calif.	110.0	110.0	100.0	FSA
8/24	First National Bank of Boston	102.0	8.2	8.0	BV
9/17	Mattel Inc. (Preferred stock)	62.5	62.5	100.0	FSA
9/23	Union Carbide Corp. (Preferred Stock)	249.0	249.0	100.0	CS
9/23	Great American First Savings, San Diego	110.0	22.0	20.0	FHLBSF
9/29	First Chicago Corp.	800.0	136.0	17.0	UBS
9/30	Green Tree Acceptance Corp.	71.5	15.7	22.0	(1)
10/8	Volkswagen of America	150.0	27.0	18.0	Deut.
10/9	UST Corp., Boston	109.1	109.1	100.0	FSA
10/13	General Motors Acceptance Corp.	142.7	8.6	6.0	UBS
10/23	Empire of America Federal Savings, Buffalo	265.0	31.8	12.0	CS
11/5	Marine Midland Bank	449.3	38.6	8.6	UBS
11/12	Chrysler Financial Corp.	1,000.0	75.2	7.5	UBS
11/18	BMW Credit Corp.	124.5	6.2	5.0	Morgan
11/19	UST Corp., Boston	100.0	100.0	100.0	FSA
12/9	MNC Financial Corp., Baltimore	500.0	50.0	10.0	UBS
12/17	Green Tree Acceptance Corp.	112.0	25.3	22.5	(2)
	Total	**$8,657.6**	**$1,555.6**		

(1) National Australia Bank Ltd. provided a $7.15 million letter of credit and Austrialia and New Zealand Bank Group Ltd. provided an $8.575 million letter of credit, backed up by Fuji Bank. (2) National Australia Bank Ltd. provided a $5 million letter of credit, Union Bank of Bavaria provided a $10 million letter of credit, and Canadian Imperial Bank of Commerce provided a $10.267 million letter of credit, backed up by Fuji Bank.

Source: Asset Sales Report

DAILY FINANCIALS

Monday February 1, 1988

Money Market

Federal funds range .... $6^{13}/_{16}$-$6^{15}/_{16}$
Prime rate (11/6/87) 8.75%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral 8.00%

Bankers acceptances offering rate, discount (2/1)
30 days: 6.50 60 days: 6.50 90 days: 6.48
120 days: 6.48 180 days: 7.47

Certificates of deposit, highest offering rate, at New York City banks (2/1)
14 days: 6.20 30 days: 6.25 60 days: 6.30
90 days: 6.30 120 days: 6.35 150 days: 6.35
180 days: 6.35 270 days: 6.55 360 days: 6.65

Commercial paper, dealer Aaa, discount (2/1)
30 days: 6.70 60 days: 6.65 90 days: 6.60

Commercial paper, directly placed, discount (2/1)
5-14 days: 6.25-6.60 15-29 days: 6.55-6.60
30-59 days: 6.45-6.60 60-89 days: 6.30-6.45
90-179 days: 6.30-6.30 180-270 days: 6.30-6.30

Treasury-bill rates, secondary market, bid (2/1
90 days: 5.65 180 days: 6.06 1 year: 6.25

Eurodollar deposits, London bid (2/1)
Overnight: $6^{11}/_{16}$ 7 days: 6⅝ 1 month: $6^{11}/_{16}$
3 mos.: $6^{13}/_{16}$ 6 mos.: 6⅞ 1 year: $7^{3}/_{16}$

NIBOR: N.A. **LIBOR:** N.A.

The Bond Buyer Municipal Bond Index

	2/1/88	1/29/88	1/25/88
Index	91.18	91.16	90.22
Yield to Par Call	7.99	8.03	8.15
Yield to Maturity	7.92	7.97	8.05

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Mar. '88	94.43	94.30	94.31	- 4	5.69
June '88	94.25	94.13	94.14	- 4	5.86
Sept.'88	93.98	93.85	93.87	- 5	6.13
Dec. '88	93.70	93.56	93.58	- 6	6.42
Mar. '89	93.48	93.33	93.33	- 8	6.67
Jun. '89	93.28	93.11	93.11	-10	6.89

As of the previous day's close; Total no. of contracts traded: 4,692 total open interest: 23,239 and change in open interest:+373

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Feb. 1:	244.2	1988:	248.8	227.7	244.2
Jan. 29:	242.7	1987:	401.7	212.0	234.6
Jan. 28:	237.1	1986:	388.7	331.2	331.3
Jan. 27:	234.7	1985:	344.2	242.7	344.2
Jan. 26:	224.7	1984:	269.6	178.4	246.3

* Based on midday prices.

Jersey Gives Approval To Constitution Bank

TRENTON, N.J. — New Jersey Banking Commissioner Mary Little Parell approved the charter application of Constitution Bank, which is in Cranbury, a fast-growing community in Middlesex County. This is the first bank charter to be approved in New Jersey this year.

The bank, to be capitalized at $5 million, would be the first home-based commercial bank in the Cranbury trade area, where the population rose 90% between 1970 and 1980, and household population was estimated to have grown an additional 40% between 1980 and 1985.

Charter approval is subject to raising the capital, receipt of FDIC insurance, and an agreement not to merge or consolidate with another banking institution for five years. ■

Allied Bancshares, Inc.

has merged with

First Interstate Bancorp

The undersigned initiated this transaction and acted as financial advisor to Allied Bancshares, Inc.

MONTGOMERY SECURITIES

January 29, 1988

2/4/88 C0175-1

American Banker

The Daily Financial Services Nev

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Today

CONSUMER FINANCIAL SERVICES

Many banks and thrifts this year have been offering CDs that come with a bonus — above-market interest rates. ____ 6

Thomas Chapman abruptly resigned late last month as executive vice president of the First National Bank of Atlanta. ____ 6

While the logic of recruiting package-goods marketers to enliven bank promotional efforts would seem unassailable, consultants say the results have often been disappointing. ____ 7

INSIDE

NMB Bank of Amsterdam has been cashing in on the secondary market for Mexican loans by selling that paper short and then repurchasing it at lower prices, say traders in the secondary loan market and at the bank. 2

Continental Illinois National Bank and Trust Company officers clashed with the Comptroller of the Currency over the legality of a loan the bank made to an options clearing unit after the market crash. ____ 2

For the first time, there has been a failed dutch auction in the preferred stock of a financing subsidiary of a thrift, an issue that has the highest possible credit ratings. ____ 2

The Federal Home Loan Bank Board unveiled details of its ambitious "Southwest plan" to consolidate nearly half of the 281 thrifts currently operating in Texas. ____ 3

Citibank has recruited Paul V. Palmer from Goldman, Sachs & Co. to head its scaled-down mortgage securities department. ____ 5

Dean Witter Financial Services Group, a subsidiary of Sears Roebuck, said its fourth-quarter loss widened to $31.7 million. ____ 14

Federal agencies have scheduled a hearing March 1 to determine how much, if at all, federally insured savings and loans should be allowed to invest in junk bonds. ____ 15

COMMENT

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KEEPING CURRENT

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Quote/Unquote

'We see this consolidation as an acceleration of what is already occurring in the industry. Consolidation clearly works.'

Federal Home Loan Bank Board Chairman M. Danny Wall, announcing details of the Bank Board's 'Southwest plan' to consolidate nearly half of the 281 thrifts currently operating in Texas. [Page 3]

Continental Assets FDIC Plans to Sell

	(millions)
Energy	$846.7
International	340.0
Commercial	322.9
Maritime	208.0
Real Estate	133.0
Personal	19.4
Total	**$1,870.0**

FDIC to Sell Continental's Leftover Assets

By LISABETH WEINER
Midwest Bureau

CHICAGO — The Federal Deposit Insurance Corp. will sell nearly all of the remaining $1.8 billion in assets it holds from the 1984 bailout of Continental Illinois Corp.

The three-member FDIC board voted Tuesday to separate the loans into six industry segments — energy, commercial, personal, international, maritime, and real estate — and sell each portfolio separately through sealed bids.

But the FDIC said it will accept one bid for all the loans if that offer exceeds the combined bids on the six individual portfolios.

The sale marks a radical departure from the way these troubled loans have been handled in the past. The FDIC asset administration department has been handling bad-loan collections through workouts. Under the bailout plan, $3.5 billion in bad loans was dumped on the regulatory agency.

While the FDIC has conducted bulk sales of loans it has acquired from failed banks, the Continental loans are unique in the size of the individual loans contained in the package and in the size of the proposed asset sale.

FDIC: Page 12 ➜

Appellate Court Casts Doubts On Status of Credit Card Banks

By ANDREA BENNETT
and RICHARD RINGER
Midwest Bureau

CHICAGO — A federal appeals court ruling has raised questions about the legality of special service banks, particularly the credit card banks established in South Dakota and Delaware.

The court decided that a state cannot enact interstate banking legislation that prevents out-of-state institutions from competing fully with banks based in the state.

The ruling last Thursday by the Eight Circuit Court of Appeals in St. Louis could force some states to amend their interstate banking laws to eliminate restrictions.

But the decision conflicts with an earlier ruling by the federal appeals court in Washington, D.C. Banking lawyers are predicting a showdown at the U.S. Supreme Court over the issue.

The St. Louis court overturned the Federal Reserve Board's approval of an application to open a credit card bank in Rapid City, S.D. The application was filed by the $8.4 billion-asset Michigan National Corp., of Farmington Hills, Mich.

The appeals court rejected the Fed's argument that a state has the authority to restrict the banking activities of an out-of-state bank when it allows such a bank to do business within its borders.

Appellate: Page 15 ➜

Marketer Who Came in from the Cold Wants To Heat Up Retailing at Chemical

By MAUREEN NEVIN DUFFY

CONSUMER FINANCIAL SERVICES
AN AMERICAN BANKER WEEKLY FEATURE

Consumers may not know the name Rupert A. Walters, but they are familiar with the icy relief of a Popsicle in mid-July. As president and chief executive of Popsicle Industries Inc., Mr. Walters got a grip on a Fudgesicles and Creamsicles business that was slipping against competition from specialty ice creams.

What should bankers care about Fudgesicles and Creamsicles? Chemical Bank officials thought enough of Mr. Walters' accomplishments to make him senior vice president of marketing and product management, a new post and the highest marketing position in the bank's history.

Hiring Mr. Walters is part of a one-year-old campaign to beef up Chemical's consumer sales force.

The marketing head, who joined the bank in October, reports directly to group executive Edward A. O'Neal Jr.

Since the reporting order puts Mr. Walters one person away from the vice chairman, industry insiders consider it an indication of Chemical's determination to excel in retail marketing.

It also is a sign that the bank plans to be among the first out of the gate marketing mutual funds, insurance, and other products when the deregulation flag finally goes up.

As one Chemical insider put it, "They figured it was easier to teach a consumer marketer the banking business than vice versa."

Many financial institutions are struggling over whether to hire people with financial backgrounds and teach them

Marketing: Page 7 ➜

QUOTABLE SUCCESS

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Regulator Blasts Continental Aid To First Options

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Continental Illinois National Bank and Trust Company of Chicago officers clashed with their primary regulator Wednesday over the legality of a loan the bank made to an options clearing unit in the wake of the stock market crash.

Emory W. Rushton, deputy comptroller of the currency, told a House Energy and Commerce subcommittee that the bank had been warned by one of the agency's field examiners that it could not advance more than 15% of its capital to First Options of Chicago Inc. without collateral. An additional 10% of the bank's capital could have been extended with collateral.

Continental chairman Thomas C. Theobald said the wording of the bank's agreement on its lending limits with the clearing facility was ambiguous. "Continental Bank's total investment in, and loans to, First Options" could not exceed "in the aggregate an amount equal to the bank's legal lending limit at the time of the investment or loan of any funds," he said, quoting from the conditions established by the agency when it approved the First Options acquisition.

Since bank loans are limited to 15% of capital with no collateral and an additional 10% on a secured basis, "the statute to which the Comptroller's approval refers provides for an aggregate lending limit of 25% of Continental's capital and surplus," he said. "The approval is silent as to any allocation between secured and unsecured advances."

Holding Company's Role

On the same evening that Continental made the loan, Mr. Rushton said, the bank's lawyers contacted him and said the holding company, which was not bound by the Comptroller's conditions, would assume the loan.

The Energy and Commerce Committee has jurisdiction over the securities industry, and Wednesday's hearing made it apparent that the First Options episode will weigh heavily in the minds of committee members as they consider whether the Glass-Steagall Act should be repealed.

In particular, committee Chairman John D. Dingell, D-Mich, long-regarded as a staunch opponent of bank securities powers, argued at length that the incident raises serious questions about the ability of legislators and regulators to create adequate "firewalls" between banks and securities affiliates.

"Maybe it [the Comptroller's condition] was wrong, but it was a rule and rules should be honored," he said.

The system, he said, may be able to tolerate one bank violating rules. "But could we have tolerated it in the Depression, if 7,500 banks were" violating rules, he asked.

Mr. Dingell, the House's most powerful committee chairman, said the episode demonstrates the truth of former

Continental Fights: Page 15 ➔

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Dutch Bank Wins Big in Debt Market

NMB Sold Mexican Paper Short, Then Bought It Back Low

By JAMES R. KRAUS and JED HOROWITZ

NEW YORK — A low-profile Dutch bank has been cashing in on the secondary market for Mexican loans by selling that paper short and then repurchasing it at lower prices, according to traders in the secondary loan market and at the bank.

Foreign-debt traders asserted that the $40 billion-asset NMB Bank of Amsterdam has been one of the few major buyers of Mexican debt during the past two to three weeks. NMB, they speculated, had earlier sold short a lot of Mexican paper in order to drive down the price, then locked in a profit by buying it back at the lower value.

Average secondary market prices for Mexican debt fell to a trading range of 47 cents to 49 cents on the dollar this week from 50 cents to 52 cents in the first week of January.

Peter R. Geraghty, vice president in charge of the bank's New York asset-trading operation, however, said that the bank began selling Mexican debt short last month after it concluded, for several reasons, that prices would fall.

Mr. Geraghty cited the suspension of Mexico's debt-for equity program last fall, a rising interest among many banks in selling off their Mexican paper, and uncertainty about the value of Mexican debt in light of the upcoming bond-for-debt swap that Mexico has proposed. Mexico is scheduled on Feb. 19 to auction off up to $10 billion of new bonds to creditors that tender at the highest discount.

Mr. Geraghty declined to specify the amount of loans traded by NMB or the profits that were realized. He also declined to comment on speculation by secondary market traders that NMB was the buyer of NCNB Corp.'s entire $105 million portfolio of Mexican loans in late January. The Charlotte, N.C.-based bank said it sold the debt to one buyer, but did not name the purchaser.

In a similar move, First Union Corp., NCNB's chief rival, last week also said it sold its entire $58.5 million Third World debt portfolio consisting of Mexican and Venezuelan loans. A bank official said "several investors" bought the loans, but would not comment on NMB's role. The two North Carolina banks said they sold the debt for an average of 50 cents on the dollar.

According to G.J. Tammes, vice chairman of NMB, the bank has been active in renting or buying Third World debt from U.S. regional banks to trade for its own account. Mr. Tammes said that the bank began expanding its purchases of debt from U.S. regional banks after European banks became less interested in selling off their paper.

"If you want to be a player in this market, you have to do it for your own account. You have to take in inventory," said Mr. Tammes.

Mr. Geraghty said he expected prices for Third World debt to remain within a narrow range for the next few months. The executive predicted that another major decline in Mexican loan prices would be unlikely because banks — which have been adding provisions to their loan-loss reserves — will be unwilling to cut into their equity by selling Third World debt.

Mr. Tammes said that transactions have until now been spurred mainly by debt conversion programs but that they will increasingly be prompted by developing nations buying back their debt under schemes similar to the bond-for-debt swap scheme developed by Morgan Guaranty Trust Co. of New York for Mexico. He also said he expected the International Monetary Fund and the World Bank to assist in facilitating the repurchase of debt by some countries.

His own bank, he said, has been linking a significant portion of its debt trading to corporate finance business in South America.

NMB — Holland's third largest commercial bank — is the only European commercial bank playing an important role in Third World asset trading and debt conversion, according to Mr. Tammes. He estimated that the bank accounted for $3 billion to $3.5 billion of $15 billion worth of debt traded last year. He cited Standard Chartered PLC as the next-biggest European player in this market, with around $760 million worth of trades through the first 10 months of last year.

The executive also predicted that loan sale volume will rise to $25 billion in 1988 as the number of "repurchase gimmicks," or "unofficial repurchase programs," used by the Philippines, Chile, Brazil, Argentina, and Mexico increases.

Mr. Tammes reported that of the $3.5 billion of Third World debt traded by NMB last year, around $1 billion worth was acquired by banks or corporations in Chile, Mexico, or Brazil. Between $1 billion and $2 billion of Brazilian debt acquired last year was purchased by multinational corporations and converted into local currency to build equity or was being used for other purposes. As much as $500 million worth of such transactions have been carried out during the last three months, he said.

A sizable part of the debt purchases are being done with flight capital held in accounts outside the debtor country, said the executive. He estimated that there is a demand for a further $2 billion worth of debt-for-equity conversions in Brazil. ■

Dutch Auction Fails for Arkansas Thrift's Preferred

By LINDA ELLIS

NEW YORK — For the first time, there has been a failed dutch auction in the preferred stock of a financing subsidiary of a thrift, an issue that has the highest possible credit ratings.

The 7.408% ceiling was not high enough to attract investors to the $75 million First Arkansas Funding Corp., a financing subsidiary of the insolvent First Federal Savings of Arkansas, Little Rock. Those who already owned the instruments were unable to sell.

Last August, an auction of the preferred stock of MCorp., Dallas, a commercial bank, failed twice. However, that preferred stock was backed by the parent's credit rating, which had fallen well below investment grade. In the case of First Arkansas, the financing subsidiary has a credit rating separate from the parent and the assets in the subsidiary are collateralized at 150%. The subsidiary carries an Aaa from Moody's Investors Service and AAA from Standard & Poor's Corp.

The underwriter is Prudential-Bache Securities Inc. According to a Prudential-Bache official, the investment bank is working with the issuer on options and strategy.

Auction-rate preferred issues are repriced every seven weeks using a blind auction device in which investors bid for the interest rate they want the shares to pay for the next seven weeks. A ceiling rate, or the maximum interest rate, is pegged for the First Arkansas issue, at 110%.

"It is unfortunate, but not really a surprise," said R. Edward Chambliss, a managing director of Salomon Brothers Inc. "The parent company has obviously had its problems. This is not a failure of the auction structure, not a failure of the subsidiary, and not a failure of asset quality or dividend [potential]. Most thrift issuers would not consider a dividend rate at 110% of commercial paper to be an economical execution and would find an incomplete auction a strong incentive to call the issue." ■

Applications for Forbearance

District	Applications	Approved	Denied	Withdrawn	Pending
Central	12	10	0	2	0
Midwest	28	15	6	6	1
Northeast	0				0
Southeast	2		1		1
Southwest	92	32	14	9	37
West	13	7	3	2	1
Total	**147**	**64**	**24**	**19**	**40**

Source: Office of the Comptroller of the Currency, Dec. 31, 1987 figures

Requests for Capital Leniency Double

Washington Bureau

WASHINGTON — The number of federally chartered banks seeking regulatory leniency on capital requirements rose to 147 last year, more than double the 65 requests in 1986, the Office of the Comptroller of the Currency reported.

Of the 147 applications, the Comptroller's office approved 64 and denied 24. Nineteen were withdrawn, and 40 requests are still pending.

Federal forbearance programs were expanded last July beyond energy and farm banks to all banks with capital-to-asset ratios below the prescribed minimum of 6%.

However, banks in regions that rely heavily on energy and agriculture filed 82% of the applications. More than 62% of the requests came from national banks in the Southwest, while the Midwest accounted for another 20% of the applications.

Admission to forbearance programs formerly required banks to retain at least a 4% capital ratio to avoid being shut down. Last summer's relaxation abolished any capital minimum.

MARKETING MANAGEMENT

Banks Can Learn from Sears' Revolution

By N.W. 'RED' POPE

FOR A NUMBER OF YEARS, I have advanced a theory that banks should change their focus and operating methods if they really want to make it in the New World — the changing financial environment.

For lack of a better way of putting it, I have suggested the changes must come not from an evolutionary process, but from something of a revolutionary one. Certainly, I do not mean there should be some mutinous outbreak within the ranks or a violent takeover of some sort from outside.

What I mean, and what I believe, is that the time to turn banks around is here. Achieving that will necessitate actions many may perceive as revolutionary in nature.

I was heartened, therefore, to read a recent Associated Press story out of Chicago that dealt with Donald R. Katz's book, "The Big Store: Inside the Crisis and Revolution at Sears."

Mr. Katz reports that one Sears executive, during the troubled company restructuring in 1978, said: "Saving Sears is like turning the Queen Mary in the Chicago River." A formidable task indeed.

Edward R. Telling took over that year as chairman of Sears, Roebuck and Co. He faced declining profits, falling stock prices, and new, aggressive competition from discount chains. Mr. Katz states that a 50-year tradition of decentralization was threatening the nation's largest retailer from within.

As I read this fascinating review, I began to think of the increasing competition banks face, the falling stock prices, declining earnings. And, yes, the many traditions around which so many banks function — or languish as the case may be — including the centralization-versus-decentralization issue.

Pope Says:

It is no wonder Edward Telling stated a few years ago that Sears had traditionally been where America shops. Tomorrow, it will be where America banks.

According to Mr. Katz's 590-page account, Mr. Telling had to do nothing short of fomenting revolution. And he had to gather revolutionaries around him to do it.

Those revolutionaries, Mr. Katz said, "included the most gifted, opinionated, aggressive, driven, unusual, mysterious, and, in a few cases, plainly the craziest inhabitants of the corporate society."

Sears was described as a "sleepy, bucolic American company," in spite of its size and history. It was obvious to Mr. Katz that Mr. Telling's unique approach to changing the culture at Sears was the only way the giant retailer could be awakened and moved.

Mr. Telling's management style and philosophy worked, despite upheavals in the ranks. His reign ended in financial triumph one year ago, when he retired.

I love that story, perhaps because it reinforces my belief that many bankers will not be willing to come to grips with the changes that must be made until a revolution takes place. And few bankers view revolutionary actions as acceptable alternatives to methodical, historical, evolutionary moves.

Missing Only One Element

The easy part is that most banks already have everything it takes to change, except for that revolutionary attitude, the dynamic force that creates change. I suggest that most banks already have the capacity, the systems, the franchises, and the people to bring about revolution. What they need is a new focus, a new direction, a new commitment to take extraordinary actions to achieve extraordinary results.

Marketing people in banks, along with advertising managers and public relations directors, have been viewed as mavericks. Radicals. Unusual personalities. Opinionated and aggressive. Crazy.

Some would say they were revolutionaries of a sort, challenging tradition, questioning direction, making waves. Not content with the status quo in a time and place of change. Maybe somewhat like the people with whom Mr. Telling surrounded himself to bring about a new dimension for Sears.

The giant retailer had specialized in home and garden equipment, less-than-Brooks Brothers clothing, hardware, paint, and appliances. Who would have thought that Sears, in a revolutionary move, would start adding things like real estate, insurance, and securities to its line? And Cheryl Tiegs, Arnold Palmer, and Johnny Carson labels?

As we have all heard over and over for a few years, at Sears you can now get your houses where you get your blouses, your stocks where you get your socks, and — because of a hookup with H&R Block — your taxes done where you buy your axes. It is no wonder Mr. Telling stated a few years ago that Sears had traditionally been where America shops. Tomorrow, it will be where America banks.

Because he and his revolutionary associates began to view the future without myopic blinders, without fear of upsetting traditionalists or disturbing those who clung to yesterday's ways, without assuming everyone on board today was the right person to do the job for tomorrow.

Mr. Telling realized, as a handful of today's current crop of banker "crazies" have come to understand, that survival and success demand the unusual, the more risk-related, the fresh and exciting, the mind-stretching, the foresight, and, yes, the human resources that have the guts and the gall to go for it.

Part of Success Story

Those helping Mr. Telling carry out his dramatic schemes appeared to be driven by the need for corporate success, not simply by personal glory. True, managers like the sweet smell of success as well as the next person. But to some, including the maverick marketers, the real need is to be a part of producing success.

I have known hundreds of bank marketers. Those who are truly professional, who are dependable and innovative, seem to be totally unselfish, driven by an intense craving for corporate victory and not personal fame.

Many are ego-driven, yes — but most are loyal, committed, concerned, and eager for the bank to succeed, first and foremost. They know that if the bank wins, they win.

It is not turf protection for reasons involving internal politics that drives most marketers. It is the incredibly simple hope of becoming a winner.

At no time in half a century or more has the banking industry faced so much adversity, so many challenges, so much competition, and so many threats to its survival. These are not usual times.

We are no longer in a basic business. We are not likely to be able to wait it out until the "good old days" return. People and ideas that guided banks through the past may be hard pressed to assure their futures.

No one is more of an optimist in this business than I am. But I try to be a realist as well. And I believe the time is right for dramatic, new beginnings for those banks that want to make the moves that make a difference.

Mr. Telling was a revolutionist, widely criticized by his peers, the press, and the shareholders until the wheel of success began to turn in his favor. Then he was praised.

John Reed heard that negative hue and cry as he turned Citibank toward a consumer emphasis. Joe Pinola has heard it as he directs First Interstate to national franchising, truly a revolutionary move.

Ed Crutchfield at First Union in North Carolina heard it as he changed

Marketing: Page 5 ➝

Mr. Pope is senior vice president-marketing at the Valley National Bank of Arizona, Phoenix.

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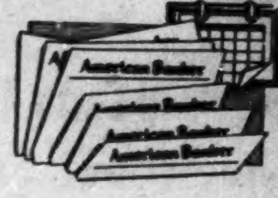
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- Gen. Robert E. Wood, chairman of Sears, Roebuck and Co., Chicago, and director of the First National Bank of Chicago, told a banking conference a cut in taxes and a reduction in the $11 billion defense budget — a record for any nation in time of peace — was not possible because of the threat from Russia.

20 Years Ago

- The House approved a tough "truth-in-lending" bill that required lenders to disclose to customers the annual rate of interest on revolving credit accounts.
- The trust division of the American Bankers Association said it would form a special committee to deal with the adverse publicity that resulted from a congressional probe of bank trust departments. Rep. Wright Patman, chairman of the House Banking Committee, charged that banks had conflicts of interest in their trust department activities.

10 Years Ago

- Federal Reserve Board Chairman Arthur F. Burns said he was prepared to recommend that Congress phase in NOW accounts for the financial industry on a nationwide basis, and that he wanted to couple the change with a proposal for interest on reserves left with Fed banks.
- In a sharp attack on the Securities Industry Association, Citibank chairman Walter W. Wriston said the Glass-Steagall Act was designed to protect bank depositors and to stimulate business, not to protect the securities industry from outside competition. Mr. Wriston defended bank activity in financial advisory services, including arranging private placements for clients, underwriting government revenue bonds, and stock brokerage.

5 Years Ago

- The Federal Savings and Loan Insurance Corp. was expected to be $898 million in the black in 1983, according to President Reagan's budget. It projected that difference between income and expenses to drop to $716 million in 1984.
- The Reagan administration announced plans to restrict the guaranteed student loan program by subjecting applicants to a "need analysis" to insure that the federal interest subsidies under the program "do not go to those who do not need them." The program at that time applied a needs test only to applications from students with family incomes of more than $30,000.
- Continental Illinois National Bank and Trust Company of Chicago said it would reduce its work force by 800 jobs in an effort to control noninterest expenses. The cutback, which represented about 6% of Continental's 13,000 employees, was to come through attrition and turnover.

1 Year Ago

- Antonio Gebauer, a former top officer at Morgan Guaranty Trust Co. who pleaded guilty to fraud, was sentenced to three and a half years in prison. Mr. Gebauer, who was in charge of the bank's Latin American operations, admitted defrauding Morgan of about $4.3 million by making unauthorized withdrawals of the accounts of wealthy Brazilian customers.
- The troubled BankAmerica Corp. said it had agreed to sell its discount brokerage subsidiary, Charles Schwab & Co., back to an investor group led by Charles Schwab, the firm's founder.
- Executives from three big New York banking firms appeared before the Federal Reserve Board to press their case for new securities underwriting powers. Representatives from Bankers Trust Corp., Citicorp, and J.P. Morgan & Co. said the Fed's stringent limit on how much commercial paper Bankers Trust could sell was too strict. The banks wanted the Fed to permit them to underwrite commercial paper, mortgage-backed securities, municipal revenue bonds, and consumer receivables through affiliates that also underwrite U.S. government securities.

— Domenica Trevor

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Today

THRIFTS & MORTGAGES

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Quote/Unquote

I'm appalled. Morgan is a triple-A company no matter how you look at them . . . If they're not triple-A, who in the world is?

J. Richard Fredericks, a bank stock analyst at Montgomery Securities, San Francisco, commenting on the downgrading by Moody's Investors Service of J.P. Morgan & Co. [Page 2]

White House Budget Would Cut Government's Role in Mortgages

By JIM McTAGUE and JAY ROSENSTEIN
Washington Bureau

WASHINGTON — A renewal of last year's unsuccessful assault on the growth of the federal government's giant mortgage agencies, and wide-ranging changes in federal credit programs for education and housing, are part of President Reagan's budget proposals announced Thursday.

The White House intends to continue its program of selling existing government loan assets without recourse, the budget documents state. Planned loan sales with a face value of $12 billion will affect such agencies as the Federal Housing Administration and the Small Business Administration in fiscal 1989. The budget estimates sales proceeds of $8.6 billion from these loans, or about 72 cents on the dollar.

The loan sale program, according to the budget proposals, is designed to reduce the government's cost of administering credit, to provide an incentive for agencies to improve loan origination and documentation, and to assist in measuring the federal subsidies inherent in federal credit programs.

Also in the budget report, the President urged the Federal Reserve Board to avoid tightening the nation's money supply.

"The outlook for inflation is quite favorable," the report said, noting that exchange rates and interest rates have been relatively stable this year. "Re-

President's: Page 14 ➜

Monarch Creates Subsidiary to Market Insurance, Services to Bank Customers

By LYNN BRENNER

NEW YORK — Monarch Capital Corp., a leading seller of life insurance through securities firms, on Thursday announced the creation of a subsidiary to market insurance and related services to banks' customers.

The new firm, Hudson Valley Financial Services, will be an independent unit offering the products of unaffiliated insurers in addition to its parent's policies, Monarch said.

Hudson Valley's first customer is Manufacturers Hanover Trust Co. The firm will sell insurance products to the bank's retail customers in New York, said Colleen Bugbee, a Hudson Valley spokeswoman.

Hudson Valley's initial marketing effort at the bank will focus on mail, telephone marketing, and seminars. They are recruiting a sales force.

"We may eventually have a physical presence in the bank," Ms. Bugbee said. "But the idea isn't to rely on walk-ins. We want our sales force making appointments with bank customers, in our offices and in the customers' homes."

This is Manufacturers Hanover's first serious attempt to make insurance available to customers, said the bank's senior vice president for retail marketing, Robert J. Hutchinson. The bank currently offers only credit-related coverages. Hudson Valley services will be marketed to the bank's branch customers, credit card customers, and to

Monarch: Page 14 ➜

MasterCard Signs Up Uncle Sam

Agencies to Use Card To Charge Purchases

By BILL McCONNELL
Washington Bureau

WASHINGTON — The bank card industry gained a major customer Thursday as the U.S. government unveiled a plan to use MasterCards for small purchases.

Employees of several federal agencies are being issued cards by Rocky Mountain BankCard System, a Denver-based card processing company. The program expands a test begun in late 1986, Department of Commerce officials said.

The plan could save the federal government $100 million during its first full year if adopted by all agencies, said Kay Bulow, assistant secretary at the Department of Commerce.

The Commerce Department is using 2,200 cards, and 13,000 cards are in use at other departments, including Agriculture, Defense, Health and Human Services, Housing and Urban Development, Interior, Labor, Transportation, and the Treasury. As many as 350,000 federal employees may be eligible to use the card, and all federal agencies are eligible, Ms. Bulow said.

The MasterCard program is the latest in a series of credit card efforts by the federal government in recent years. Employees of some government agencies have used Citicorp's Diners Club card since 1983 for travel and entertainment. In 1987, the government began accepting MasterCard and Visa payments for customs duties, bail bonds, postage stamps, and other products.

The government will pay a $5 annual fee for each MasterCard. Rocky Mountain BankCard and MasterCard will

US Government: Page 15 ➜

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COMMENT

The Major Banks Have Paid Too Little for Full FDIC Coverage

By IRVINE H. SPRAGUE

CONGRESSMAN Gerald D. Kleczka, D-Wis., on Thursday introduced legislation to have the Federal Deposit Insurance Corp. assess premiums on the foreign deposits held by U.S. banks. As a member of the House Banking Committee, Mr. Kleczka should get a hearing. At stake is about $300 million in assessments against a handful of megabanks.

The proposed legislation revives an issue that has been lurking in the background for years and addresses an effort I have carried out with notable lack of success since the failure of Continental Illinois National Bank and Trust Company of Chicago in 1984. Sen. William Proxmire, D-Wis., joined the effort at that time and had legislation drafted similar to Mr. Kleczka's bill.

The largest banks in the United States simply do not pay their fair share for the protection of FDIC insurance. Eight pay on less than half of their deposits. The other 14,000 banks across the nation pay on 100% of theirs.

The largest banks in the U.S. simply do not pay their fair share for the protection of FDIC insurance. Eight pay on less than half of their deposits. The other 14,000 banks across the nation pay on 100% of theirs.

— **Irvine H. Sprague**

To rub in the discrepancy, the biggies who pay on only a fraction of their deposits are all in the "TBTF" category: too big to fail. There is no way our government will allow any of the largest banks to go under. Not only are they exempt from much of the assessment costs, they are de facto guaranteed that all of the deposits are protected.

In 1984, I was cautioned by fellow FDIC board members not to rock the boat on the assessment issue: "Why do this?" I was asked. "Nothing is going to happen, and you are making the big banks mad at us."

In 1986, I outlined the unfair assessment system in my book, "Bailout," and since then I have pursued the subject in speeches to community bankers in Minnesota, California, Florida, Georgia, Iowa, and Illinois. In every instance, the response was strong support for change.

This support was evidenced in 1986 during the closing days of the 99th Congress when the Senate voted 63 to 32 to assess all deposits, foreign and domestic alike. The reform was misplaced in the budget bill and it disappeared in conference.

FDIC assessments can be used only by the FDIC and have nothing whatever to do with general government. However, the administration counts FDIC profit or loss in its consolidated budget account. Thus more FDIC profits do reduce the reported budget deficit. But the fact is, these dollars have absolutely no impact on government spending or the federal budget.

FDIC Chairman L. William Seidman has noted the phoniness of the budget issue. He said that assessing foreign deposits raises several complicated issues and that the appropriate forum to consider them is the House and Senate banking committees.

The hearings should be volatile. The community bankers are vocal about getting the short end of the stick. This is a guaranteed winning issue for any congressman in 1988. How often do you find an issue that is fair, right, long overdue, and also popular with your constituents? The congressmen need only balance the financial support from and the pressures by a dozen big-city institutions against the votes of their local constituents. The choice is easy.

The distinction between foreign and domestic deposits dates back to 1933 when the FDIC was created. The law states that assessments will be made on "domestic deposits." The reasons for this language are lost to history, but it certainly was not because of any dependency on foreign deposits in 1933.

Before Continental there was no real reason to question the lack of payment for the protection of foreign deposits. After all, we figured that it was theoretically possible for a big bank to fail and that the uninsured foreign deposits would be at risk. Four years earlier, we had bailed out First Pennsylvania, but foreign deposits were not a major factor.

Continental caused me to reconsider the assessment rules. The more the system is examined, the clearer it becomes that it is patently unfair.

The Continental bailout protected the entire $69 billion holding company structure: the book and off-book liabilities, the insured and uninsured depositors, foreign and domestic. At the time of the failure, there was just under $3 billion in insured domestic deposits, on which only $6.5 million in assessments had been paid.

The message was clear. Big banks with foreign deposits pay on only a fraction of their total deposits, yet all of the deposits are protected. The Continental cost appears to have leveled off at about $1.75 billion, and in the process all banks have lost the assessment rebate they had been receiving for more than 50 years.

The accompanying chart shows that eight institutions are paying on 50% or less of their deposits, while nearly all other banks in America pay on 100%. The table reports on the 10 institutions that had the most foreign deposits in 1987. A few other regionals had some

Citicorp, the unchallenged leader in American banking, with over $200 billion in holding company assets, paid $34 million to the FDIC in 1987, the assessment based on just 38% of its deposits. At the same time, BankAmerica, less than half as large as Citicorp, paid $42 million, the assessment based on 69% of its deposits.

Does anyone believe that either Citicorp or BankAmerica would be allowed to fail? The answer, of course, is no. So we have a situation in which two of America's megabanks, both receiving the same kind of protection, pay vastly different rates.

Since Mr. Kleczka's proposed change in law will affect only a handful of institutions, the lobbying is narrowly focused. The basic argument against the legislation is that the imposition of a one-twelfth of 1% charge on foreign deposits will make the megabanks noncompetitive in foreign markets.

Who Pays Least for FDIC Protection?

Ten institutions with most foreign deposits in 1987

	Assets 12/31/87 ($ Bil.)	Domestic Deposits 9/30/87 ($ Bil.)	Foreign Deposits 9/30/87 ($ Bil.)	FDIC 1987 Assessment ($ Mil.)	Percent of Deposits On which Assess. paid
Morgan Guaranty	$75	$15	$34	$11	31
Bankers Trust	57	11	23	9	32
Citicorp	204	40	66	34	38
Republic National	19	5	8	3	39
First Chicago	44	12	17	9	41
Chase Manhattan	99	27	36	24	43
Continental Illinois	32	8	10	7	44
Manufacturers Hanover	73	23	23	18	50
Chemical	78	26	13	20	67
BankAmerica	93	50	23	42	69

Source: Federal Deposit Insurance Corp.

This kind of reasoning would be analogous to Lee Iacocca arguing that Chrysler should not have to pay taxes so it could better compete with Toyota.

The lobbyists are chasing their tails with this argument. Either the margin is so low that it is immaterial, or it is so high that it is intolerable for these banks to maintain such an advantage over their American rivals.

The Citicorp lobbyist, Bob Barnett, a former FDIC chairman and a savvy politician, came up with a new twist in talking to Congressman Kleczka. Changing the assessment would hurt foreign trade, he argued. Trade is a buzzword in this election year, so I guess Mr. Barnett decided to throw it into the pot, relevant or not.

The words used to describe the deals are different. But the total protection for all depositors exists whether the bank is given open-bank assistance, bailed out, sold, or handled in what is called a purchase and assumption transaction. The uninsured depositors are at risk only in a payoff, whether direct or through a deposit transfer, when the bank is closed and the insured depositors receive their money.

In fact, there has been only one closure and payoff of a bank over $200 million in the entire history of the FDIC: Penn Square. In addition, there have been five payoffs over $100 million and eight more over $50 million. Only in these cases was there any significant loss to depositors.

My original proposal was to assess all deposits and use the added income to reduce the basic rate for all banks. Mr. Kleczka follows this approach with a reduction of the rate from one-twelfth to one-fourteenth of 1%.

Today, with the FDIC operating with a record low surplus in 1987 of $50 million, it would be more prudent to use the added income to build up the FDIC fund. ■

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years. During that time, he handled 374 bank failures, more than anyone else in FDIC history.

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

Remember, we need your views to be a true community newspaper.

Strategic Dates

Jan. 1, 1991

CALIFORNIA TRIGGER: Full interstate banking in California is scheduled to go into effect on this date.

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NEWS MONDAY WEEKLY REVIEW

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If you think these procedures are complex, wait until you start getting broker-dealer examinations.

Owen Carney, a director in the Office of the Comptroller, referring to existing investment portfolio procedures. [Page 1]

Fed Considers Following Lead Of Comptroller on Mutual Funds

By JED HOROWITZ

SAN DIEGO — The staff of the Federal Reserve Board is reviewing two decisions by the Office of the Comptroller of the Currency that strengthened banks' ability to market mutual funds, a Fed official said.

"We are looking at them," Robert S. Plotkin, assistant director of the Fed's division of banking supervision and regulation, told bankers attending a meeting here. "They are in direct opposition to the Fed's interpretation [of the Glass-Steagall Act]."

Last summer, the Comptroller's office told NCNB Corp., Charlotte, N.C., that its brokerage affiliate could offer customers advice on buying mutual funds and other securities that it sells as an agent. In December, the regulator broadened the interpretation by telling First Union National Bank, Charlotte, that it could offer advice on mutual funds for which the bank acted as investment adviser.

Owen Carney, director of the investment securities division of the Comptroller's office, said at the American Bankers Association's funds management and financial markets conference that he viewed the new activities "not as investment in the formal sense, but sales advice."

Mr. Plotkin made his comments from the audience after Dwight C. Moody, senior vice president of Florida National Bank and president of its Jacksonville-based brokerage subsidiary, urged bankers to promote mutual

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NY Regulator Fears New Powers Delay
Page 24

Moratorium, Mutual Funds to Be Topics At Trust Bankers Annual Conference

By DAVID O. TYSON

NEW YORK — Leaders of the trillion-dollar trust banking industry are gathering in Washington this week to lobby Congress, hear what the regulators have in the works, and congratulate each other on surviving the Oct. 19 crash with minimum damage.

The national trust and financial services conference of the American Bankers Association began Sunday and continues into Wednesday with 900 trust bankers registered in advance.

Discretionary assets managed by their institutions surpassed $1 trillion for the first time in 1986, according to the federal regulators' tally for that year, which was completed only 10 days ago.

The report, now being printed, shows $1.065 trillion discretionary trust assets, with $450.9 billion in common and preferred stock, at the end of 1986. This was up from the $945.4 billion total, with $399.3 billion in stock, at the end of 1985.

The stock portion was 42% in both 1985 and 1986. The percentage in stocks may have fallen in 1987 because of the stock market crash. But assets managed by the trust industry probably expanded significantly beyond $1 trillion, thanks to the conservative balance of investments in most trust accounts.

David E. Ellison, president of Laird, Norton Trust Co., a privately owned institution in Seattle managing about $500 million, said stock market returns in recent

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Citicorp Alters Layoff Policies To Trim Costs

Long-Term Employees Lose Some Job Security

By JOHN P. FORDE

NEW YORK — Citicorp, faced with drooping earnings, has changed longstanding personnel policies to reduce job security for some veteran employees and place a cap on severance payments.

The changes, intended to increase efficiency and bolster earnings, apply to all of Citibank's approximately 23,000 employees, as well as all the holding company personnel. Among the most important changes is the elimination of an exemption for 20-year employees from layoffs in all of Citibank's U.S. businesses. The move is expected to have the most impact on employees in the New York area.

Other changes include eliminating the concept of a "comparable" job for staff members whose positions have been eliminated. Instead, they will be offered a "suitable" position. The memo added that if the new position is in a lower salary or grade, the employee's salary can be gradually lowered if it is above the maximum for the new post.

Severance payments for staff members will be capped at 58 weeks, while officers can receive a maximum payment of 20 months' salary. Officers with less than 10 years of experience may receive a maximum of six months of salary in a lump-sum severance payment. For officers with more than 10 years of experience, the maximum severance payment is nine months' salary.

For employees with more than 20 years' experience, the policies were changed to allow more choices. The bank gives them more time to decide if

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BANKING TRENDS

Service with a Smile Beats a Penny in the Pocket

By DR. PAUL S. NADLER

WHEN ASKED what one piece of advice he would give the American people, Conrad Hilton, the hotel mogul, is reported to have answered: "I would tell the American people, always put the shower curtain inside the tub."

Similarly, if I were given the opportunity to offer one piece of advice to the readers of this column, it would be Nadler's law No. 2: "You can't pay top dollar and give top service, too."

Nadler's law No. 1, "Show me a banker who makes fixed-rate loans and keeps them, and I'll show you a horse's rump," no longer needs attention. Most bankers accept this view.

The few savings and loan and bank executives who still gamble on rates by making these fixed-rate loans are risking the future of their institutions. They are like those Wall Street firms heavily involved in arbitrage — owning quantities of stocks of possible takeover candidates — that risked their viability when Black Monday came around.

Nadler Says:

Bank relationships are too important to be sacrificed and switched for a few basis points of lower borrowing cost or high return on certificates of deposit.

But Nadler's second law needs reaffirming over and over. It is the key to successful banking today, since service means far more than rate to the American borrower and to most depositors.

Bank relationships are too important to be sacrificed and switched for a few basis points of lower borrowing cost or high return on certificates of deposit.

What we want is good, dependable service. This applies not only to bankers as providers of service, it also applies to them as purchasers.

What customers want is to know they can call one person and only one person on any problem and that problem will be solved.

Visit a cash manager's meeting and see the state-of-the-art systems that are available. After a few minutes they all look alike and do the same things.

Talk privately to the vendors selling the work stations, float control programs, and the like. What each will tell privately (especially if you are a college teacher and don't intend to buy anything anyway) is that it is the personal touch, the willingness to call and call that makes the difference in who gets the order and the reorders. All the hardware, and most of the software, is similar.

Talk to bankers about their midmarket promotion programs for building loan volume. Again, they will tell you in private, "Everybody's money is green. We just visit more and try to understand what they want and provide it rapidly."

What does the public want?

No. 1, according to surveys commissioned by bankers of the industry in general and of their own banks, big corporate customers and individuals again and again say they want a bank that corrects errors.

Everyone makes mistakes. What customers want is to know they can call one person and only one person on any problem and that problem will be solved. This is what makes private banking so successful, and it has reached a point where banks like the Huntington National Bank, Cleveland, have assigned every single customer a private banker.

But it need not go that far. Liberty National Bank and Trust Company, Oklahoma City, has used a program of listing its phone numbers so specifically that customers whose names begin with the letters G through N, for example, know the specific number to call if they have an inquiry or problem.

What bank customers want is similar to the kind of service I received two decades ago. I had lightly bumped into another car. The other driver and I exchanged names and drove off, since there appeared to be no damage. The next week, when I received a lawyer's letter stating the other driver had experienced "whiplash," I called my insurance company. They said to send them the letter and they would handle it.

It is now 20 years later. I don't have the foggiest notion what happened, and I don't care. All I know is they said they would handle it, and they did. That's the kind of "one stop" or "one call" service we want from our banks, too.

Another service desire is speed. A quick no is appreciated far more than a slow yes. The potential borrower still has time to go elsewhere before the opportunity is lost.

Letting people know they are important is another area in which service is a key.

Jefferson National Bank, Miami Beach, will send the president's car to take a little old lady to the bank to do a transaction. Do you think she cares whether their certificate of deposit rate is as high as the next bank's as she steps out of the car and is told the driver will happily wait as long as it takes?

What it boils down to is, you can give rate or you can give service. You don't have to give both. And what more and more banks are finding out is that the public in many ways prefers getting good service over getting top dollar.

This comes as a slight irony to this writer: When deregulation first took place and rate competition soared, Nadler's law was intended to show that while you had to pay top rate, you didn't have to give all the service with it.

Now it appears to have turned around. Circumstances seem to indicate that the public wants the service but doesn't expect the rate to be the last dollar if the service is top quality.

With service so important, though, what else can we say about its delivery that could be useful?

A regional bank executive at an Illinois Banking Association conference gave some pointers on how to keep up service levels after taking over a smaller institution to avoid losing customers:

A quick no is appreciated far more than a slow yes.

- Notify customers of the change as close to the actual conclusion of the transaction as possible.
- Ask customers for their ideas on service deficiencies and listen to them.
- Communicate with the customers frequently.
- Stress quality in everything you do.
- Make sure bureaucracy does not slow transaction speed.
- Don't make promises you can't keep.
- Be honest.
- Don't destroy the identity of the acquired institution.
- Don't move people around more than you have to.
- Be clear on direction — don't give conflicting signals to the customers and the employees.
- Pray.

And — from the viewpoint of shareholders, I would add one final item — remember my law No. 2. You can give rate or service, but don't try to burn the candle at both ends. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 8.

1. How many midwestern agricultural states were among the 10 states with the highest percentage of nonperforming loans in the first nine months of 1987?

2. "I can't think of another situation where the industry leader walked away. What can one say beyond that?" Securities Industry Association chairman John W. Bachmann was testifying before the House Banking subcommittee on financial institutions. To what incident was he referring?

Securities

3. A Senate subcommittee statement last year said that the so-called Nigerian Crime Network had "become especially adept at credit card fraud, bank fraud, insurance fraud, and entitlement fraud." How did a New York commercial bank use its computers to shrink losses caused by this countrywide network's schemes from about $550,000 a year to less than $20,000 a year?

4. "What we are doing, in theory, will reach into every corner of the bank," said Paul G. Bassett of Netron Inc. Name the foreign bank and the nature of the overhaul, budgeted at the equivalent of $85.4 million.

5. In the first of what the Federal Deposit Insurance Corp. hopes will be many bulk loan sales, 2,500 loans from 21 failed banks were sold to Diversified Financial Planners Inc., Fort Wayne, Ind. The defunct banks were located in what state?

6. Last year, David A. Coulter resigned as chief asset sales official at this California bank holding company. He went to the financial institutions group of E.F. Hutton Group in New York, serving as a first vice president. Now he has returned to the California company as senior vice president in its treasury and finance area. Name the West Coast concern.

7. Clouded hopes? "Our decision was to decline the invitation to talk about duality with Plus," said Bruce Burchfield, president of Cirrus System Inc. He was speaking of Cirrus' decision to reject a proposal by its rival, Plus System Inc., that the two automated teller machine networks offer reciprocal access to each other's customers. What was Mr. Burchfield alluding to when he used the term "duality"?

8. As part of a U.S. government plan, a Denver-based card processing company is issuing MasterCard cards to employees of several federal agencies to be used for small purchases. Name the Colorado company, which has already provided 15,200 of the cards to federal employees.

9. The 1987 pretax loss of $884 million is the largest ever for one of Great Britain's big four clearing banks. Name the bank that suffered the deficit after making provisions of $1.8 billion to its reserves for Third World loans.

— Howery Pack

Moratorium, Mutual Funds to Be Topics at Trust Bankers Meeting

➸ Continued from Page 1

years were more than should reasonably be expected. Accordingly, his portfolio managers had reallocated assets into bonds, cash equivalents, and real estate.

"When stocks went down, bonds did well," he said in a phone interview. "We had positive returns in most accounts. I don't know an upset customer I've got."

The absence of margin buying in trusts staved off much of the damage from the crash. "I was in a lawyer's office the other day, and he was telling me about a lady in a brokerage account," Mr. Ellison said. "She had $250,000, and she lost the whole thing. You don't find that in a trust department."

Even equity portfolios at many banks posted gains for the full year. The 321 common stock bank collective funds tracked by CDA Investment Technologies Inc., an *American Banker* affiliate, had an average total return of 4.3% for the year, despite a negative 21.2% total return in the fourth quarter.

In addition to the trust accounts at banks, investment advisers affiliated with banks managed $138.7 billion assets in 1985 and $159.9 billion in 1986, according to the regulators' survey. This group consists primarily of trust department investment managers who have been spun off into standalone companies in recent years.

A Band of Lobbyists

Many trust bankers attending the Washington conference are forming a band of amateur lobbyists. They will charge up Capitol Hill on Tuesday afternoon to urge their representatives and senators to enact the ABA legislative program.

They invade the halls of Congress at an opportune time: The Senate Finance Committee is expected soon to mark up the Proxmire-Garn bill, which would repeal key provisions of the Glass-Steagall Act. Indeed, a group of trust bankers from Wisconsin will meet with Sen. William Proxmire, D-Wis., chairman of that committee.

The most immediate item on the ABA agenda is what is known simply as the moratorium. Last August, Congress imposed a moratorium on regulators granting new powers to banks while financial reform legislation was considered.

The moratorium expires March 1. Congress is not likely to act in the meantime to extend it, but the trust bankers are not taking chances. They do not want it reimposed later, either.

Beyond that, the ABA seeks bank powers to underwrite mortgage and asset-backed securities, municipal revenue bonds, commercial paper, and corporate securities. As in past years, it also is pushing for a change of special interest to trust bankers — mutual fund powers for banks.

Courts and regulators have interpreted the Glass-Steagall Act as permitting banks either to act as investment advisers to investment companies or to distribute the fund shares, but not both. Trust bankers want the right to form their own mutual funds and sell them to their banks' customers and others, just as investment management firms and insurance companies do.

The moratorium notwithstanding, the Office of the Comptroller of the Currency issued a letter on Dec. 9 saying a national bank — First Union National Bank of North Carolina, Charlotte, in this case — can act as investment adviser to a mutual fund, recommend the fund to customers, and be its customers' broker for the fund.

The Comptroller's opinion falls short of saying banks can distribute funds. But it is one more milestone on the road to greater powers that the trust industry started on two decades ago.

"Rory O'Neil and I were the first cochairmen of the first ABA trust committee to start work on additional powers in that area in the mid-1960s," said W. Kenneth Bonds in a phone interview.

Mr. Bonds is vice chairman of Liberty National Bank & Trust Co. of Oklahoma City and was president of the ABA trust division in 1979. C. Roderick O'Neil, now a consultant, was head of the trust department of Manufacturers Hanover Trust Co. and later chairman of the investment committee of Travelers Corp.

"I believe all the forces that cause something like that to happen are finally coming together," Mr. Bonds said.

"I even think the opposition is intelligent enough to realize it's going to happen, and instead of fighting it they are finding ways to protect their nests as well as they can."

The opposition, not unexpectedly, is the mutual fund industry. And while bank efforts to gain added powers have stalled, mutual fund managers have preempted much of the bank market.

Bank trust accounts at the end of 1986, for example, had $35.2 billion invested in money market mutual funds. And the big managers of stock and bond funds, such as Fidelity, Federated, and Dreyfus, have struck deals with banks to market those mutual funds to bank customers.

"The very people who are trying to prevent banks from getting this authority are tripping over one another to get banks to sell their funds," said James D. McLaughlin, ABA senior government relations counsel.

"You will see them exhibiting at the trust conference, both to sweep cash into trust accounts and to make their funds available to bank customers."

The Tax Reform Problem

Trust bankers also will be talking to members of Congress about the 1986 and 1987 tax reform legislation.

Like individual taxpayers, administrators file returns for personal trusts and estates and pay tax. Changes in legislation make the task onerous. Tax staffs in trust departments must be reorganized and computer systems reprogrammed. Then, the Internal Revenue Service suddenly rewrites the regulations.

The IRS did that Feb. 2. It announced a change in how returns are filed for trust accounts that had fiscal years ending on dates other than Dec. 31.

At one time, all trusts ended on Dec. 31. But the returns bunched up, overwhelming trust departments and the IRS.

The IRS supported a provision in the 1954 tax act that let administrators define the fiscal year for each trust. But the agency came to perceive odd fiscal year ends as an opportunity to avoid paying some taxes.

Changing to calendar years in 1987 created a short interim year for many trust accounts that required a separate return. Many trust departments already had filed the returns for the short period when the IRS said the returns had to be annualized.

For example, a trust that had a fiscal year ended on Aug. 31 required a return for that 12-month period and for the four months ended Dec. 31. To annualize the four-month return, the trust multiplies trust income by three, calculates a tax for that prorated 12-months, and then divides the figure by three.

Another piece of tax legislation the ABA seeks is part of a technical corrections bill moving through Congress.

The 1986 tax act requires personal trusts for the first time to make quarterly tax installment payments, as do individual taxpayers. Each installment is based on income for the preceding three months. The April 15 payment, for example, is based on income for January, February, and March.

"That gives you 15 days to figure the payments and compute the tax," said Mr. McLaughlin. "If you are a big bank, you have to do that for several thousand accounts. Then you have to cut the checks and get them out."

Under a compromise the ABA worked out with the Treasury, the April 15 tax payment would be based only on January and February, not March. Instead of multiplying income for three months by four to estimate annual income, the bank would multiply income for two months by six.

"It gives us what we need but doesn't impair the government revenue," Mr. McLaughlin said.

Common Trust Funds

Aside from legislation, the ABA wants to ease some of the regulatory restrictions on common trust funds. These funds are the collective investment funds for personal trusts and estates, like mutual funds within a trust department. The Comptroller regulates such funds in both national and state banks.

ABA efforts are directed at the Comptroller's Regulation 9, which governs fiduciary activities.

One change sought is an easing in 10% limits. Under one limit, a common trust fund may not invest more than 10% of its assets in any one securities issuer. Under another, no trust account may hold more than 10% of a common trust fund.

The ABA also wants to permit banks to charge fees for managing specialized common trust funds, such as those in real estate and foreign securities, since they have higher operating costs. Banks now are compensated only by the trust fees charged to clients.

In another proposed change, the ABA wants to eliminate a requirement that a bank's board of directors must approve any amendment to a common trust fund. "That ought to be delegated to the trust department," Mr. McLaughlin said.

Comptroller Robert L. Clarke was scheduled to deliver the luncheon address at the Washington conference today. There is an outside chance that he will announce that the Regulation 9 changes have been sent to the Treasury Department and the Office of Management and Budget for approval.

Whether he does or not, the proposals are sure to come up when representatives from the federal agencies participate in rap sessions during the conference. Leading them off this afternoon is a familiar figure for some years at national trust conferences — Dean E. Miller, deputy comptroller of the currency for compliance.

Mr. Miller said he favors easing the 10% limits and the ban on management fees for common trust funds. And he is optimistic that the Office of the Comptroller will approve the revisions. ■

Trust Banking's Share of Pension Market

At market value (billions of dollars)

Trust employee benefit discretionary assets	1981	1982	1983	1984	1985	1986	1987
Trusteed	175.2	209.5	218.0	230.9	249.9	299.1	N.A.
Agencies	53.7	81.5	117.3	116.8	144.8	151.6	N.A.
Total	**229.0**	**291.0**	**335.2**	**347.7**	**394.7**	**450.7**	**N.A.**
Pension fund assets							
Private	418.4	466.2	520.9	557.3	606.3	635.0	1,653.7a
Public	224.2	262.5	311.2	356.6	404.7	469.5	
Insured	199.8	242.9	286.4	331.6	400.0	476.9	N.A.
Total	**842.4**	**971.6**	**1,118.5**	**1,245.5**	**1,411.0**	**1,581.4**	**N.A.**
Ratio, trusts to total	27.2%	30.0%	30.0%	27.9%	28.0%	28.5%	N.A.
S&P 500 rate of total return	–5.0%	+21.6%	+22.5%	+6.2%	+31.7%	+18.6%	+5.2%

Source: Federal Financial Institutions Examination Council annual survey, *Trust Assets of Financial Institutions*, for trust employee benefit assets. Federal Reserve Board flow-of-funds accounts for pension assets. CDA Investment Technologies Inc. for Standard & Poor's 500 common stock index rate of total return (with dividends reinvested).

(a) Salomon Brothers Inc. estimate of 1987 private and public funds.

Trust Stake in Pension Market Firm

NEW YORK — In the face of competition from investment counseling firms, mutual fund managers, and life insurance companies, the trust banking industry appears to have held its share of the pension fund market in the 1980s.

According to an *American Banker* tally, the market share fluctuated between 27% and 30% from 1981 to 1986, the latest year of available statistics.

At the end of 1986, trust departments had discretionary investment authority over $450.7 billion in employee benefit fund assets in both trust and agency accounts.

That figure comes from the annual survey of the trust assets of financial institutions conducted by federal regulatory agencies. They include the Federal Reserve Board, the Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency, and, since 1985, the Federal Home Loan Bank Board.

The $450.7 billion is 28.5% of the more than $1.581 trillion of pension fund assets at the end of 1986, as extracted from the flow-of-funds accounts of the Federal Reserve Board. The three components are private pension funds, state and local government employee retirement funds, and the insured pension reserves of life insurance companies.

Coverage of the two statistical series differs, so market share ratios should be treated with caution.

For example, a number of banks in recent years have spun off their trust investment divisions into separate subsidiaries of the bank or holding company. The regulators' survey started covering such affiliates separately in 1985. But their assets are not included in the trust banking totals.

The trust totals do include individual retirement account and Keogh plans set up as trusts. IRAs and Keoghs are not reflected in the flow-of-funds totals.

— David O. Tyson

NEWS MONDAY
AMERICAN BANKER WEEKLY REVIEW
FEBRUARY 22, 1988

Quote

This is tragic as far as the state of Iowa is concerned.

— Holmes Foster, president of the Association of Iowa Bank Holding Companies, reacting to the defeat in the Iowa Senate of a bill to allow interstate banking.

Unquote

Proxmire Bill Still Changing

Curbs on Securities Firms Eased in New Proposal

By ROBERT M. GARSSON

WITH the Senate Banking Committee moving ever closer to a vote on major banking legislation, aides to Sen. William Proxmire last week are scrambling to salvage the Wisconsin Democrat's effort to repeal the Glass-Steagall Act.

Late in the week, staff director Kenneth A. McLean, according to several sources, was claiming that he had lined up a majority behind a compromise bill. The essence of the compromise was said to be a relaxation of restrictions that would have prevented most major securities firms from purchasing a bank and a phase-in of the Glass-Steagall repeal.

However, a number of sources said that Sen. Christopher Dodd, D-Conn., and Sen. Alan Cranston, D-Calif., two key players in this legislative battle, are unwilling to accept Sen. Proxmire's compromise.

Senate Banking Committee staff earlier in the week began circulating a new draft of the banking bill that was intended to serve as the basis for committee deliberations when it meets to vote on legislation. The crux of the draft was language repealing key sections of Glass-Steagall.

But the proposal apparently did not relax restrictions that would prevent most large securities firms from purchasing a bank. It had been widely rumored that such a change would be in the print to satisfy critics who argue that the Proxmire bill is a one-way street that gives banks access to securities powers but bars the securities industry from banking.

Because the earlier draft does not revise the Bank Holding Company Act, securities firms involved in insurance or commerce would not be able to own a bank. As a practical matter, all but one or two of the 30 top securities firms would thus be barred from banking. The print apparently

Proxmire: Page 14 ➸

Union Goes from British to Japanese

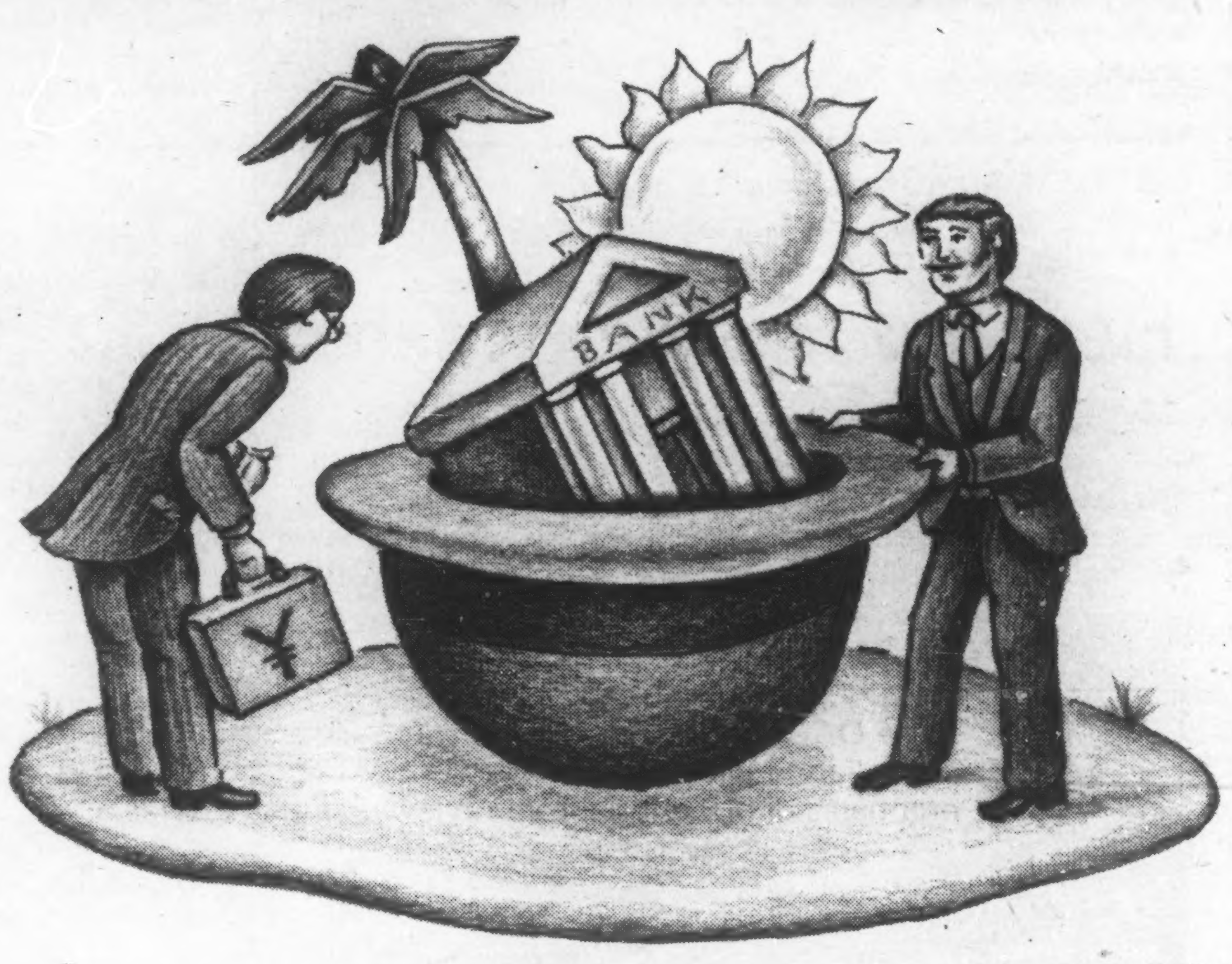
WHEN the agreement to sell Union Bank to California First Bank is completed, it will simultaneously boost the presence of Japanese banks in California and complete the withdrawal of British banks from the state.

Standard Chartered PLC, the London-based bank, last Tuesday signed a letter of intent to sell its Union Bank subsidiary to California First Bank for $750 million. California First, San Francisco, is 77% owned by the Bank of Tokyo Ltd. and is the sixth largest bank in California. Union Bank, Los Angeles, is the state's fifth largest.

The sale, which has been expected for some time, finishes the British exodus from the Golden State. Earlier this year, Barclays Bank PLC agreed to sell its California retail banking subsidiary to Wells Fargo Bank. In 1986, Wells completed its $1 billion acquisition of Crocker National Corp. from Midland Bank PLC. And in 1985, Lloyds Bank PLC sold its California operations to the Sanwa Bank Ltd.

For nearly two years, senior executives at California First Bank have been shopping for an acquisition that would add muscle to the state's largest Japanese-owned bank. The proposed purchase of Union Bank will bolster California First's position as a middle-market business lender.

The deal also is part of a larger strategy by Bank of Tokyo to take advantage of growing trade along the Pacific Rim, according to Seishichi Itoh, president and chief executive officer of California First. "California will be a very important location for Japanese companies," Mr. Itoh said.



Charles Waller

For Standard Chartered, the sale is part of a major effort to rebuild its severely battered capital position. In August, the bank announced a $395 million loss for the first half of 1987 after boosting reserves by

Union: Page 14 ➸

Comptroller Says Disclosure Rule Will Promote Confidence

By ROBERT TRIGAUX

THE regulator of the nation's federally chartered banks says that those institutions must start providing regularly updated and detailed information of their financial condition to anyone who requests it.

The new rule, issued by the Office of the Comptroller of the Currency, requires national banks to provide an annual disclosure statement to customers, shareholders, "and other interested persons" no later than March 31 every year. The first disclosure information will cover financial data from 1987.

The rule is identical to one issued late last year by the Federal Deposit Insurance Corp. affecting federally insured state, nonmember banks. The Federal Reserve Board is not expected to require similar disclosure by its state member banks.

The Comptroller's rule is the product of a belabored rule-making process that began in July 1984, when then Comptroller of the Currency C. Todd Conover proposed stringent rules requiring national banks to supply more information, including enforcement actions taken by the agency against a bank.

Since then, three different disclosure proposals have been put forward, 898 comment letters have been received from the industry, two public hearings have been held with 25 witnesses, and the final agency proposal has made its way through lengthy internal reviews of the Treasury Department and the Office of Management and Budget. Now, more than 1,300 days later, provisions have been relaxed in the final rule. The proposed disclosure of enforcement actions has been dropped.

This rule calls for national banks to disclose the same data they

Disclosure: Page 14 ➸

Layoffs Cutting a Swath Through Nonbank Firms

BANKS and brokerage houses are not the only segments of the financial services industry that using cutbacks in efforts to reduce the costs of doing business. Last week, both a big mortgage banker and a major mutual fund group announced new rounds of staff layoffs.

Citing continued declines in mortgage originations nationwide, Lomas & Nettleton Financial Corp. said it plans to reduce its mortgage banking staff by an additional 20%, laying off about 540 people. The Dallas-based financial services concern said the cutbacks, along with additional restructurings in the mortgage unit and an increase in reserves against foreclosures, will produce a $93 million charge to net income for the quarter that ends March 31.

The cutbacks, expected to take place in the next few weeks, follow a similar staff reduction in October. They will leave a mortgage banking staff of 2,150 employees, down from a 1987 peak of 3,600, the company said.

Retrenchments have swept the mortgage industry since last April, when rising interest rates began to cool consumer demand. But industry observers said that Lomas' staff reduction, 40% since October, is unusually large.

"Cutbacks of 20% to 25% have been more norm," said Robert Keating, director of the mortgage banking group at Salomon Brothers Inc. He added, however, that many companies may make additional cuts if the current flurry of mortgage lending, caused by a sudden drop in interest rates, proves short-lived.

Jess Hay, chairman and chief executive of Lomas & Nettleton, said in an interview that the firm's mortgage unit is not suffering from unique problems. Instead, he said, the scale of the cutbacks reflects the industry-wide drop in originations from last year's levels and Lomas' projection of "gently declining demand" over the next 20 years.

"We accept as a reality the probability that fewer families will be formed in the next 20 years than in the past 20 years," reducing the demand for housing, he said.

The Mortgage Bankers Association of America projects that total residential mortgage originations will drop to about $330 billion this year from an estimated $425 billion in 1987.

Mr. Hay said virtually all of the staff reductions at Lomas will be layoffs and that they mainly affect production personnel.

Lomas & Nettleton plans to cut its branch network from 60 offices nationwide to about 30 branches. These branches will serve larger geographic areas than the current offices, Mr. Hay explained. The company said it also will discontinue its depressed home building operations in Texas. In addition, the company plans to consolidate loan processing in Dallas.

Earlier, the Boston-based Fidelity Group of Mutual Funds laid off 326 workers, most of whom were temporary employees, because of a downturn in the mutual fund business, company officials said.

The bulk of employees laid off — 300 from offices in Boston, Dallas, and Salt Lake City — were temporary telephone sales employees hired to handle the expected increase in individual retirement account sales during the first four months of the year. The other 26 employees worked in the firm's discount brokerage unit in New York.

— Donald Shoultz

Union Bank Moves from British to Japanese

Japanese-Owned Banks in California

Dec. 31, 1987 — in Millions

	Assets	Deposits
California First Bank	$6,051.6	$5,372.1
Dai-Ichi Kangyo Bank of California	266.1	231.6
Kyowa Bank of California	91.6	71.1
Mitsubishi Bank of California	1,546.6	1,399.2
Mitsui Manufacturers Bank	1,584.8	1,431.8
Sanwa Bank California	5,324.6	4,202.9
Sumitomo Bank of California	3,573.9	3,311.8
Tokai Bank of California	1,792.3	722.0
Bank of California[1]	4,704.8	3,213.3
All State-Chartered Banks[2]	90,044	75,038

[1] The Bank of California is a national bank.

[2] At Sept. 30, 1987

Source: State Banking Department, The Bank of California

➸ Continued from Page 11

$700 million for its troubled Third World debts. The bank then announced its intention to dispose of more than $500 million in assets to increase its reserves even more.

In January, Standard Chartered announced its first major asset disposal, agreeing to sell its United Bank of Arizona to Citicorp for roughly $210 million. The British bank said the sale of both banks and several minor subsidiaries should bring it about $1 billion.

"The sale of Union Bank is in keeping with Standard Chartered's declared intention of strengthening the group's capital position through the sale of selected assets," the bank said in a statement last Tuesday. It said the proceeds of the sale plus the reduction in assets on its balance sheet should result in a "significant improvement" in its capital ratios.

Banking analysts said, however, that even though Standard Chartered has raised twice the amount that it sought, its capital ratios still will be considerably below the capital positions of the other major British banks.

Japanese Holdings in State-Chartered California Banks

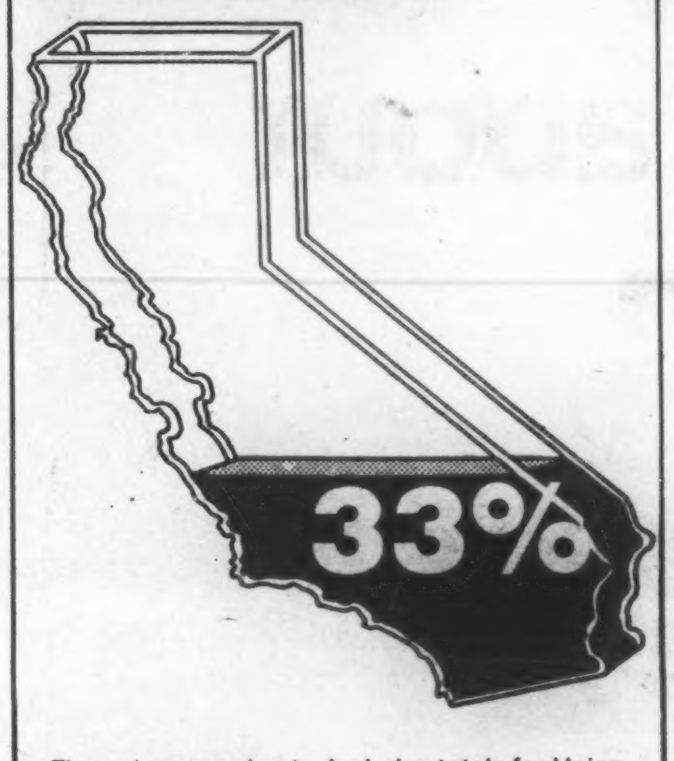


Figure is approximate. Includes totals for Union Bank, assuming acquisition is completed.

Standard Chartered's equity-to-assets ratio following both sales will be only 3.7%. That compares with 4.6% for Barclays Bank, 4.4% for Lloyds Bank, 5.7% for Midland Bank PLC, and 5.6% for National Westminster Bank PLC — the big four British banks.

ANALYSTS said Standard Chartered now faces a dilemma because further asset sales must come from its integrated international network as it lacks other "stand-alone" operations such as Union Bank and United Bank. Standard Chartered's two founding banks, the Chartered Bank and the Standard Bank, were set up in the 19th century to serve British trading interests in Asia, Africa, and the Middle East. It now has offices in more than 60 countries.

Its U.S. investments, beginning with the 1979 acquisition of Union Bank, were part of a 10-point program to develop substantial assets in industrial countries to balance the large amount of assets in developing African and Asian countries.

Analysts said its U.S. investments were relatively successful, although its attempts to sell both Union and United were hindered by the stock market crash.

The $750 million price for Union represented a $373 million premium over what Standard Chartered paid for the bank in 1979. Its sale of United for roughly $210 million, however, is $125 million less than it spent to acquire the bank only a year earlier.

Union Bank earned $56.3 million in 1987, roughly unchanged from a year earlier. Standard Chartered said that the $750 million price tag for the bank represents 13.3 times Union's net income after taxes for 1986 and 1987.

Union Bank focuses on lending to midsize companies and financing construction projects. The proposed acquisition is part of the California First's goal of 200 branches by 1990. Assuming shareholders and regulators approve the purchase, California First would have 167 branches in the state and $15 billion in assets, an estimated 150% increase from yearend 1987 assets of about $6 billion.

More important, Union Bank adds a substantial presence in the populous and economically strong region of Southern California. It also catapults California First into middle-market and real estate lending, two areas where the company has attempted to expand but has met with lackluster results. California First has traditionally focused on retail and international banking.

"We have tried hard to get middle-market customers and to get into real estate lending," Mr. Itoh, California First's chief executive, said in a telephone interview. "We have been successful to a certain degree, but not as much as we would have liked. We are a balanced bank. This is a good combination."

California First Bank is 77% owned by the Bank of Tokyo, Japan's 15th largest bank and one that specializes in international lending. The remainder of California First's stock is publicly traded in the over-the-counter market.

The sixth largest bank in the state, California First operates 135 branches in California and has 3,900 employees. Last year, the company earned $40 million, a 29% increase from 1986 earnings of $31 million.

Mr. Itoh said his company intends to raise two-thirds of the $750 million for Union by issuing common stock in the U.S. and the remainder through capital notes.

"We consider ourselves an American company," he said. "We would like to increase the number of local shareholders. But if we cannot sell all of the stock here, we will sell the rest to the Bank of Tokyo."

Union, the fifth largest bank in California with assets of $9.1 billion, has 32 branches and 4,400 employees. It was acquired by London-based Standard Chartered PLC in 1979 for $376.5 million. Standard Chartered has been attempting to sell the subsidiary for several months.

Like many other banks, Union recently suffered from domestic credit quality problems. But it has remained profitable. For example, net credit losses totaled $82 million in 1987, compared with $33 million a year earlier. Nonperforming assets rose to 4.3% of total loans and leases, against 3.2% in 1986.

Despite a doubling of its loan-loss provision in 1987, the bank's profits in 1987 were virtually unchanged from about $56 million a year earlier.

Although the Union acquisition would leave California First 33 branches short of its strategic goal for 1990, Mr. Itoh said he has no plans at present to find another merger. Instead, he said, California First officials will concentrate on consolidating the two companies and on internal growth. ■

New Rule Requires Wider Disclosure

➸ Continued from Page 11

already provide bank regulators in their call reports, formally known as reports of condition.

Call report information is already available to the public upon written request to the FDIC. The Comptroller's ruling simply makes the information more readily accessible.

A national bank has the option in disclosing its financial condition to provide a written discussion of the financial data by bank management. A spokesman for the Comptroller said that the agency is encouraging banks to include this narrative section to help customers better understand the financial information provided.

National banks must post notice in their lobbies that information on the bank is available, and must provide the material free of charge and in a timely manner, according to the ruling. A disclaimer that the Comptroller has not verified the presented information must be included.

National banks must post notice in their lobbies that information on the bank is available.

Extra disclosure, said the Comptroller, should "promote greater public confidence in national banks and the national banking system" and improve financial investment decisions by the public.

Consumer lobbyist Michelle Meier, counsel for government affairs for Consumers Union, said that she had not examined the final disclosure rules but that she was "glad the agencies were doing something." Consumers Union had in earlier comments on the disclosure rule called for the Comptroller to require banks to provide information on insider and affiliate transactions, as well as on noncompliance of consumer protection laws.

DISCLOSURE

Disclosure of this type of information is not required by the banking agencies.

Ms. Meier said her organization had sued the Comptroller about a year and a half ago to try to force the agency to provide access to consumer complaint information. Recently, a request was filed for oral arguments in the case in the federal district court here. ■

Proxmire Offers Compromise Bill

➸ Continued from Page 11

addressed technical issues and left policy decisions for another day.

The proposed legislation seemed to be in the throes of constant revision last week, and there is little doubt that the situation will continue to be very fluid.

"The Proxmire bill is a theoretical two-way street, but not a practical one," said one Senate staffer. "Our job is to make this a more legitimate two-way street." A vote on the measure is now not expected until sometime next month.

Elsewhere on the new powers front last week, the National Association of Realtors reversed a long-standing position and said banks should be permitted to exercise a broad range of real estate powers through separately capitalized affiliates.

The Realtors' new position could eliminate one of the most difficult obstacles to new bank powers, provided the trade group does not demand safeguards that would make it impossible for banks to operate the new units profitably.

"Historically, we've taken on three industries at once," said Edward L. Yingling, chief lobbyist for the American Bankers Association, referring to the securities, real estate, and insurance lobbies. "Now the securities industry is fragmented and the real estate industry has shifted its position."

The National Association of Realtors, the major trade group for the nation's real estate brokerage industry, represents over 800,000 Realtors nationwide.

Mr. Yingling said he was encouraged by the Realtors' policy, but added that the ABA has not had time yet to evaluate the restrictions on new affiliates that the Realtors will seek in return for their support. As a result, he said, the bank group is not ready to say whether it can endorse the Realtor's policy.

In testimony Wednesday before a Republican congressional task force, a lobbyist for the National Association of Realtors said the trade group's new position was adopted at a meeting in San Antonio last week.

Gil Thurm, vice president and legislative counsel for the Realtors, said the trade group plans to translate its new policy into legislative language in the next few weeks. ■

FDIC to Revise Rules for Hearings

THE Federal Deposit Insurance Corp. has agreed to publish for public comment a thorough revision of its rules for administrative hearings on possible violations by banks and bankers.

Comptroller of the Currency Robert L. Clarke said his agency is reviewing its own procedures and could issue a similar proposal "sometime in the fairly near future."

The aim of the proposal is to streamline the agency's rules for holding hearings and taking administrative actions such as removing an officer from a bank.

Among the key changes being considered is one to mandate that most hearings take place within 90 to 120 days after allegations of wrongdoing are made by the agency.

Under current rules, hearings are held within 30 to 60 days. But that timetable often is not met, John Thomas, senior attorney with the FDIC, told the agency's board.

The proposed rules were expected to run more than 100 pages. They will be out for comment for 60 days after publication in the *Federal Register*.

Other aspects of the proposal, according to agency staff, would authorize sanctions if a bank or banker failed to follow an administrative law judge's rulings. Other provisions would answer procedural questions about matters such as briefs and witnesses in connection with hearings.

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MANEUVERING
IN THE
GLOBAL DERBY

International Banking Annual: As the world's major banks jockey for position in the race for dominance, U.S. banks are in for a rough contest, writes Washington bureau chief Robert Trigaux in the overview. ______ 9

Hyakujyushi Bank and Hachijuni Bank are just two among the throng of Japanese regional banks that have come looking for business — U.S. corporate business. ______ 40

Western complacency about inroads by Japanese financial institutions is making their dominance easier to achieve, according to an international business professor and a Brussels-based consultant. ______ 2

Major British banks are likely to snub Mexico's proposed bond-for-loan swap plan, senior U.K. bankers said. 2

RAISING CAPITAL

Raising Capital

The debt ratings of more than a dozen big bank holding companies — most of them with heavy exposure to Latin American loans — have been downgraded since the beginning of the year. ______ 6

CORPORATE FINANCE

Dow Chemical Co. and Sears Roebuck have reaffirmed their positions as leaders in the Japanese funding markets, this time in yen-based Samurai commercial paper. ______ 3

Citibank has won the competition to be agent on a new $100 million revolving line of credit for Prime Computer Inc., Natick, Mass. ______ 22

Plains Resources Inc., an Oklahoma City oil and gas company, has agreed on a $16 million credit facility with First Bank Minneapolis. ______ 22

Asset-based lenders caught up with a mix of deals at the end of 1987, and prospects for 1988 look good at most levels. ______ 23

INSIDE

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Quote/Unquote

I would say that the accounts of what's going on at the bank are overplayed.

Comptroller of the Currency Robert L. Clarke on news reports of problems at Dallas-based First RepublicBank Corp. [Page 2]

An American Banker Special Report

Foreign Banks in US Boost Loan Purchases

By L. MICHAEL CACACE

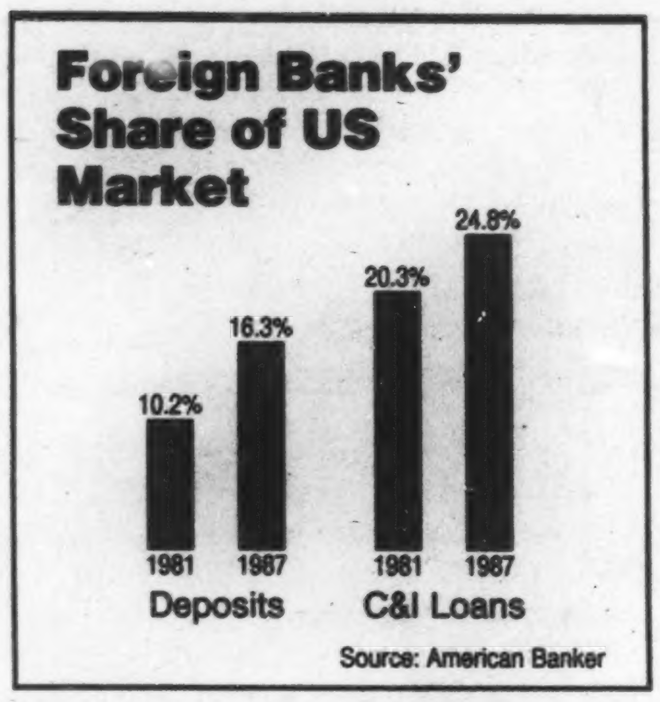
NEW YORK — Business loans grew almost five times faster at the U.S. offices of foreign banks than at American-owned banks last year.

Japanese banks led the surge, accounting for more than 77% of the growth in business lending posted by all foreign banks in the United States.

The main reason for the sharply different growth rates is that the large U.S.-owned banks have been selling off substantial portions of their business loan portfolios. And the U.S. offices of foreign banks — especially the large Japanese institutions — have been the chief buyers of those loans. As a result, loans that were originated by U.S.-owned banks are ending up on the books of the U.S. offices of foreign banks.

These are some of the findings of the *American Banker*'s annual study of the U.S. banking operations of foreign banks. The *American Banker* looks at the commercial and industrial loans, deposits, and total assets booked by foreign banks through their U.S. offices through the year ended June 30, 1987.

Foreign Banks' Share of US Market



Source: American Banker

The statistical findings are presented in a special insert to this edition (pages 1A through 23A).

The sharp gain in business loans posted by foreign banks in the United States last year means that about $1 of every $4 lent to businesses by all banks operating in the U.S. is held on the books of the U.S. offices of foreign banks. In 1981, that figure was $1 out of every $5.

The U.S. banking offices of foreign banks include branches, agencies, commercial bank subsidiaries, Edge Act banks, and New York State investment companies.

At midyear 1987, business lending by the U.S. offices of foreign banks totaled $138.7 billion, up 21.3% from $114.2 billion on June 30, 1986. Over the same period, the business loans of domestically owned U.S. banks rose by

Foreign: Page 33 ➸

Random Thoughts

By SANFORD ROSE

Which are the most efficient large banks in the country? Most analyses of bank efficiency focus on the control of noninterest expenses. There are a plethora of ratios used to demonstrate the degree of control. One study enumerates at least a dozen, the best of which is probably the relationship of noninterest expenses to spread income plus noninterest income — a ratio that will be discussed later in this article.

Still another approach analyzes efficiency in a much broader context than simple cost control. It concentrates on overall portfolio efficiency. An efficient portfolio is one that produces the maximum return for a given level of risk or the minimum risk for a given level of return.

Portfolio efficiency can be calculated by first measuring economic return. This is done by taking the portfolio spread over the riskless interest rate — that is, the rate on treasury securities of the same approximate duration as the assets in a given institution's portfolio —

Random Thoughts: Page 4 ➸

Japan Increases Presence in US; UK Banks Decline

By KENNETH J. HICKS

NEW YORK — Japan continues to outpace other countries in total banking offices in the United States. With a net increase of nine offices from midyear 1986 to midyear 1987, Japanese banks accounted for more than one-third of the 25 foreign banking offices opened in the United States.

The number of Edge Act banks operated by foreign banks continued to decline in the twelve months ended June 30. After hitting a high of 41 in 1984, the number of Edge Act offices fell to 30 at midyear 1987. And over the past

Japanese: Page 32 ➸

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RANDOM THOUGHTS

➳ Continued from Page 1

and subtracting average loan losses.

Then this expected economic return must be adjusted for its variability. Since the chief cause of earnings variability is unanticipated loan losses, returns must be divided by the standard deviation of losses, or the extent by which actual losses can deviate from average losses.

This calculation yields a ratio — the number of basis points of return for each basis point of risk. A bank can have a high-yielding portfolio that is nonetheless less efficient than a lower-yielding one because the return per unit of risk is smaller.

The marketplace tends to pay more for the earnings of banks with greater portfolio or asset efficiency. However, there are certain caveats. A bank can have a very high efficiency rating and still not find much favor with investors because although it is extracting very nearly the maximum return per unit of risk, it is quite simply assuming too little risk. Nevertheless, for banks as a whole, asset efficiency, defined as economic return divided by loan-loss variability, is a fairly good long-term predictor of stock-price performance — a better predictor, in fact, than return on assets or return on equity.

So, returning to the question posed at the outset, which banks rank as the most efficient in a broad portfolio sense? The performance of 49 of the 60 largest banks in the country was measured by Dimensional Corporate Finance of San Francisco for the period 1979 through 1986. For this period, the bank with the highest rating for asset efficiency — return divided by risk — was the former United Virginia Bank (now Crestar Bank — parent Crestar Financial Corp.). It posted a score of 38.2.

The second-place finisher was Wachovia Bank & Trust Co. (parent First Wachovia Corp.). Its economic return was much lower than that of the front-runner, but so was its risk quotient. Total asset efficiency — return per unit of risk — amounted to 34.3.

In third place was Fleet National Bank (parent Fleet Financial Group Inc.), with an efficiency rating of 28.7. The fourth-place finisher was the National Bank of North Carolina (NCNB Corp.), with a score of 28.0. In fifth place, with a rating of 20.8, was Meridian Bank (Meridian Bancorp). Its relatively high risk quotient was offset by the largest economic return among the 49 banks.

Other high finishers include Morgan Guaranty (a low return but also low risk), Connecticut National (a higher return but also higher risk), Wells Fargo, Valley National, and Philadelphia National.

Which were the least efficient? Well-informed people can readily guess. Suffice it to note that one large midwestern and one large West Coast institution had efficiency ratings of only around one.

It should be pointed out that efficiency, an ex-post phenomenon, depends to a certain extent on luck. If a bank has huge losses in just one or two of these eight years, the standard deviation of losses can rise mightily, reducing the value of the efficiency ratio. On the other hand, a bank with an outstanding efficiency rating for 1979-86 might since have fallen from grace if extensive chargeoffs surfaced last year.

□ □ □

For those who are accustomed to thinking about efficiency in terms of cost control — a valid though perhaps an incomplete preoccupation — David C. Cates, president of Cates Consulting Analysts, has some sage advice: Don't use total assets as the basis for measuring performance. In fact, don't use total assets as the denominator for evaluating profit performance in general.

When some 85% to 90% of bank expenses and earnings were asset-based, the use of ratios like overhead to assets or return on assets made sense. With the rise in nonasset-based revenues, such use is anachronistic and at times contributes to misleading analyses.

If a bank has a large and profitable trust business, its ratio of overhead to assets may be quite elevated. Does that mean it is weak in cost control? Not necessarily. What counts is the ratio of overhead to total operating income. That ratio may be falling at the same time as the ratio of overhead to assets is stable or rising. Thus, based on the traditional ratio, the bank has a cost-control problem, whereas in reality it may be becoming increasingly cost efficient.

Mr. Cates stresses the importance of the word "operating." That is, overhead and net income must be related to a denominator that has been purged of nonrecurring elements. He says: "It is quite useless and misleading to find that the ratio of overhead to income has dropped from 60% to 55%, if the cause of that drop is a one-time sale of the head-office building. Based on recurring income, the ratio may have actually risen to 61%, which is what we need to know in order to make projections."

Additionally, one must be careful in defining the elements of overhead. If the purpose of the analysis is to isolate true operating efficiency in relation to recurring operating income, one must separate from overhead various noncash charges (like amortization of goodwill) as well as the costs and writedowns associated with foreclosed properties (OREO).

Also, it is fair to adjust overhead to include, as an element of occupancy expense, the interest cost related to the institution's mortgage indebtedness, which is a logical supplement to lease rental payments. This last adjustment, notes Mr. Cates, requires a corresponding upward revision of net interest income.

Will such adjustments fundamentally affect the analyst's view of a bank? At times, yes. For example, the Atlanta banks in the late '70s were burdened with high levels of OREO, which temporarily inflated their overhead-to-income ratios. Some analysts correctly saw that these expenses would fade as the OREO was worked down — in other words, the banks were not chronically high cost. Therefore they formed a more optimistic view of investment possibilities than those who did not adjust for OREO-related expenses.

In summary, in Mr. Cates' opinion, there are several compelling advantages in moving away from profit and overhead comparisons that use assets or even equity as the relevant denominators and toward "virgin ratios" — the relationship between expenses and net income, properly defined, and operating income, also appropriately adjusted.

These advantages include: (1) establishing the primacy of income over assets as a profit determinant; (2) eliminating securities gains and losses and other nonrecurring events as distortions of recurring performance; (3) erasing the barrier between the measurement of asset-based and fee-based profitability, and (4) creating a common bond between profit measurement in banks and in other industries that compete for the same shareholder interest.

□ □ □

Mr. Cates has compiled some data on the pretax profit margin — the proportion of net to gross — for various size banks from 1982 through 1986. The margin is determined by combining the ratios "loan-loss provision to income" and "overhead to income" and subtracting this sum from 100%. Unfortunately, the New York analyst has not yet separated the nonrecurring elements from income, so that the margin may be inflated by such one-time transactions as asset sales.

Nonetheless, the figures on the overall bank profit margin are instructive, especially when compared to margins realized in trust operations — that is, in trust operations at institutions with $25 million or more in trust-fee income. For example, the pretax margin at money center banks fell from 28.7% in 1982 to 24.2% in 1986. The margin at banks with over $10 billion in assets, including the money center banks, declined from 28.9% to 25.8%. In each case, the rise in the loan-loss provision more than offset the relatively minor improvement in the overhead ratio.

By contrast, the trust profit margin increased from 27.5% in 1982 to 33.4% in 1986, which of course expresses the fee consequences of the bull market in stocks and bonds for most of this period. As a result, argues Mr. Cates, trust departments appear to be generally more profitable, per dollar of operating income, than the banks that shelter them.

Of course, such comparisons must take into account the issue of earnings quality, which in turn depends on the relative variability of the income streams, their secular growth trends, and the imputed cost of capital required to maintain each function. Although a precise examination of earnings quality is not available, Mr. Cates hazards the guess that the trust profit is not only larger but generally of higher quality than that of many other bank earnings streams, especially that emanating from corporate lending. The implications for bank restructuring are patently obvious.

□ □ □

Finally, Mr. Cates essays an examination of the relationship between the pretax profit margin and ROA and ROE to see whether there is any correlation — and if not, why not. He chooses the year 1986 because of the complication of last year's special reserve allocation.

In 1986, Morgan Guaranty showed a pretax margin of 50%, while State Street Boston and Citibank South Dakota posted returns of 30% and 27%, respectively. Measured according to ROE, Morgan made 19%, State Street got 19.9%, and Citibank South Dakota came in with 29.1%.

Morgan trailed Citibank South Dakota because the latter's very high asset yield translated into a huge net interest margin and a lush ROA of 2.58%. Hence, despite the fact that Morgan was actually more levered than the credit-card bank, it could not compete in ROE terms.

Similarly, although Morgan had a higher profit margin than State Street, its ROE was lower. State Street derived a much higher proportion of its revenues than did Morgan from asset-unrelated businesses. Thus it required less capital than did the New York bank to buttress its unique mix of business. The extra leverage helped push State Street's return on equity above Morgan's.

Mr. Cates derives two lessons from these comparisons. First, the lower the gross yield on assets, the higher must be the operating profit

Random Thoughts: Page 8 ➳

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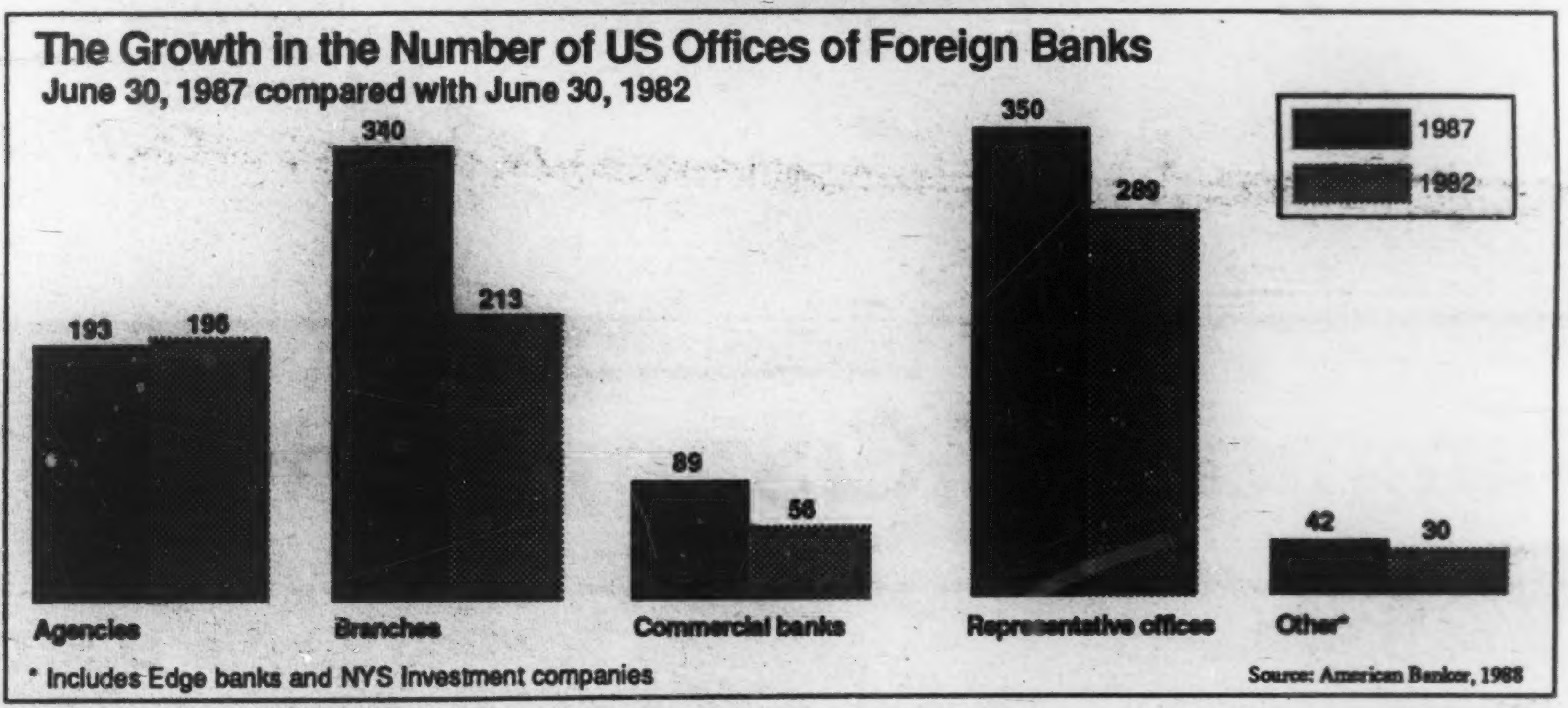
American Banker STATISTICS REVIEW

Foreign Banks in the United States

1987 Round-Up

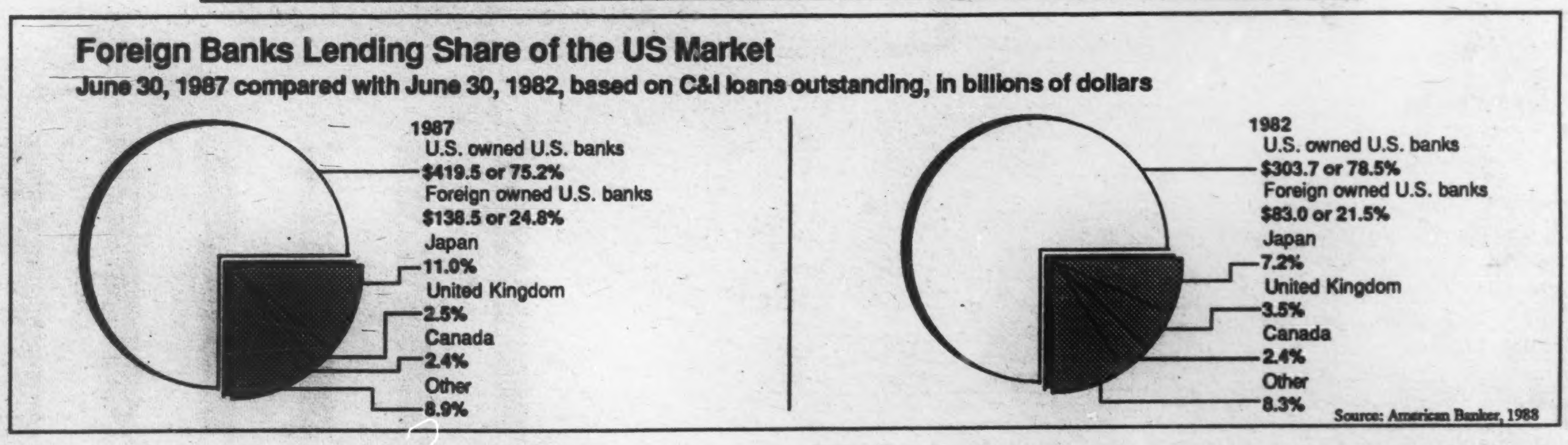


The Growth in the Number of US Offices of Foreign Banks

June 30, 1987 compared with June 30, 1982

* Includes Edge banks and NYS Investment companies

Source: American Banker, 1988



Foreign Banks Lending Share of the US Market

June 30, 1987 compared with June 30, 1982, based on C&I loans outstanding, in billions of dollars

Source: American Banker, 1988

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FOREIGN BANKS IN THE U.S.

Top Foreign Banks in the United States

Foreign Banks with More than $1 Billion in Business Loans Outstanding at U.S. Banking Offices
June 30, 1987, Compared with June 30, 1986 (Dollar Amounts in Millions)

			Totals on June 30, 1987					Totals on June 30, 1986				
Rank 6/87	Rank 6/86		C&I Loans	Assets	Deposits	No. of US Off.	% Chg. C&I (a)	C&I Loans	Assets	Deposits	No. of US Off.	% Chg. C&I (a)
1	1	**Hongkong & Shanghai Banking Corp., Hong Kong**	$7,471	25,539	19,612	20	+6.3	$7,028	23,497	17,303	18	- 3.6
2	2	**Bank of Tokyo Ltd.**	6,598	26,083	14,740	11	+3.5	6,375	22,252	13,889	11	+10.9
3	3★	**National Westminster Bank Plc., London**	6,392	14,954	10,882	6	+18.4	5,395	13,725	9,583	5	+26.3
4	6★	**Mitsubishi Bank Ltd., Tokyo**	5,304	29,395	16,467	8	+42.8	3,716	21,876	12,169	8	20.6
5	5★	**Sumitomo Bank Ltd., Osaka**	5,006	17,145	11,604	6	+30.4	3,838	14,232	8,536	5	+67.3
6	10†	**Fuji Bank Ltd., Tokyo (b)**	4,899	25,829	13,183	7	+60.3	3,057	17,755	9,320	6	- 9.3
7	9★	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	4,676	26,348	16,198	4	+52.8	3,060	15,534	8,903	4	+6.8
8	7★	**Industrial Bank of Japan Ltd., Tokyo (b)**	4,442	19,238	11,228	6	+19.9	3,706	13,457	7,654	6	+46.6
9	11★	**Swiss Bank Corp., Basle**	4,388	14,556	6,387	5	+47.1	2,983	12,548	5,205	5	+24.4
10	4★	**Bank of Montreal**	4,283	16,873	10,036	15	-6.4	4,577	16,622	10,302	13	+2.5
11	12★	**Sanwa Bank Ltd., Osaka**	4,208	17,255	8,527	7	+59.4	2,641	12,117	5,720	6	+19.6
12	25	**Bank of Nova Scotia, Toronto, Canada**	3,539	9,925	3,319	12	+143.4	1,454	4,956	2,455	11	+71.6
13	8★	**Standard Chartered Bank Plc., London**	3,484	10,691	8,241	9	+10.5	3,152	9,711	6,869	8	+14.1
14	17★	**Mitsui Bank Ltd., Tokyo**	3,264	9,945	3,712	4	+67.1	1,993	7,352	3,413	5	+5.3
15	21	**Banco di Napoli, Naples**	2,659	5,767	3,677	1	+63.4	1,627	3,305	2,350	1	+29.3
16	23	**Long-Term Credit Bank of Japan, Ltd., Tokyo**	2,512	6,041	1,800	3	+63.1	1,540	4,759	1,640	2	+5.7
17	22	**Tokai Bank, Ltd., Nagoya**	2,360	11,873	5,592	4	+46.2	1,613	7,515	3,805	4	+6.4
18	27	**Banque Nationale de Paris**	2,246	7,033	3,670	8	+72.5	1,302	5,175	3,039	8	- 21.5
19	29	**Daiwa Bank Ltd., Osaka**	2,190	7,286	4,270	3	+84.2	1,189	5,822	3,510	3	+13.5
20	20	**Nippon Credit Bank Ltd., Tokyo**	2,120	4,822	1,368	2	+27.7	1,660	4,448	2,309	2	+42.8
21	32	**Mitsubishi Trust & Banking Corp., Tokyo**	2,072	7,147	3,009	3	+85.8	1,115	7,312	3,074	2	+39.1
22	19†	**Barclays Plc., London (c)**	2,031	8,809	6,214	16	+18.2	1,719	7,146	5,542	15	+10.9
23	..	**Yasuda Trust & Banking Co. Ltd., Tokyo**	1,930	7,232	3,449	2	+107.7	929	3,806	1,605	2	...
24	26	**Canadian Imperial Bank of Commerce, Toronto**	1,826	6,213	1,601	10	+27.3	1,435	5,407	2,644	10	- 11.6
25	..	**Mitsui Trust & Banking Co. Ltd., Tokyo**	1,816	7,682	1,126	2	+140.3	756	6,141	905	2	...
26	16★	**Royal Bank of Canada, Montreal**	1,619	4,718	3,212	8	-24.9	2,155	5,330	2,970	8	- 12.1
27	24	**Algemene Bank Nederland, Amsterdam**	1,612	4,794	2,681	14	+24.8	1,480	3,914	2,097	13	+43.7
28	13★	**Toronto Dominion Bank**	1,601	6,822	3,049	4	-30.2	2,292	7,841	3,488	4	+3.7
29	18★	**European American Group (c)**	1,579	6,536	4,640	1	-19.0	1,949	6,151	4,629	1	- 23.90
30	14★	**Lloyds Bank Plc., London**	1,561	4,367	2,186	7	+8.3	2,196	7,383	4,478	8	+22.8
31	30	**Taiyo Kobe Bank Ltd., Kobe, Japan**	1,561	7,264	3,288	4	+31.5	1,188	6,051	3,185	3	+20.2
32	28	**Bank Leumi le-Israel, Tel-Aviv**	1,457	3,382	3,047	6	+13.6	1,283	3,361	3,047	6	- 2.3
33	..	**Kyowa Bank Ltd., Tokyo**	1,195	5,059	2,057	4	+41.5	845	3,721	1,559	3	...
34	31	**Banca Nazionale del Lavoro, Rome**	1,170	8,109	4,119	5	+2.1	1,145	4,733	1,871	5	- 4.8
35	..	**Sumitomo Trust & Banking Co. Ltd., Osaka, Japan**	1,137	8,665	6,070	2	+20.6	942	4,686	2,983	2	...
36	..	**Allied Irish Banks Plc, Dublin**	1,136	5,317	4,202	4	+13.9	997	4,873	3,532	4	...
37	15★	**Banco di Roma, Rome**	1,116	9,503	3,641	4	-48.5	2,167	6,547	2,630	4	+58.6

Source: Compiled by American Banker from survey questionnaires and Federal Reserve Board data. **The totals** for each bank are based on the **combined** business loans (C&I loans), deposits, and assets for all of the bank's U.S. banking offices, for which data were available. **U.S. banking offices** include: agency offices, branches,commercial bank subsidiaries, New York State investment companies, and Edge banks. **Finance company subsidiaries have been excluded** this year. The 1986 data and ranks have been **restated** to exclude finance companies. **(a)**— Annual growth in commercial and industrial loans over the year ended 6/30/87 and 6/30/86, respectively. Note: percent changes based on unrounded figures and may differ slightly from dollar figures shown. **(b)**— The 1986 data for Fuji Bank Ltd. have been restated to exclude Heller Financial, Inc., Chicago, the bank's finance company subsidiary. **(c)**— The 1986 data for Barclays Bank Plc have been restated to exclude Barclays American Corp., Charlotte, N.C., the bank's finance company subsidiary. **(d)**— The group consists of six European banks: (1)-Amsterdam-Rotterdam Bank, Amsterdam, Netherlands; (2)-Creditanstalt-Bankverein, Vienna, Austria; (3)-Deutsche Bank, Frankfurt; (4)-Midland Bank Plc., London; (5)-Societe Generale de Banque, Brussels; and (6)-Societe General, Paris. **(†)**— The 1986 rank based on restated C&I loans which exclude the bank's finance company subsidiary. **(★)**— Rank has been revised since publication on 4/9/87.

FOREIGN BANKS IN THE U.S.

Summary of Survey Findings

Total Number of U.S. Banks

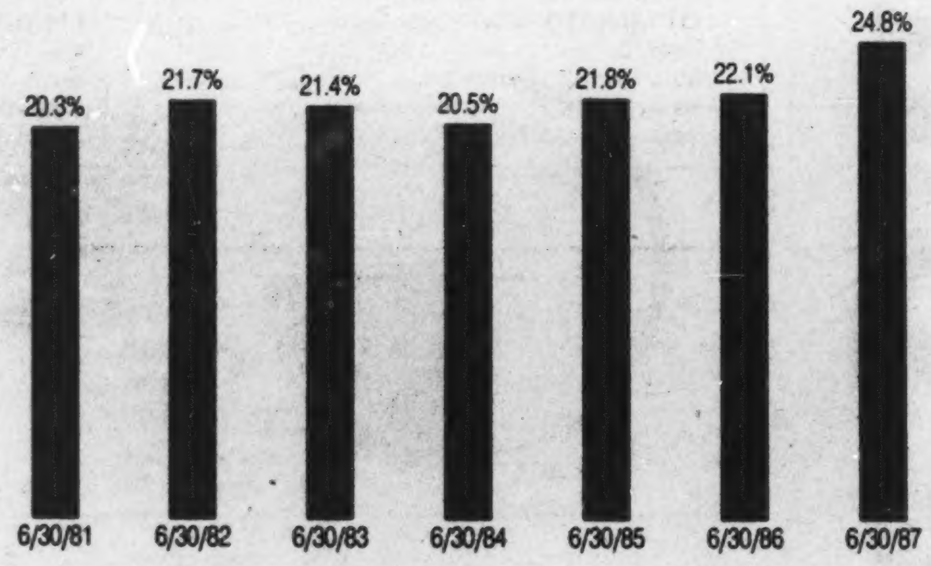
By Office Type

	6/30/87	6/30/86	Change
National banks	4,742	4,807	-65
State member banks	1,096	1,076	+20
State nonmember banks	8,113	8,157	-44
Total FDIC-insured banks	**13,951**	**14,040**	**-89**
Edge banking offices	150	163r†	-13
Edge banking offices of foreign banks	(30)	(34)	(-4)
U.S. branches of foreign banks (d)	340	325r	+15
U.S. agencies of foreign banks (d)	193	187r	+6
New York State investment companies (d)	12	11r	+1
Total other banks	**695**	**686**	**+9**
Total banks	**14,646**	**14,726**	**-80**

Sources of Data: Federal Reserve Board for Edge bank, branch and agency data and the Federal Deposit Insurance Corp. for national bank, state member (Federal Reserve System) banks, and state nonmember (FDIC-insured) banks. **(r)**— Revised. **(†)**— Data are for 12/31/86. Data for 6/30/86 were not available.

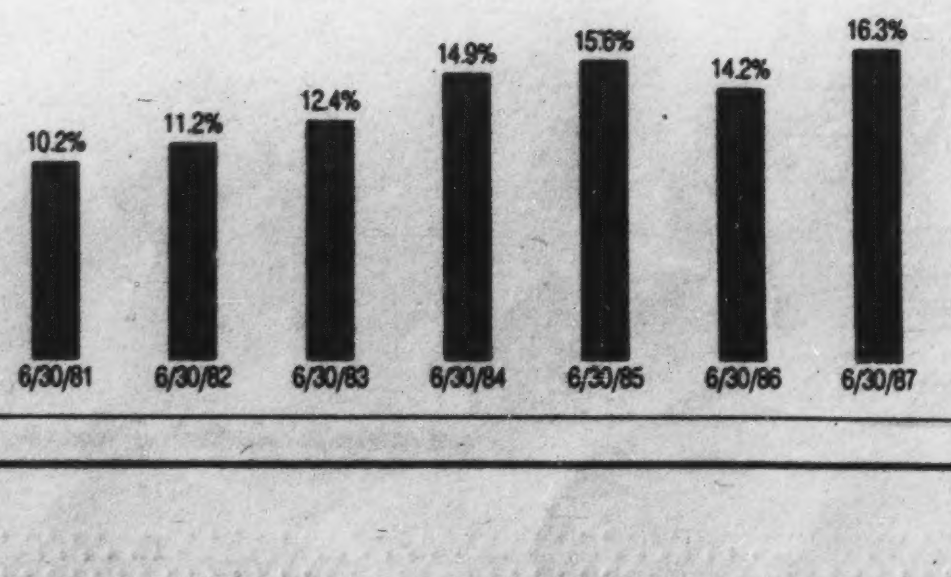
Foreign Banks' U.S. C&I Loans

As percentage of total U.S. banks' C&I loans



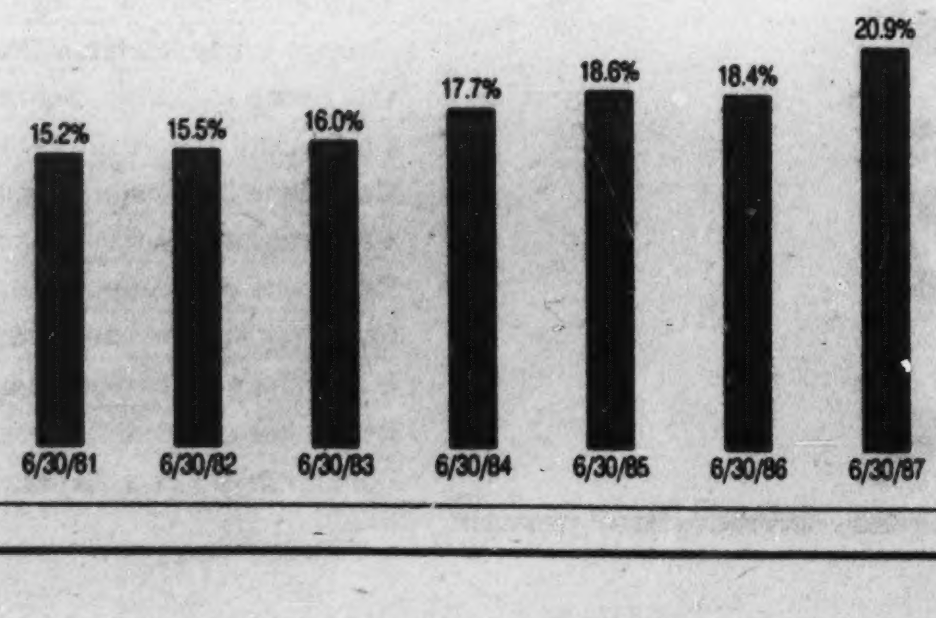
Foreign Banks' U.S. Deposits

As percentage of total U.S. banks' deposits



Foreign Banks' U.S. Assets

As percentage of total U.S. banks' assets



Summary of Survey Findings

C&I Loans, Deposits, and Assets at U.S. Offices of Foreign Banks

Dollar Amounts in Billions

		Number of Offices	C&I Loans	Deposits	Assets
(1) AGENCIES AND BRANCHES	6/30/87:	521	$ 98.2	$205.8	$428.9
	6/30/86:	510	77.2	155.1	330.0
		+11	+27.2%	+32.7%	+30.0%
(1A) AGENCIES	6/30/87:	188	$ 22.7	$ 14.6	$ 78.0
	6/30/86:	186	17.8	19.0	67.1
		+ 2	+27.5%	−23.2%	+16.2%
(1B) BRANCHES	6/30/87:	333	$ 75.5	$191.2	$350.9
	6/30/86:	324	59.4	136.1	262.9
		+9	+27.1%	+40.5%	+33.5%
(2) COMMERCIAL BANKS (a)	6/30/87:	86	$ 38.1	$106.2	$136.3
	6/30/86:	80	33.8	98.0	124.4
		+ 6	+12.7%	+8.4%	+9.6%
(3) EDGE ACT BANKS (b)	6/30/87:	30	$ 0.20	$ 1.7	$ 2.3
	6/30/86:	34	0.20	1.6	2.5
		− 4	.....	+6.3%	−8.0%
(4) INVESTMENT COMPANIES	6/30/87:	11	$ 2.1	$ 0.4	$ 4.5
	6/30/86:	9	3.0	0.6	4.1
		+ 2	−30.0%	−66.7%	+9.8%
Totals for U.S. Offices of Foreign Banks (c)	6/30/87:	648‡	$138.5	$314.0	$571.9
	6/30/86:	633‡	114.2	255.3	461.0
		+15	+21.3%	+23.0%	+24.1%
Totals for All U.S. Banks (d)	6/30/87:	**14,646**	**$558.0**	**$1,923.4**	**$2,730.4**
	6/30/86:	14,726r	$516.2r	$1,796.1r	$2,511.7r
		−80	+ **8.1%**	+ **7.1%**	+ **8.7%**
Ratio of Foreign to All U.S. Banks (e)	6/30/87:	**4.4%**	**24.8%**	**16.3%**	**20.9%**
	6/30/86:	4.3%	22.1%r	14.2%	18.4%r
	6/30/85:	4.1%	21.8%	15.6%	18.6%
	6/30/84:	3.6%	20.5%	14.9%	17.7%
	6/30/83:	3.6%	21.4%	12.4%	16.0%
	6/30/82:	3.2%	21.7%	11.2%	15.5%
	6/30/81:	2.8%	20.3%	10.2%	15.2%

All data totals and the number of offices shown here— under each office type— are for the banking offices providing data for the survey. **C&I loans, deposits and assets** for June 30, 1987 and June 30, 1986 were used for **all** banking offices. **(a)**— Commercial bank number count includes bank head offices only. Branches of these banks are not included. **(b)**— Edge bank number count includes Edge branches. To avoid double counting, data for Edge banks, which are subsidiaries of foreign bank-owned U.S. commercial banks, are excluded from the totals for C&I loans, deposits, and assets. **(c)**— The total for 1986 has been restated **to exclude** finance companies. **(d)**— The asset, deposit, and C&I data for all U.S. banks are from the Federal Reserve Bulletin. The number of U.S. banks includes all U.S.-chartered, FDIC-insured commercial banks; the U.S. branches and agencies of foreign banks; all U.S. Edge Act bank offices; and New York State investment companies. These data were provided by the Federal Deposit Insurance Corporation, and Federal Reserve Board. **(‡)**— The total number of U.S. banking offices of foreign banks— including those offices for which data were not available— were 664 on 6/30/87 and 638 on 6/30/86. **(e)**— The ratio is all U.S. offices of foreign banks— including those for which data were not available— divided by all U.S. banking offices. **(r)**— Revised since publication on 4/9/87.

Growth in C&I Loans, Deposits, and Assets at U.S. Banks

Foreign Bank-Owned U.S. Banks Compared with U.S.-Owned Banks from 6/30/82 to 6/30/87 (Dollar Amounts in Billions)

Foreign Bank-Owned U.S. Banks[1]	C&I Loans June 30	% Chg.	Deposits June 30	% Chg.	Assets June 30	% Chg.
1987	$138.5	+21.3	$314.0	23.0	$571.9	+24.1
1986	$114.2	+ 8.0	$255.3	− 1.6	$461.0	+ 8.7
1985	$105.7	+13.8	$259.5	+13.8	$423.8	+11.3
1984	$ 92.9	+ 9.4	$228.2	+27.5	$380.9	+18.4
1983	$ 84.9	+ 2.3	$179.0	+20.5	$321.6	+12.7
1982	$ 83.0	+19.9	$148.6	+17.9	$285.4	+ 9.1
1981	$ 69.2	.....	$126.0	.....	$261.6	.....
U.S.-Owned U.S. Banks[2]						
1987	**$419.5**	+ **4.4**	**$1,609.4**	+ **4.5**	**$2,158.5**	+ **5.3**
1986	$402.0r	+ 6.2r	$1,540.8r	+10.0r	$2,050.7r	+ 8.9r
1985	$378.6	+ 5.2	$1,400.3	+ 7.3	$1,883.3	+ 8.6
1984	$360.0	+15.8	$1,304.7	+ 3.2	$1,734.6	+ 3.2
1983	$311.0	+ 2.4	$1,264.8	+ 7.4	$1,681.4	+ 7.1
1982	$303.7	+ 9.9	$1,177.2	+ 6.0	$1,569.3	+ 6.4
1981	$276.3	.....	$1,110.7	.....	$1,474.9	.....

Data for this table are calculated by American Banker using its survey data of foreign banks in the U.S. and the Federal Reserve Board's aggregate data on all banks in the U.S. **(1)**— Foreign bank-owned U.S. banks include: commercial bank and Edge bank subsidiaries; branch and agency offices; and New York investment companies. **(2)**— U.S.-owned U.S. banks include all commercial banks and Edge banks in U.S. that are not owned by foreign banks. **(r)**— Revised since publication on 4/9/87. **Note:** Data for 1985 were not adjusted for the sale of Crocker National Bank, San Francisco, by Midland Bank PLC, London, to Wells Fargo Bank NA, San Francisco. Thus, 1986 growth is understated for foreign-owned U.S. banks and overstated for U.S. owned U.S. banks.

Summary of Survey Findings

Location of Foreign Banks' U.S. Offices: The Top 10 Cities

Excludes Offices Opened Since Mid-1987

		Total Offices[1]	Agencies	Branches	Commercial Bank Subs.	Edge Act Banks	Represent. Offices	Invest Co.
NEW YORK	6/30/87:	435	29	214	33	7	140	12
	6/30/86:	421	33	208	27	8	134	11
LOS ANGELES	6/30/87:	118	61	21	13	0	23	0
	6/30/86:	114	61	17	14	0	22	0
CHICAGO	6/30/87:	81	0	49	3	2	27	0
	6/30/86:	80	0	46	3	3	28	0
HOUSTON	6/30/87:	77	12	0	0	7	58	0
	6/30/86:	72	7	0	0	8	57	0
SAN FRANCISCO	6/30/87:	70	30	10	9	2	19	0
	6/30/86:	67	29	10	9	2	17	0
MIAMI	6/30/87:	55	34	0	3	9	9	0
	6/30/86:	55	32	0	3	10	10	0
ATLANTA	6/30/87:	23	13	0	0	0	10	0
	6/30/86:	24	12	0	0	0	12	0
DALLAS	6/30/87:	16	1	0	0	1	14	0
	6/30/86:	16	1	0	0	1	14	0
WASHINGTON, D.C.	6/30/87:	16	0	3	0	1	12	0
	6/30/86:	16	0	3	0	1	12	0
SEATTLE	6/30/87:	14	0	10	0	0	4	0
	6/30/86:	13	0	11	0	0	2	0
Total For 10 Largest	6/30/87:	905	180	307	61	29	316	12
	6/30/86:	878	175	295	56	33	308	11
Total for all U.S. Offices	6/30/87:	1,014	193	340	89	30	350	12
	6/30/86:	975	187	325	81	34	337	11
Total Number of Cities[2]	6/30/87:	58	14	17	29	8	31	1
	6/30/86:	56	16	17	24	8	30	1

[1]—Total offices is the sum of agencies, branches, commercial bank subsidiaries, Edge banks, representative offices, and investment companies. The 1986 totals have been restated to exclude finance companies

[2]—The first number in this row shows the total number of **different** U.S. cities that have foreign banking offices. Each of the six other numbers in that row indicate the number of U.S. cities that have banking offices of the six different types listed (agencies, branches, commercial bank subsidiaries, Edge Act banks, representative offices, and investment companies)

Top 10 Countries in C&I Loans Booked by Banks' U.S. Offices

Dollar Amounts in Billions

		Number of Banks with US Offices	Number of US Offices#	C&I Loans	Ratio (a)	Deposits	Assets
JAPAN	6/30/87:	30	99	$ 61.6	44.5%	$ 149.6	$275.3
	6/30/86:	27	90	42.8†	37.5%†	110.3	198.5†
		+3	+9	+ 43.9%		+35.6%	+38.7%
UNITED KINGDOM	6/30/87:	12	47	$ 13.9	10.0%	$ 28.7	$ 41.0
	6/30/86:	14	51	12.9†	11.3%†	28.6	40.9†
		−2	−4	+ 7.9%		+0.3%	+ 0.2%
CANADA	6/30/87:	6	51	$ 13.2	9.5%	$ 22.3	$ 46.0
	6/30/86:	9	53	12.3	10.8%†	23.2	42.0
		−3	−2	+ 7.3%		−3.9%	+ 9.5%
ITALY	6/30/87:	12	25	$ 8.0	5.8%	$ 15.7	$ 37.7
	6/30/86:	12	26	8.4	7.4%†	12.3	28.1
		..	−1	−4.8%		+27.6%	+34.2%
HONG KONG	6/30/87:	11	32	$ 7.6	5.5%	$ 20.1	$ 26.2
	6/30/86:	11	30	7.1	6.2%†	17.8	24.1
		..	+2	+7.0%		+12.9%	+8.7%
FRANCE	6/30/87:	15	41	$ 5.9	4.3%	$ 15.3	$ 26.0
	6/30/86:	14	40	4.1r	3.6%†	10.7r	18.2r
		+1	+1	+43.9%		+43.0%	+42.9%
SWITZERLAND	6/30/87:	7	16	$ 5.5	4.0%	$ 9.6	$ 24.2
	6/30/86:	7	17	4.2	3.7%†	8.0	21.9
		..	−1	+31.0%		+20.0%	+10.5%
ISRAEL	6/30/87:	4	22	$ 3.1	2.2%	$ 8.5	$ 10.0
	6/30/86:	4	25	2.8	2.5%†	8.4	9.8
		..	−3	+10.7%		+ 1.2%	+ 2.0%
GERMANY	6/30/87:	13	22	$ 2.5	1.8%	$ 7.0	$11.6
	6/30/86:	13	21	1.8r†	1.6%†	4.6r	8.2r†
		..	+1	+38.9%		+52.2%	+41.5%
NETHERLANDS	6/30/87:	4	17	$ 2.4	1.7%	$ 4.4	$ 8.3
	6/30/86:	4	17	1.9	1.7%†	3.1	6.5
		..	..	+26.3%		+41.9%	+27.7%
Total for Top 10 (b)	6/30/87:	114	372	$123.7	89.3%	$281.2	$506.3
	6/30/86:	115	370†	98.3†	86.1%†	227.0	406.2
		− 1	+2	+25.8%		+23.9%	+27.1%
Total for All Foreign Banks in the U.S. (b,c)	6/30/87:	266(58)	664‡	$ 138.5	100.0%	$314.0	$571.9
	6/30/86:	263(56)	638‡	$ 114.2†	100.0%	$255.3	$461.0†
		+ 3(+2)	+25	+21.3%		+23.0%	+24.1%

(#)— Includes foreign banks' U.S. branches, agencies, Edge banks, commercial banks, and New York State investment companies. The number of U.S. offices reported for each country in the top 10 is the number **for which June 30 data were available.**
(a)— Ratio of commercial and industrial loans booked by all U.S. offices of the country's banks to all C&I loans booked by all the U.S. offices of all the foreign banks in the U.S. **(b)**— The totals for 1986 have been restated to exclude finance companies. **(c)**— The total number of foreign countries is shown in parenthesis. **(†)**— The 1986 data have been restated to exclude finance companies. **(r)**— Revised since publication on 4/9/87. Revision was not attributable to the finance company exclusion. **(‡)** This is the total number of banking offices in the U.S., including offices for which data were not available.

Summary of Survey Findings

Totals for U.S. Branches

On June 30, 1987 (Dollar Amounts in Millions)

	Number	C&I Loans	Assets	Deposits
Beverly Hills	1	89.1	253.5	223.7
Los Angeles	19	1,360.4	4,118.6	2,111.8
San Francisco	10	1,038.9	3,019.3	549.4
District of Columbia	3	35.5	629.9	468.6
Agana, Guam	4	44.9	69.9	48.7
Chicago	49	10,839.9	27,252.5	5,661.4
Boston	8	303.9	568.7	166.8
New York	213	59,156.1	308,359.8	178,034.0
Portand, Ore.	5	604.9	2,303.8	1,831.6
Philadelphia	2	108.2	216.8	151.2
Pittsburgh	3	777.0	810.0	3.2
Puerto Rico	1	259.0	560.7	496.8
Virgin Islands	5	83.4	597.1	590.5
Seattle	10	789.7	2,129.5	833.2
Totals	**333**	**75,491.0**	**350,890.0**	**191,170.1**

Top 25 Branches in the U.S.

Based on C&I Loans on June 30, 1987

Rank 1987	Rank 1986	(Dollar Amounts in Millions)	6/30/87	6/30/86
1	1	**Swiss Bank Corp., New York**	3,186.3	2,315.0
2	2	**Dai-Ichi Kangyo Bank Ltd., New York**	2,864.2	2,298.0
3	3	**Sumitomo Bank Ltd., New York**	2,667.8	2,218.6
4	8	**Banco di Napoli, New York**	2,659.0	1,626.9
5	7	**Fuji Bank Ltd., New York**	2,450.0	1,737.6
6	6	**Mitsubishi Bank Ltd., New York**	2,357.8	1,871.0
7	19	**Mitsui Bank Ltd., New York**	1,881.4	754.2
8	10	**Nippon Credit Bank, New York**	1,778.4	1,349.5
9	9	**Sanwa Bank Ltd., New York**	1,702.2	1,481.8
10	4	**Bank of Tokyo Ltd., New York**	1,590.0	2,039.4
11	14	**Long-Term Credit Bank of Japan, New York**	1,501.8	1,104.1
12	24	**Daiwa Bank Ltd., New York**	1,499.9	647.4
13	21	**Yasuda Trust & Banking Co. Ltd., New York**	1,467.1	718.9
14	..	**Mitsubishi Trust & Banking Corp., New York**	1,230.0	605.2
15	25	**Mitsui Trust & Banking Co. Ltd., New York**	1,146.3	638.0
16	..	**Barclays Bank, Plc, New York**	1,110.8	517.6
17	..	**Bank of Nova Scotia, New York**	1,056.2	475.3
18	12	**Industrial Bank of Japan Ltd., New York**	1,041.9	1,144.6
19	5	**Bank of Montreal, New York**	1,009.1	1,918.3
20	..	**Banque Nationale de Paris, New York**	978.0	501.7
21	13	**National Westminster Bank Plc, New York**	940.8	1,118.3
22	17	**Tokai Bank Ltd., New York**	921.6	824.4
23	11	**Royal Bank of Canada, New York**	909.9	1,306.0
24	..	**Bank of Montreal, Chicago**	779.6	548.0
25	..	**Fuji Bank Ltd., Chicago**	767.8	541.5

Totals for U.S. Agencies

On June 30, 1987 (Dollar Amounts in Millions)

	Number	C&I Loans	Assets	Deposits
Beverly Hills	1	18.0	47.0	24.6
Los Angeles	60	13,180.5	45,840.1	6,890.4
San Francisco	30	2,444.6	11,701.2	682.6
Boca Raton, Fla.	1	2.0	28.6	28.4
Coral Gables, Fla.	2	18.1	175.9	172.5
Miami	33	1,060.2	5,622.1	4,164.8
Miami Beach	3	110.4	489.7	481.0
Tampa	1	3.3	32.4	31.2
Atlanta	13	3,118.0	4,829.5	622.7
Honolulu	2	43.8	45.2	56.2
New Orleans	1	0.0	2.0	0.0
New York	29	1,381.5	7,504.1	1,474.4
Dallas	1	65.3	111.4	0.1
Houston	11	1,214.3	1,553.1	4.7
Totals	**188**	**22,660.7**	**77,982.5**	**14,582.5**

Top 25 U.S. Bank Subsidiaries

Based on C&I Loans on June 30, 1987

Rank 1987	Rank 1986	(Dollar Amounts in Millions)	6/30/87	6/30/86
1	1	**Marine Midland Bank NA, Buffalo, N.Y.**	6,200.9	6,042.9
2	2	**National Westminster Bank USA, New York**	4,884.2	3,779.4
3	3	**Union Bank, Los Angeles**	3,012.6	2,683.0
4	5	**Harris Trust & Savings Bank, Chicago**	2,204.9	1,906.8
5	6	**Bank of Tokyo Trust Co., New York**	2,175.0	1,882.9
6	7	**California First Bank, San Francisco**	1,712.9	1,609.4
7	4	**European American Bank, New York (I)**	1,578.5	1,949.1
8	16	**Sanwa Bank California, San Francisco**	1,273.7	647.2
9	10	**Bank of California NA, San Francisco**	1,273.6	833.3
10	8	**Bank Leumi Trust Co., New York**	1,254.2	1,103.6
11	9	**First National Bank of Maryland, Baltimore**	1,113.3	988.6
12	13	**Industrial Bank of Japan Trust Co., New York**	1,006.5	740.0
13	15	**Fuji Bank & Trust Co., New York**	792.2	669.0
14	24	**Tokai Bank of California, Los Angeles**	710.9	271.9
15	12	**Sumitomo Bank of California, San Francisco**	689.5	740.0
16	17	**Israel Discount Bank of New York**	688.1	546.9
17	14	**Mitsui Manufacturers Bank, Los Angeles**	641.7	726.4
18	19	**IBJ Schroder Bank & Trust Co., New York**	640.8	503.2
19	18	**LaSalle National Bank, Chicago**	638.5	533.4
20	22	**Canadian Imperial Bank of Commerce (New York)**	590.4	387.1
21	20	**Barclays Bank of New York NA**	470.7	474.4
22	..	**Daiwa Bank Trust Co., New York**	294.9	169.8
23	25	**Barclays Bank of California, San Francisco**	275.5	252.3
24	..	**Banco Central Corp., Hato Rey, P.R.**	274.5	184.0
25	..	**Marine Midland Bank (Delaware), Wilmington**	266.6	203.8

Top 25 Agencies in the U.S.

Based on C&I Loans on June 30, 1987

Rank 1987	Rank 1986	(Dollar Amounts in Millions)	6/30/87	6/30/86
1	4	**Bank of Nova Scotia, Atlanta**	1,666.9	562.1
2	1	**Industrial Bank of Japan Ltd., Los Angeles**	1,481.4	1,314.1
3	6	**Dai-Ichi Kangyo Bank, Los Angeles**	1,092.1	506.2
4	8	**Long-Term Credit Bank of Japan, Ltd., Los Angeles**	797.4	435.9
5	5	**Mitsubishi Trust & Banking Corp., Los Angeles**	761.0	510.0
6	9	**Mitsubishi Bank Ltd., Los Angeles**	746.3	433.2
7	..	**Mitsui Trust & Banking Co. Ltd., Los Angeles**	669.7	117.6
8	..	**Fuji Bank Ltd., Los Angeles**	653.1	33.1
9	21	**Bank of Nova Scotia, San Francisco**	584.1	242.8
10	18	**Taiyo Kobe Bank Ltd., Los Angeles**	537.4	299.1
11	11	**Bank of Tokyo Ltd., Los Angeles**	534.5	387.9
12	20	**Sumitomo Trust & Banking Co. Ltd., Los Angeles**	510.6	248.1
13	10	**Mitsui Bank Ltd., Los Angeles**	506.7	407.7
14	2	**Toronto-Dominion Bank, Atlanta**	465.8	798.8
15	25	**Yasuda Trust & Banking Co. Ltd., Los Angeles**	462.8	210.4
16	16	**Kyowa Bank, Los Angeles**	424.0	326.1
17	13	**Daiwa Bank Ltd., Los Angeles**	395.6	372.1
18	19	**Tokai Bank Ltd., Los Angeles**	392.6	287.1
19	4	**Bancomer, New York**	381.4	575.9
20	23	**Sanwa Bank Ltd., San Francisco**	358.8	216.6
21	17	**Nippon Credit Bank Ltd., Los Angeles**	341.3	310.8
22	..	**Algemene Bank Nederland, Houston**	276.1	187.2
23	7	**Banco di Roma, San Francisco**	261.0	469.0
24	..	**Hokkaido Takushoku Bank Ltd., Los Angeles**	240.4	83.9
25	..	**Swiss Bank Corp., Houston**	236.2	....

Foreign Office Roundup

Offices Opened and Closed Since June 30, 1986, Listed Geographically (Dollar Amounts in Thousands)

Data Unavailable†	Type of Office	Location	C&I Loans 6/30/86	Deposits 6/30/86	Assets 6/30/86
Bank Hapoalim, Tel Aviv, Israel	Branch	Encino, CA	N.A.	N.A.	N.A.
Bank Leumi le-Israel, Tel Aviv	Branch	Encino, CA	N.A.	N.A.	N.A.
National Bank of Greece, Athens	Branch	Cambridge, MA	N.A.	N.A.	N.A.
Lloyds Bank Plc, London	Agency	Detroit	N.A.	N.A.	N.A.
Hill, Samuel & Co., Ltd., London (a)	Commercial Bank	New York	5,926	5,941	0
Industrial Bank of Japan Ltd., Tokyo (b)	Investment Company	New York	N.A.	N.A.	N.A.
Toronto Dominion Bank (c)	Commercial Bank	New York	1,400	22,621	17,347
Barclays Bank Plc, London	Branch	Pittsburgh	N.A.	N.A.	N.A.
Offices Closed‡					
Lloyds Bank Plc, London (d)	Commercial Bank	Los Angeles	754,114	2,950,084	2,370,458
Bank of British Columbia, Vancouver, Canada (e)	Branch	San Francisco	55,998	119,212	8,056
ABN Bank Nederland, Rotterdam, Netherlands	Edge Bank branch	Miami	0	0	0
Banco de Iberoamerica, Panama City, Panama (f)	Agency	Miami	32,730	128,313	122,879
Banque Paribas, Paris	Agency	Miami	20,001	21,036	304
Bank of Bermuda International	Edge Bank branch	Chicago	0	0	0
Banca Commerciale Italiana, Milan (g)	Commercial Bank	Garden City, NY	396,946	1,675,963	1,480,253
Bank Julius Baer & Co., Ltd., Zurich (h)	Investment Company	New York	N.A.	N.A.	N.A.
Banco Cafetero, Bogota, Colombia	Edge Bank	New York	8,489	91,869	80,474
Banco Noroeste, Sao Paulo, Brazil	Branch	New York	9,482	36,544	11,500
Banco Safra, Sao Paulo, Brazil (i)	Branch	New York	77,173	300,851	261,127
Continental Bank of Canada, Toronto (j)	Branch	New York	119,016	134,256	84,001
Standard Chartered Bank Plc, London (k)	Edge Bank	Houston	10,265	16,389	2,854
Mitsui Bank Ltd., Tokyo (l)	Branch	Seattle	38,455	280,041	139,991
Offices Opened★			6/30/87	6/30/87	6/30/87
Bank Leumi le-Israel, Tel Aviv	Branch	Los Angeles	....	....	....
Commorzbank, Frankfurt, Germany	Branch	Los Angeles	92,722	128,235	0
Lloyds Bank Plc, London	Branch	Los Angeles	....	....	....
PT Bank Niaga, Jakarta, Indonesia	Agency	Los Angeles	13,955	34,566	30,682
Toronto Dominion Bank, Canada	Agency	Los Angeles	....	....	....
Banco Agricola Commercial de El Salvador, San Salvador	Agency	San Francisco	0	86	83
Fuji Bank Ltd., Tokyo	Agency	San Francisco	115,568	452,488	843
Royal Bank of Canada, Montreal	Agency	Coral Gables, FL	....	....	....
Atlantic Security Bank, Grand Cayman Islands	Agency	Miami	6,030	20,957	19,555
Banco Atlantico, Barcelona, Spain (f)	Agency	Miami	7,158	147,349	138,695
Banco de la Provincia de Buenos Aires, Argentina	Agency	Miami	....	....	....
Banco Portugues do Atlantico, Oporto, Portugal	Agency	Miami	0	13,519	6,478
Banco del Pichincha, Quito, Ecuador	Agency	Miami	0	16,259	2,699
Bank of Nova Scotia, Toronto	Agency	Atlanta	7,200	7,414	0
Industrial Bank of Japan Ltd., Tokyo	Branch	Chicago	268,865	1,144,160	581,691
Kyowa Bank Ltd., Tokyo	Branch	Chicago	116,153	257,507	105,259
Taiyo Kobe Bank Ltd., Kobe, Japan	Branch	Chicago	153,257	186,131	203
Algemene Bank Nederland, Amsterdam (m)	Commercial Bank	Lisle, Ill.	5,313	111,552	100,470
Algemene Bank Nederland, Amsterdam	Branch	Boston	41,964	50,730	2,686
National Westminster Bank Plc., London	Branch	Boston	0	0	0
Sanwa Bank Ltd., Osaka	Branch	Boston	60,458	61,705	0
Banco de Vizcaya, Bilbao, Spain (n)	Commercial Bank	Albuquerque, NM	20,348	69,858	62,849
Banco de Vizcaya, Bilbao, Spain (o)	Commercial Bank	Farmington, NM	3,276	15,166	13,801
Banco de Vizcaya, Bilbao, Spain (p)	Commercial Bank	Santa Fe, NM	31,914	214,513	188,634
Banco de Vizcaya, Bilbao, Spain (q)	Commercial Bank	Taos, NM	3,891	42,196	38,397
Bahrain Middle East Bank, Manama	Agency	New York	28,379	30,317	3,000
Banco Safra, Sao Paulo, Brazil (i)	Commercial Bank	New York	32,457	299,759	272,717
Banque Internationale pour L'Afrique Occidentale, Paris	Agency	New York	657	2,378	17
Banque Worms, Paris	Investment Co.	New York	0	5,490	0
Chiba Bank Ltd., Chiba, Japan (r)	Branch	New York	22,925	2,279,274	452,432
Christiana Bank og Kreditkasse, Oslo, Norway	Branch	New York	42,771	138,973	3,904
Dai-Ichi Kangyo Bank Ltd., Tokyo (s)	Commercial Bank	New York	....	....	....
Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	Branch	New York	1,000	136,441	79,051
Grupo Financiero Populare, Dominican Republic (t)	Commercial Bank	New York	4,558	22,405	16,779
Hachijuni Bank Ltd., Nagano, Japan (r)	Branch	New York	33,680	147,204	90,513
Ljubljanska Banka, Ljubljana, Yugoslavia (u)	Commercial Bank	New York	12,727	70,618	7,104
Long-Term Credit Bank of Japan Ltd., Tokyo (v)	Commercial Bank	New York	212,294	459,573	132,242
Mitsubishi Trust & Banking Corp., Tokyo (w)	Commercial Bank	New York	80,987	144,373	10,451
Mitsui Bank Ltd., Tokyo (x)	Commercial Bank	New York	....	....	....
PK Banken, Stockholm	Investment Co.	New York	303,573	355,816	425
Shoko Chukin Bank, Tokyo (r)	Branch	New York	45,488	663,443	591,498
Svenska Handelsbanken, Stockholm	Branch	New York	....	....	....
Tokai Bank Ltd., Nagoya, Japan (y)	Commercial Bank	New York	....	....	....
Barclays Plc, London (z)	Commercial Bank	Charlotte, N.C.	9,662	210,093	188,676
Banco Nacional de Mexico, Mexico City	Agency	Houston	....	....	....
Sumitomo Bank Ltd., Osaka, Japan	Agency	Houston	86,729	108,231	36
Swiss Bank Corp., Basle	Agency	Houston	236,161	293,269	0

(†)— Data for 6/30/87 were not available. Therefore, these offices are not included in any of today's other listings of foreign banks in the U.S. Data for 6/30/86 are reported to the right of the bank's name, and information regarding the bank is included in a footnote. American Banker contacted each of these banking offices listed, requesting midyear 1987 data. These offices did not respond to this request, and Federal Reserve Board data were not available. **(‡)**— Offices were closed between 6/30/86 and 6/30/87. Data for 6/30/86 are reported to the right of the bank's name, and information regarding the bank is included in a footnote. **(★)**— Offices were opened between 6/30/86 and 6/30/87. Data for 6/30/87 are reported to the right of the bank's name, and information regarding the bank is included in a footnote. Data for some of these new offices were not yet available, and therefore, these offices were not included in any of today's other listings. **(a)**— Subsidiary's name is Hill Samuel International Banking Corp. The subsidiary confirmed its current status but did not provide data for this survey. **(b)**— Subsidiary's name is IBJ Schroder Banking Corp. and was formerly called J. Henry Schroder Banking Corp. **(c)**— Subsidiary's name is Toronto Dominion Bank & Trust Co. Data were not available. **(d)**— Sold Lloyds Bank California to Sanwa Bank Ltd., Osaka. The bank was merged into Sanwa Bank California 9/86. **(e)**— On 11/11/86, the bank was acquired by Hongkong Bank of Canada, a wholly-owned subsidiary of Hongkong & Shanghai Banking Corp., Hong Kong. Hongkong & Shanghai already had a branch office in San Francisco, and this office was closed. **(f)**— Office was closed and the agency's assets and liabilities were shifted to its major stockholder's— Banco Atlantico— new Miami agency. **(g)**— Sold Long Island Trust Co. NA, Garden City, to Bank of New York Co., 9/86. **(h)**— Subsidiary's name was Baer American Banking Corp. Baer American was closed and its assets and liabilities were shifted to the New York branch of Bank Juliius Baer. **(i)**— Closed branch and shifted its assets and liabilities to Safra National Bank, New York, 1/87. **(j)**— In late 1986, the bank was acquired by Lloyds Bank Canada, a subsidiary of Lloyds Bank Plc, London. Lloyds Bank already had a branch office in New York and this office was closed. **(k)**— Converted to an agency office 7/86. **(l)**— Converted to a representative office 10/86. **(m)**— Subsidiary's name is LaSalle Bank of Lisle. **(n)**— Bank's name is Banquest National Bank. **(o)**— Bank's name is San Juan National Bank. **(p)**— Bank's name is Banquest First National Bank. **(q)**— Bank's name is Banquest First State Bank. **(r)**— Converted from a rep. office. **(s)**— Bank's name is Dai-Ichi Kangyo Trust Co. **(t)**— Bank's name is Dominican Bank. **(u)**— Bank's name is LBS Bank. **(v)**— Bank's name is LTCB Trust Co. **(w)**— Bank's name is Mitsubishi Trust & Banking Corp. (USA). **(x)**— Bank's name is Mitsui Finance Trust Co. **(y)**— Bank's name is Tokai Trust Co. **(z)**— Bank's name is Barclays Bank of North Carolina.

C&I Loans at Foreign Banks' U.S. Bank Subsidiaries

Listed Alphabetically, within City, with Loans, Assets, and Deposits on June 30, 1987, Compared with June 30, 1986 (Dollar Amounts in Thousands)

	Name and Location of Edge Subsidiary Name of Parent	C&I Loans Outstanding			Total Assets		Total Deposits		Deposit Rank
		Total 6/30/87	Domestic 6/30/87	Total 6/30/86	6/30/87	6/30/86	6/20/87	6/30/86	6/30/87
CALIFORNIA	**Grossmont Bank, La Mesa** Bancomer, Mexico City	65,532	65,532	56,264	252,488	235,993	224,504	210,768	...
	National Bank of Long Beach Aktivbanken, Vejle, Denmark	58,656	58,656	36,131	214,559	141,098	194,352	122,654	...
	California Commerce Bank, Los Angeles Banco Nacional de Mexico, Mexico City	48,762	43,612	47,661	217,045	199,926	197,781	183,837	...
	California Korea Bank, Los Angeles Korea Exchange Bank, Seoul	87,599	87,599	76,204	256,914	243,440	233,356	221,173	...
	Canadian Imperial Bank of Commerce (Calif.), Los Angeles Canadian Imperial Bank of Commerce, Toronto	111,937	111,937	93,238	543,300	503,395	231,364	232,074	...
	Dai-Ichi Kangyo Bank of California, Los Angeles Dai-Ichi Kangyo Bank Ltd., Tokyo	87,827	86,502	99,602	229,638	202,209	187,092	162,525	...
	First Los Angeles Bank Istituto Bancario San Paolo di Torino, Turin, Italy	189,435	189,435	211,227	710,634	610,498	641,810	541,716	398
	International Bank of California, Los Angeles Metropolitan Bank & Trust Co. Co., Manila, Philippines	20,138	20,138	10,248	66,180	49,024	58,385	42,219	...
	Kyowa Bank of California, Los Angeles Kyowa Bank Ltd., Tokyo	23,257	23,257	18,374	93,099	91,577	73,605	72,972	...
	Manilabank California, Los Angeles Manila Banking Corp., Philippines	9,670	9,670	4,122	27,212	26,650	21,541	21,144	...
	Mitsubishi Bank of California, Los Angeles Mitsubishi Bank Ltd., Tokyo	160,057	160,057	146,620	1,490,517	1,353,692	1,331,946	1,236,713	222
	Mitsui Manufacturers Bank, Los Angeles Mitsui Bank Ltd., Tokyo	641,701	641,701	726,394	1,817,647	1,867,934	1,654,976	1,683,832	179
	State Bank of India (California), Los Angeles State Bank of India, Bombay	6,379	6,379	3,978	16,020	11,407	12,255	8,599	...
	Tokai Bank of California, Los Angeles Tokai Bank Ltd., Nagoya, Japan	710,861	710,861	271,862	1,470,711	664,837	688,480	599,353	383
	Union Bank, Los Angeles (a) Standard Chartered Bank Plc, London	3,012,630	2,999,904	2,683,037	9,181,580	8,575,067	7,367,277	6,370,655	31
	Bank of California NA, San Francisco Mitsubishi Bank Ltd., Tokyo	1,273,596	1,043,256	833,264	4,549,222	4,117,701	3,197,385	2,549,107	98
	Bank of the West, San Francisco Banque Nationale de Paris	227,555	227,555	305,677	1,398,219	1,256,661	1,182,690	1,070,329	239
	Barclays Bank of California, San Francisco Barclays Plc, London	275,487	275,487	252,339	1,242,764	1,192,529	1,111,753	1,083,826	259
	California First Bank, San Francisco (a) Bank of Tokyo Ltd.	1,712,877	1,606,398	1,609,422	6,000,282	5,423,113	5,262,706	4,760,441	57
	Century Bank, San Francisco See Footnote (b)	11,034	11,034	11,695	67,253	66,817	52,297	50,613	...
	Harris Trust Co. of California, San Francisco Bank of Montreal	0	0	0	6,352	7,056	0	139	...
	Oceanic Bank, San Francisco Allied Banking Corp., Manila, Philippines	5,939	3,860	7,695	40,687	41,332	29,392	29,817	...
	Sanwa Bank California, San Francisco Sanwa Bank Ltd., Osaka, Japan	1,273,746	1,273,746	647,153	5,169,631	1,620,349	3,931,299	1,307,296	77
	Sumitomo Bank of California, San Francisco Sumitomo Bank Ltd., Osaka, Japan	689,493	681,473	740,038	3,413,457	3,129,596	3,143,236	2,813,624	99
	First State Bank of Southern California, Santa Fe Springs Hanil Bank Ltd., Seoul, Korea	22,500	22,500	18,928	102,457	89,482	90,050	78,806	...
DELAWARE	**First Omni Bank NA, Millsboro** Allied Irish Banks Plc, Dublin	6,063	6,063	58	450,942	405,681	382,721	221,378	...
	Barclays Bank of Delaware NA, Wilmington Barclays Plc, London	0	0	0	267,663	148,264	0	1,008	...
	Marine Midland Bank (Delaware), Wilmington Hongkong & Shanghai Banking Corp., Hong Kong	266,598	266,598	203,834	1,385,939	720,238	598,552	223,705	...
FLORIDA	**Eagle National Bank, Miami** Banco de Colombia, Bogota	46,550	44,836	39,102	180,920	167,431	157,007	150,857	...
	Miami National Bank Banco Zaragozano, Spain	5,570	5,570	15,132	51,536	52,978	47,412	48,442	...
	Pacific National Bank, Miami Banco del Pacifico, Guayaquil, Ecuador	10,842	9,269	8,301	100,678	91,063	86,995	77,335	...
ILLINOIS	**First National Bank & Trust Co., Barrington** Bank of Montreal	18,163	18,163	18,095	391,206	370,530	344,912	332,061	...
	Banco di Roma (Chicago) Banco di Roma	0	0	95,569	13,450	236,360	8,965	135,004	...
	Harris Trust & Savings Bank, Chicago Bank of Montreal	2,204,893	2,114,546	1,906,826	8,196,772	8,170,046	5,858,583	5,825,773	47
	LaSalle National Bank, Chicago Algemene Bank Nederland, Amsterdam, Netherlands	638,526	638,526	533,410	1,460,066	1,454,033	1,067,462	1,040,269	268
	Harris Bank Glencoe-Northbrook NA, Glencoe Bank of Montreal	20,973	20,973	24,105	165,765	144,945	153,265	133,373	...
	Harris Bank Hinsdale NA Bank of Montreal	81,480	81,480	35,165	239,468	204,335	217,356	180,530	...
	La Salle Bank of Lisle★ Algemene Bank Nederland, Amsterdam, Netherlands	5,313	5,313	....	111,552	....	100,470	....	...
	Harris Bank Naperville Bank of Montreal	68,353	68,353	52,809	318,960	273,111	290,540	249,639	...
	Harris Bank Roselle Bank of Montreal	37,029	37,029	29,129	238,869	214,640	220,288	199,498	...
	Harris Bank Argo, Summit Bank of Montreal	7,441	7,441	5,823	81,104	75,951	74,727	68,369	...
	Harris Bank Wilmette NA Bank of Montreal	2,471	2,471	4,117	31,494	26,549	29,061	24,196	...
	Harris Bank Winnetka NA Bank of Montreal	50,852	50,852	34,046	171,498	158,028	153,353	138,379	...
MARYLAND	**First National Bank of Maryland, Baltimore** Allied Irish Banks Plc, Dublin	1,113,277	974,542	988,627	4,714,611	4,331,287	3,747,401	3,244,541	82

Footnotes to this table appear on page 8A.

C&I Loans at Foreign Banks' U.S. Bank Subsidiaries

Listed Alphabetically, within City, with Loans, Assets, and Deposits on June 30, 1987, Compared with June 30, 1986 (Dollar Amounts in Thousands)

	Name and Location of Edge Subsidiary Name of Parent	C&I Loans Outstanding			Total Assets		Total Deposits		Deposit Rank
		Total 6/30/87	Domestic 6/30/87	Total 6/30/86	6/30/87	6/30/86	6/30/87	6/30/86	6/30/87
NEW MEXICO	**Banquest National Bank, Albuquerque★** Banco de Vizcaya, Bilbao, Spain	20,348	20,348	....	69,858	....	62,849	....	...
	San Juan National Bank, Farmington★ Banco de Vizcaya, Bilbao, Spain	3,276	3,276	....	15,166	....	13,801	....	...
	Banquest First National Bank, Santa Fe★ Banco de Vizcaya, Bilbao, Spain	31,914	31,914	....	214,513	....	188,634	....	...
	Banquest First State Bank, Taos★ Banco de Vizcaya, Bilbao, Spain	3,891	3,891	....	42,196	....	38,397	....	...
NEW YORK	**Marine Midland Bank NA, Buffalo** Hongkong & Shanghai Banking Corp., Hong Kong	6,200,915	5,135,368	6,042,899	21,501,125	20,539,046	17,198,898	15,482,660	13
	Atlantic Bank of New York National Bank of Greece, Athens	180,860	172,514	155,064	903,978	714,104	713,927	558,641	371
	Banco Central of New York Banco Central, Madrid, Spain	31,287	25,551	14,978	508,294	399,706	470,811	360,617	...
	Banco de Bogota Trust Co., New York Banco de Bogota, Colombia	54,177	14,014	33,513	181,386	178,167	149,092	144,072	...
	Bank Audi USA, New York Audi Group (c)	51,718	51,718	22,686	276,060	222,185	222,734	168,773	...
	Bank Leumi Trust Co., New York Bank Leumi le-Israel, Tel-Aviv	1,254,172	1,159,303	1,103,648	2,656,061	2,733,185	2,419,886	2,508,171	129
	Bank of Montreal Trust Co., New York Bank of Montreal	0	0	0	47,542	46,355	36,130	39,615	...
	Bank of Nova Scotia Trust Co., New York Bank of Nova Scotia, Toronto	0	0	0	6,688	5,637	4,518	3,350	...
	Bank of Tokyo Trust Co., New York Bank of Tokyo Ltd.	2,174,975	1,885,316	1,882,900	6,026,065	5,777,418	4,978,180	4,796,958	59
	Barclays Bank of New York NA Barclays Plc, London	470,748	470,748	474,418	2,459,270	2,126,506	2,003,623	1,789,417	158
	Canadian Imperial Bank of Commerce (New York) Canadian Imperial Bank of Commerce, Toronto	590,443	590,443	387,083	765,596	475,165	23,378	59,529	...
	Chinese American Bank, New York International Commercial Bank of China, Taipei, Taiwan	11,643	11,643	10,056	489,351	462,424	451,224	428,529	...
	Daiwa Bank Trust Co., New York Daiwa Bank Ltd., Osaka, Japan	294,912	271,726	169,846	1,456,327	1,114,694	1,115,866	947,435	257
	Dominican Bank, New York★ Grupo Financiero Populare, Dominican Republic (d)	4,558	4,558	....	22,405	....	16,779	....	...
	European American Bank, New York European-American Group (e)	1,578,539	1,234,089	1,949,090	6,536,246	6,151,148	4,639,888	4,628,973	61
	Fuji Bank & Trust Co., New York Fuji Bank Ltd., Tokyo	792,244	745,264	669,028	4,552,203	3,347,326	3,339,467	2,949,660	92
	Habib American Bank, New York Habib Bank, Zurich, Switzerland	7,842	7,842	4,872	51,197	44,187	40,044	35,794	...
	IBJ Schroder Bank & Trust Co., New York Industrial Bank of Japan Ltd., Tokyo	640,802	512,264	503,220	3,146,488	2,010,634	1,457,068	1,647,808	204
	Industrial Bank of Japan Trust Co., New York Industrial Bank of Japan Ltd., Tokyo	1,006,492	902,664	739,996	3,995,719	3,158,752	3,121,480	2,491,288	100
	Israel Discount Bank of New York Israel Discount Bank, Tel-Aviv	688,116	540,657	546,886	3,820,742	3,727,940	3,489,160	3,433,004	87
	Korea Commercial Bank of New York Commercial Bank of Korea Ltd., Seoul	14,064	14,064	10,670	70,528	48,633	48,432	39,019	...
	Korea First Bank of New York Korea First Bank, Seoul	11,733	11,733	5,890	55,405	38,359	43,597	27,371	...
	LBS Bank, New York★ Ljubljanska Banka, Ljubljana, Yugoslavia	12,727	12,727	....	70,618	....	7,104	....	...
	LTCB Trust Co., New York★ Long-Term Credit Bank of Japan Ltd., Tokyo	212,294	212,294	....	459,573	....	132,242	....	...
	Mitsubishi Trust & Banking Corp. (USA), New York★ Mitsubishi Trust & Banking Corp., Tokyo	80,987	74,987	....	144,373	....	10,451	....	...
	National Westminster Bank USA, New York National Westminster Bank Plc, London	4,884,199	4,659,255	3,779,422	11,263,553	10,428,803	9,146,547	8,145,954	24
	Royal Bank & Trust Co., New York Royal Bank of Canada, Montreal	100,061	100,061	130,703	396,660	450,880	335,220	386,857	...
	Safra National Bank, New York★ (f) Banco Safra, Sao Paulo, Brazil	32,457	32,457	77,173	299,759	300,851	272,717	261,127	...
	UBAF Arab American Bank, New York See footnote (g) below.	264,334	153,872	189,103	1,105,293	1,129,390	783,060	870,981	344
	UMB Bank & Trust Co., New York United Mizrahi Bank Ltd., Tel-Aviv, Israel	92,137	72,564	123,697	638,842	628,517	391,516	447,322	...
	Union Chelsea National Bank, New York Banco Union, Caracas, Venezuela	93,936	88,569	72,066	284,597	270,196	257,873	246,332	...
	Extebank, Stony Brook Banco Exterior de Espana, Madrid, Spain	260,259	253,406	199,003	571,131	502,223	464,511	443,445	...
NORTH CAROLINA	**Barclays Bank of North Carolina, Charlotte★** Barclays Plc, London	9,662	9,662	....	210,093	....	188,676	....	...
PUERTO RICO	**Banco Central Corp., Hato Rey** Banco Central, Madrid, Spain	274,476	274,476	184,000	1,206,905	1,243,727	927,845	975,115	303
	Banco Santander-Puerto Rico, Hato Rey Banco de Santander, Spain	239,295	239,295	148,638	1,336,477	1,262,679	1,203,545	1,018,923	233
	Banco Commercial de Mayaguez, San Juan Banco Occidental de Madrid, Spain	37,669	37,669	43,112	381,163	381,096	316,001	310,249	...
	Royal Bank de Puerto Rico, Santurce Royal Bank of Canada, Montreal	20,729	20,729	19,896	431,323	416,664	383,541	354,012	...
	Scotiabank de Puerto Rico, San Juan Bank of Nova Scotia, Toronto, Canada	52,222	52,222	64,627	388,839	425,108	329,225	356,419	...

Sources of Data: American Banker questionnaire and data from the Federal regulatory Consolidated Report of Condition provided to American Banker by ADP Data Services Division, New York. Data are for U.S.-chartered commercial banks 50% or more owned by foreign banks. Banks owned by foreign individuals are excluded. Total C&I Loans outstanding are commercial and industrial loans reported on a consolidated basis to include a bank's domestic and foreign branches and its Edge bank subsidiaries. Domestic C&I Loans are commercial and industrial loans booked in a bank's domestic offices only. **Deposit rank:** bank's rank among all U.S. banks on 6/30/87. **(a)**— On 2/16/88 California First Bank signed a letter of intent with Standard Chartered Bank Plc to acquire Union Bank, Los Angeles, for $750 million. The transaction will require the signing of a definitive agreement and approval by shareholders and regulators. **(b)**— Bank is owned by (1) Philippine National Bank; (2) Land Bank of the Philippines; (3) Development Bank of the Philippines; (4) Philippine Government Services Insurance System; and (5) Philippine Social Security System. **(c)**— Owned by three banks of the Audi Group: (1) Banque Audi, Bierut; (2) Bank Audi (Switzerland), Zurich; and (3) Banque Audi (France), Paris. **(d)**— A financial services holding company which owns Banco Popular Dominico, Santo Domingo. **(e)**— Owned by six European banks: (1) Amsterdam-Rotterdam Bank; (2) Creditanstalt-Bankverein, Vienna; (3) Deutsche Bank, Frankfurt; (4) Midland Bank Plc., London; (5) Societe Generale de Banque, Brussels; and (6) Societe Generale, Paris. **(f)**— Bank was established on 1/1/87, and parent closed its New York branch. Data for 6/30/86 were for Banco Safra, New York branch. **(g)**— The bank, which is part of the Al UBAF Banking Group, Neuilly, France, has 20 shareholders. They are: (1) Alahli Bank of Kuwait; (2) Arab African International Bank, Cairo; (3) Arab Bank Ltd., Aman, Jordan; (4) Bankers Trust New York Corp.; (5) Banque du Maroc, Rabat, Morocco; (6) Central Bank of Egypt, Cairo; (7) Commercial Bank of Syria, Damascus; (8) First Chicago Corp.; (9) Government of the Sultanate of Oman, Directorate General of Finance, Muscat; (10) Libyan Arab Foreign Bank, Tripoli; (11) National Bank of Abu Dhabi, United Arab Emirates; (12) Riyad Bank, Jeddah, Saudi Arabia; (13) Security Pacific Corp., Los Angeles; (14) Sudan Commercial Bank, Khartoum; (15) Texas Commerce Bancshares Inc., Houston; (16) U.B.A.E. Arab German Bank SA, Luxembourg/Frankfurt; (17) U.B.A.E. Arab Italian Bank SpA, Rome; (18) UBAF Bank Ltd., London; (19) UBAN International Ltd., Hong Kong; and (20) UBIC Nederland B.V., The Hague. **(★)**— Bank is new to the survey.

FOREIGN BANKS IN THE U.S.

Profitability of Foreign Banks' U.S. Bank Subsidiaries

Banks ranked in order of the return on average assets for the first half of 1987 (dollar amounts in thousands)

		ROA 1987	Net Income 1987	ROA 1986	Net Income 1986
1	First Omni Bank NA, Millsboro, Del.	2.45	$5,835	1.59	$6,219
2	Marine Midland Bank (Delaware), Wilmington	2.39	16,067	1.34	11,702
3	Harris Trust Co. of California, San Francisco	2.20	72	1.54	108
4	Harris Bank Winnetka NA, Ill.	2.00	1,740	1.85	3,003
5	La Salle Bank of Lisle, Ill.	1.95	1,126	2.15	2,185
6	State Bank of India (California), Los Angeles	1.92	151	0.73	87
7	Harris Bank Hinsdale NA, Ill.	1.84	2,210	1.85	3,881
8	Canadian Imperial Bank of Commerce (N.Y.)	1.80	6,660	1.37	7,920
9	LTCB Trust Co., New York★	1.66	2,348	....	....
10	Harris Bank Argo, Summit, Ill.	1.58	636	1.75	1,328
11	Korea First Bank of New York	1.47	381	0.62	249
12	Atlantic Bank of New York	1.46	6,543	1.89	13,997
13	Harris Bank Glencoe-Northbrook NA, Glencoe	1.43	1,217	1.42	2,253
14	Mitsubishi Trust & Banking Corp. (USA), N.Y.★	1.42	1,032	....	....
15	Harris Bank Naperville, Ill.	1.22	1,865	1.35	3,676
16	Grossmont Bank, La Mesa, Calif.	1.17	1,530	1.13	2,770
17	National Bank of Long Beach, Calif.	1.11	1,188	0.75	1,277
18	First National Bank & Trust Co., Barrington, Ill.	1.10	2,204	1.08	4,090
19	Habib American Bank, New York	1.10	283	0.55	252
20	Harris Bank Roselle, Ill.	1.08	1,262	1.19	2,560
21	Royal Bank & Trust Co., New York	1.07	2,256	1.50	6,873
22	Harris Bank Wilmette NA, Ill.	1.03	162	1.31	363
23	Korea Commercial Bank of New York	1.01	343	-2.26	-1,138
24	Mitsubishi Bank of California, Los Angeles	0.99	7,036	0.84	11,015
25	Banquest First National Bank, Santa Fe, N.M.★	0.96	1,060	0.92	2,108
26	Extebank, Stony Brook, N.Y.	0.94	2,287	0.98	4,317
27	Canadian Imperial Bank of Comm. (CA), Los Ang.	0.93	2,344	2.25	15,092
28	Scotiabank de Puerto Rico, San Juan	0.85	1,693	0.57	2,524
29	Bank Audi, New York	0.84	1,116	0.53	1,221
30	Century Bank, San Francisco	0.84	301	-0.58	-425
31	Kyowa Bank of California, Los Angeles	0.82	404	0.89	852
32	La Salle National Bank, Chicago	0.79	6,074	0.74	11,270
33	Banco de Santander-Puerto Rico, San Juan	0.75	4,896	1.44	17,695
34	Banco Comercial de Mayaguez, Puerto Rico	0.75	1,405	1.04	3,868
35	Eagle National Bank, Miami	0.69	603	0.60	997
36	Oceanic Bank, San Francisco	0.69	136	-0.27	-107
37	Chinese American Bank, New York	0.68	1,626	0.80	3,261
38	California Korea Bank, Los Angeles	0.68	898	0.53	1,311
39	Barclays Bank of New York NA	0.66	8,094	0.76	16,685
40	Harris Trust & Savings Bank, Chicago	0.62	26,021	0.63	50,913
41	Bank of the West, San Francisco	0.61	4,106	0.52	6,700
42	California First Bank, San Francisco	0.60	18,058	0.55	30,733
43	Sumitomo Bank of California, San Francisco	0.57	9,500	0.47	14,814
44	Royal Bank de Puerto Rico, Santurce	0.57	1,231	0.95	4,095
45	Dai-Ichi Kangyo Bank of California, Los Angeles	0.55	639	0.30	739
46	UMB Bank & Trust Co., New York	0.53	1,651	0.93	5,752
47	First National Bank of Maryland, Baltimore	0.51	12,222	0.54	24,235
48	San Juan National Bank, Farmington, N.M.★	0.50	36	1.24	116
49	Bank of Tokyo Trust Co., New York	0.48	13,829	0.53	30,356
50	First Los Angeles Bank	0.46	1,608	0.54	3,402
51	Industrial Bank of Japan Trust Co., New York	0.46	8,609	0.34	10,720
52	Fuji Bank & Trust Co., New York	0.43	8,165	0.54	16,740
53	Israel Discount Bank of New York	0.39	7,407	0.32	12,210
54	Sanwa Bank California, San Francisco	0.38	9,555	0.24	11,355
55	Barclays Bank of California, San Francisco	0.35	2,010	0.45	5,502
56	Manilabank California, Los Angeles	0.33	45	0.11	30
57	Banco Central of New York	0.29	737	0.59	2,580
58	Daiwa Bank Trust Co., New York	0.29	2,019	0.41	5,014
59	International Bank of California, Los Angeles	0.26	79	0.27	153
60	Union Chelsea National Bank, New York	0.25	366	0.16	424
61	Tokai Bank of California, Los Angeles	0.23	1,380	0.48	2,871
62	Mitsui Manufacturers Bank, Los Angeles	0.21	1,678	-1.33	-25,216
63	Bank Leumi Trust Co. of New York	0.17	2,319	0.23	6,376
64	California Commerce Bank, Los Angeles	0.15	158	0.12	235
65	Pacific National Bank, Miami	0.10	47	N.A.	790
66	First State Bank of So. Calif., Santa Fe Springs	0.08	41	0.78	726
67	LBS Bank, New York★	0.04	12	....	.....
68	Banco Di Roma (Chicago)	0.01	1	-0.34	-630
69	Banquest National Bank, Albuquerque, N.M.★	-0.09	-31	0.00	1
70	Banco de Bogota Trust Co., New York	-0.17	-151	0.09	168
71	Barclays Bank of North Carolina, Charlotte	-0.66	-715	N.A.	-779
72	Banquest First State Bank, Taos, N.M.★	-0.68	-151	0.24	113
73	Banco Central Corp., Hato Rey	-0.73	-4,692	0.89	11,735
74	Dominican Bank, New York★	-0.76	-80	N.A.	-878
75	Bank of California NA, San Francisco	-0.77	-16,564	0.45	13,758
76	Barclays Bank of Delaware NA, Wilmington	-1.01	-1,392	-7.64	-11,494
77	Miami National Bank	-1.20	-309	-2.03	-1,113
78	Marine Midland Bank NA, Buffalo, N.Y.	-2.89	-318,699	0.51	109,426
79	UBAF Arab American Bank, New York	-3.21	-18,867	0.38	4,609
80	National Westminster Bank USA, New York	-3.30	-185,608	0.64	67,673
81	IBJ Schroder Bank & Trust Co., New York	-3.73	-71,425	0.08	2,241
82	Safra National Bank, New York★	-9.65	-9,606	....	....

Source of Data: ADP Data Services Division, New York. Data are from the Federal regulatory Report of Income for June 30, 1987, and December 31, 1986. ADP calculates the **return on average assets** for the first half of 1987 by annualizing net income for the first half of 1987 and dividing that figure by average assets over the period. Report of Income data were not available for seven banks. **(★)**— Indicates that the bank is new to the survey. **Note:** Caution is advised in interpreting the profitability of foreign banks' U.S. operations. A foreign bank's global revenue maximization strategy may find it more profitable not to show sizable profits in its U.S. bank subsidiary.

FOREIGN BANKS IN THE U.S.

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1987, Compared with June 30, 1986 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
CALIFORNIA	Beverly Hills	1	Bank Leumi le-Israel (H,x)	89,139	72,873	253,496	227,446	223,734	198,469
	Los Angeles	1	Bangkok Bank Ltd. (H,x)	8,526	10,468	55,780	62,721	6,350	7,629
		2	Bank Hapoalim (H,x)	61,098	63,621	139,448	163,200	111,425	96,415
		3	Banque Indosuez	93,635	61,578	100,543	67,244	979	828
		4	Commerzbank★	92,722	....	128,235	....	0	....
		5	Credit Suisse (H)	116,582	106,243	157,332	157,562	20,033	21,469
		6	Deutsche Genossenschaft Bank (H,c,x)	56,172	38,806	335,981	176,521	23	16,276
		7	Hongkong & Shanghai Banking Corp.	66,748	58,732	120,862	88,237	49,352	42,408
		8	International Commercial Bank of China	30,630	15,581	87,784	106,489	52,911	53,945
		9	Istituto Bancario San Paolo di Torino (H,x)	86,295	72,416	260,273	200,661	109,502	166,513
		10	Ka Wah Bank Ltd.	922	454	6,972	5,342	3,607	2,380
		11	Philippine National Bank (H,x)	6,000	6,000	34,459	39,257	730	544
		12	Saitama Bank Ltd. (H,x)	399,104	241,901	1,031,937	865,202	640,339	475,348
		13	Shizuoka Bank Ltd. (H,x)	105,744	33,539	1,144,250	637,296	1,003,061	565,068
		14	Siam Commercial Bank Ltd. (H,x)	26,254	40,891	42,489	56,170	4,042	6,549
		15	Societe Generale	17,975	15,163	31,583	38,906	495	281
		16	Union Bank of Switzerland (H,c,x)	87,917	135,982	271,654	285,409	14,660	8,490
		17	United Mizrahi Bank Ltd. (H,x)	62,567	69,868	96,635	95,041	74,547	70,225
		18	Westpac Banking Corp.	35,203	25,967	46,439	35,941	367	185
		19	Wing Lung Bank Ltd. (H)	6,351	4,315	25,944	22,736	19,344	16,148
	San Francisco	1	Bank Hapoalim (H)	35,258	6,456	36,706	12,974	9,467	12,857
		2	Dah Sing Bank Ltd.	2,022	3,408	12,642	20,347	3,310	4,549
		3	Hongkong & Shanghai Banking Corp (x)	59,943	61,050	270,329	260,696	177,429	216,923
		4	Lloyds Bank International (H)	97,501	104,493	201,483	165,338	443	2,774
		5	Metropolitan Bank & Trust Co. (H)	504	1,468	1,594	6,950	0	461
		6	Nanyang Commercial Bank Ltd.	10,798	4,808	26,519	17,270	13,535	5,159
		7	Overseas Trust Bank Ltd. (H)	6,458	10,741	15,258	20,522	12,156	15,691
		8	Sumitomo Bank Ltd. (H,c,x)	727,766	364,256	1,869,193	1,379,910	213,444	273,400
		9	Swiss Bank Corp. (H)	87,814	125,638	477,997	417,045	119,405	173,507
		10	Westpac Banking Corp.	10,831	41,017	107,529	140,210	172	328
DISTRICT OF COLUMBIA		1	Abu Dhabi International Bank Inc. (H,x)	35,416	7,170	552,674	168,345	451,658	95,724
		2	Banco Real (x)	79	6,735	2,229	14,111	355	591
		3	National Bank of Pakistan (x)	26	0	75,038	141,285	16,633	15,265
GUAM	Agana	1	Allied Banking Corp.	5,806	8,530	8,749	11,404	318	2,672
		2	First Commercial Bank	15,126	12,623	16,956	14,554	9,639	8,284
		3	Hongkong & Shanghai Banking Corp. (c)	21,888	17,822	37,351	33,499	35,648	32,669
		4	Metropolitan Bank & Trust Co.	2,128	2,118	6,855	5,240	3,081	1,660

Footnotes to this table appear on page 12A.

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1987, Compared with June 30, 1986 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
ILLINOIS	**Chicago**	1	**Algemene Bank Nederland (H)**	81,889	40,089	133,120	93,214	5,109	7,389
		2	**Allied Irish Bank Plc**	0	0	888	1,301	25	61
		3	**Australia & New Zealand Bkg Group Ltd.**	469,992	209,928	517,549	272,470	32	10
		4	**Banca Commerciale Italiana (x)**	146,798	122,232	940,619	1,180,020	146,166	154,944
		5	**Banca Nazionale del Lavoro (x)**	190,883	171,784	451,032	462,407	12,352	1,272
		6	**Banco de la Nacion Argentina (x)**	69,309	13,789	186,481	201,868	1,209	1,092
		7	**Banco di Roma (x)**	378,191	699,683	3,071,287	1,651,233	134,647	100,000
		8	**Bank Hapoalim (x)**	67,946	64,074	91,286	77,571	48,596	36,061
		9	**Bank Leumi le-Israel**	54,470	39,725	128,521	110,074	108,626	90,258
		10	**Bank of Montreal (H)**	779,613	548,004	2,311,516	819,941	870,489	540,156
		11	**Banque Indozuez**	186,202	71,651	196,490	113,474	10,398	12,593
		12	**Banque Nationale de Paris (x)**	268,430	247,584	571,889	584,570	114,243	137,304
		13	**Banque Paribas**	261,390	101,679	295,008	139,199	25	364
		14	**Barclays Bank International**	344	106,614	6,147	132,094	0	1,788
		15	**Bayerische Vereinsbank**	37,066	10,550	87,481	83,629	75,616	75,593
		16	**Canadian Imperial Bank of Commerce**	200,195	27,016	203,325	31,453	25	27
		17	**Commercial Bank of Korea Ltd.**	13,250	14,275	49,597	39,650	2,997	2,499
		18	**Commerzbank (x)**	165,676	145,411	443,380	287,026	348,060	169,062
		19	**Commonwealth Bank of Australia**	0	5,000	3,821	9,003	0	0
		20	**Credit Agricole Mutuel (H,x)**	73,167	23,132	388,502	403,208	178,009	255,224
		21	**Credit Lyonnais**	321,702	265,772	381,137	359,374	2,948	11,508
		22	**Dai-Ichi Kangyo Bank, Ltd. (x)**	632,003	155,853	2,245,775	1,546,113	1,052,384	996,522
		23	**Dresdner Bank**	41,877	71,004	77,854	106,752	7,075	12,072
		24	**Fuji Bank Ltd. (x)**	767,791	541,520	2,232,234	1,204,471	474,194	417,980
		25	**Hongkong & Shanghai Banking Corp.**	26,299	37,036	66,504	54,462	25,201	19,397
		26	**Industrial Bank of Japan Ltd.★**	268,865	....	1,144,160	....	581,691	....
		27	**International Commercial Bank of China (x)**	2,382	1,820	34,551	56,637	21,548	19,012
		28	**Korea Exchange Bank (x)**	17,753	16,525	85,336	69,267	30,265	31,836
		29	**Korea First Bank**	21,327	37,319	47,634	49,798	10,132	8,686
		30	**Kyowa Bank Ltd.★**	116,153	....	257,507	....	105,259	....
		31	**Lloyds Bank Plc (x)**	389,306	252,051	472,206	365,422	60,675	12,053
		32	**Mitsubishi Bank Ltd. (x)**	673,692	340,719	2,202,130	1,317,523	57,000	47,728
		33	**Mitsui Bank Ltd. (x)**	234,563	65,779	391,178	228,947	1,958	744
		34	**National Australia Bank**	54,571	24,175	79,657	65,231	187	42
		35	**National Bank of Canada (x)**	162,158	53,371	189,788	139,414	11	24
		36	**National Bank of Greece**	10,229	9,865	60,176	62,605	51,284	52,301
		37	**National Bank of Pakistan**	153	332	2,876	3,466	2,626	3,323
		38	**National Westminster Bank, Plc**	362,218	312,920	405,076	350,073	921	573
		39	**Sanwa Bank Ltd. (x)**	593,693	222,305	1,647,112	1,245,759	18,717	16,884
		40	**Societe Generale**	100,806	92,871	105,199	94,759	335	190
		41	**Standard Chartered Bank Plc**	72,740	76,411	112,701	104,797	30,366	27,244
		42	**State Bank of India**	24,526	14,303	34,681	22,989	17,444	18,784
		43	**Sumitomo Bank Ltd. (x)**	685,985	366,839	1,620,798	1,007,935	511,266	495,696
		44	**Swiss Bank Corp.**	742,285	444,456	808,482	480,566	13,909	13,496
		45	**Taiyo Kobe Bank Ltd.★**	153,257	....	186,131	....	203	....
		46	**Tokai Bank Ltd. (x)**	334,386	230,010	1,171,441	607,825	522,804	205,057
		47	**Toronto Dominion Bank**	440,512	500,024	475,120	541,112	4,159	9,005
		48	**Union Bank of Switzerland**	142,344	149,822	625,035	316,626	70	142
		49	**Westpac Banking Corp.**	1,490	N.A.	12,040	N.A.	138	N.A.
MASSACHUSETTS	**Boston**	1	**Algemene Bank Nederland★**	41,964	....	50,730	....	2,686	....
		2	**Bank Hapoalim (x)**	70,646	84,285	124,091	114,039	58,057	46,109
		3	**Bank of Nova Scotia**	107,658	59,692	263,334	137,656	53,139	65,020
		4	**Barclays Bank Plc**	9,914	84,397	11,157	89,596	5,109	5,487
		5	**Lloyds Bank International Plc**	0	0	0	0	0	0
		6	**National Bank of Greece (H)**	13,284	14,852	57,716	58,464	47,803	47,988
		7	**National Westminster Bank Plc.★**	0	....	0	....	0	....
		8	**Sanwa Bank Ltd.★**	60,458	....	61,705	....	0	....
NEW YORK	**New York**	1	**Algemene Bank Nederland (x)**	194,717	384,197	2,020,119	1,572,382	1,306,989	870,827
		2	**Allied Irish Bank Ltd.**	16,135	8,416	150,063	134,783	71,781	65,889
		3	**Amsterdam Rotterdam Bank (H,x)**	204,132	118,398	1,680,022	993,971	866,050	412,175
		4	**Arab African International Bank (H,x)**	287	1,859	181,604	225,088	36,222	19,182
		5	**Arab Bank Ltd. (H,x)**	32,094	10,320	325,769	332,229	74,231	71,729
		6	**Arab Banking Corp. (H,x)**	61,599	80,750	361,969	458,309	184,066	223,929
		7	**Australia & New Zealand Banking Corp. (H,x)**	29,682	33,356	282,263	311,712	193,229	226,818
		8	**Banca Commerciale Italiana (H,x)**	478,051	368,298	2,213,407	2,218,451	342,411	371,846
		9	**Banca Nazionale del Lavoro (H,x)**	630,071	732,522	6,055,405	3,168,034	3,316,508	1,443,176
		10	**Banca Nazionale dell'Agricoltura (H,x)**	197,101	193,918	1,317,626	1,107,367	771,084	798,098
		11	**Banca Popolare di Milano**	401,828	333,653	1,099,962	699,615	602,148	329,305
		12	**Banca della Svizzera Italiana (H,x)**	221,395	109,061	794,962	457,654	126,155	52,629
		13	**Banco Bamerindus do Brasil (H,x)**	11,674	7,818	59,069	92,876	6,418	4,691
		14	**Banco Bandeirantes (H)**	0	0	3,141	10,517	0	0
		15	**Banco Brasileiro de Descontos (H,x)**	2,986	3,028	99,828	72,291	29,004	41,538
		16	**Banco Central (H,x)**	83,449	95,218	533,654	561,886	69,124	37,862
		17	**Banco Consolidado (H,x)**	8,554	14,438	137,586	85,237	132,599	84,365
		18	**Banco Economico (H,x)**	530	250	62,636	28,767	1,608	2,055
		19	**Banco Espanol de Credito (x)**	99,656	83,683	110,308	94,353	84,728	84,297
		20	**Banco Hispano-Americano (H,x)**	14,352	10,861	296,103	224,336	5,930	6,029
		21	**Banco Itau (H,x)**	7,796	32,369	77,076	93,324	916	779
		22	**Banco Mercantil de Sao Paulo (H,m,x)**	41,409	3,958	104,152	123,266	35,896	25,945
		23	**Banco Nacional de Panama (H,m,x)**	0	0	4,658	3,280	1,199	1,840
		24	**Banco Nacional (H,g,m,x)**	20,245	52,603	87,815	125,935	41,166	47,313
		25	**Banco Portugues do Atlantico (H,m,x)**	54,872	56,309	146,598	125,504	6,213	3,796
		26	**Banco Real (H,x)**	101,598	200,834	298,357	431,422	48,882	66,395
		27	**Banco Rio de la Plata (m,x)**	19,407	44,757	153,480	236,675	91,920	156,447
		28	**Banco Union (H,m)**	6,431	828	42,803	21,285	4,157	8,747
		29	**Banco de Bilbao (H,x)**	45,327	38,827	308,583	394,312	149,967	243,532
		30	**Banco de Bogota (H,m,x)**	21,814	29,821	108,190	127,612	23,752	52,082
		31	**Banco de Chile (H,x)**	3,979	9,119	50,746	62,621	38,204	41,834
		32	**Banco de Credito Nacional (H,x)**	82,517	63,031	125,496	110,100	2,097	19,690
		33	**Banco de Credito del Peru (x)**	13,280	9,130	21,765	31,235	10,482	18,647
		34	**Banco de Santander (I,x)**	16,242	20,568	426,203	327,105	360,209	282,153
		35	**Banco de Viscaya (x)**	9,914	26,462	87,674	87,627	81,017	56,517
		36	**Banco de la Nacion Argentina (H,x)**	229,956	248,142	651,575	616,085	106,857	92,668
		37	**Banco de la Republica Oriental del Uruguay (H,x)**	12,752	N.A.	181,417	N.A.	38,844	N.A.
		38	**Banco di Napoli (H,x)**	2,658,969	1,626,867	5,766,568	3,304,797	3,676,578	2,350,303
		39	**Banco di Roma (H,x)**	476,700	902,411	4,510,530	2,898,476	3,494,368	2,384,593
		40	**Banco di Sicilia (H,x)**	158,784	165,738	773,929	671,820	16,569	15,591

Footnotes to this table appear on page 12A.

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1987, Compared with June 30, 1986 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
NEW YORK (Cont.)	**New York**	41	**Banco do Brasil (x)**	64,519	49,546	748,960	343,989	218,261	203,025
		42	**Banco do Estado de Sao Paulo (H,g,m,x)**	126,275	110,957	226,797	181,220	9,518	13,781
		43	**Banco do Estado do Parana**	2,722	0	19,032	8,230	10,556	4,403
		44	**Banco do Estado do Rio Grande do Sul (H)**	0	0	19,032	12,762	0	0
		45	**Banco do Estado do Rio de Janiero (H,x)**	0	0	17,476	23,036	10,251	10,373
		46	**Bangkok Bank Ltd. (x)**	59,579	34,997	122,810	171,287	8,955	11,916
		47	**Bank Bumi Daya (H,m)**	46,437	42,200	471,419	576,864	318,216	287,695
		48	**Bank Bumiputra Malaysia Berhad (H,x)**	30,570	40,669	123,206	133,785	9,344	13,134
		49	**Bank Ekspor Impor Indonesia (H,g,m,x)**	32,694	22,704	426,328	237,911	288,417	161,747
		50	**Bank Hapoalim (h)**	331,119	377,088	1,237,395	1,233,777	935,399	907,387
		51	**Bank Julius Baer & Co. Ltd. (H,x)**	32,747	16,417	268,717	181,747	129,886	117,785
		52	**Bank Leu Ltd. (H,x)**	34,008	34,960	505,990	523,962	175,330	128,595
		53	**Bank Negara Indonesia 1946 (H,m,x)**	171,364	118,118	644,030	962,180	199,930	243,799
		54	**Bank fuer Gemeinwirtschaft (H,x)**	9,549	16,972	236,002	308,645	157,065	99,512
		55	**Bank of Baroda (H)**	18,819	18,047	61,480	28,294	6,321	6,222
		56	**Bank of China (f,H)**	59,740	48,652	380,087	466,868	119,390	85,950
		57	**Bank of East Asia (H,x)**	11,247	7,671	93,952	85,682	17,097	20,934
		58	**Bank of India (H)**	77,861	59,003	90,064	68,901	28,199	15,173
		59	**Bank of Ireland (H,a,x)**	22,144	12,166	216,811	165,737	136,852	80,672
		60	**Bank of Montreal (x)**	1,009,077	1,918,251	4,546,720	5,990,181	1,726,683	2,544,912
		61	**Bank of New Zealand (H,x)**	264,356	143,617	772,306	525,408	670,951	408,282
		62	**Bank of Nova Scotia (H,m,x)**	1,056,242	475,319	2,904,607	2,387,656	2,014,559	1,765,251
		63	**Bank of Scotland (H)**	193,146	135,569	246,779	186,157	2,983	1,992
		64	**Bank of Seoul (H,m,x)**	62,925	84,546	188,389	144,494	2,815	1,198
		65	**Bank of Tokyo Ltd. (m,x)**	1,590,012	2,039,443	11,492,565	8,907,703	3,305,862	3,346,795
		66	**Bank of Yokohama (H,x)**	692,791	434,317	3,450,391	1,603,720	2,712,304	1,170,832
		67	**Bank of the Philippine Islands (H,x)**	2,262	7,488	33,579	47,478	15,721	28,979
		68	**Banque Bruxelles Lambert (H,x)**	111,567	42,841	729,164	626,927	388,304	322,520
		69	**Banque Francaise du Commerce Exterieur (H,x)**	95,242	77,986	1,066,912	1,038,930	285,309	439,975
		70	**Banque Indosuez (H,x)**	298,822	195,382	3,261,424	1,744,059	2,243,125	1,397,355
		71	**Banque Nationale de Paris (H,x)**	977,973	501,695	2,586,787	2,633,330	2,003,592	1,689,352
		72	**Banque Paribas (H,x)**	78,539	130,903	1,182,399	1,173,512	1,053,328	1,013,204
		73	**Banque Worms (H)**	0	36,221	6,826	135,708	0	58,285
		74	**Barclays Bank, Plc (H,k,x)**	1,110,773	517,646	3,063,536	2,414,097	1,934,454	2,073,161
		75	**Bayerische Hypotheken -und Wechsel Bank (H,x)**	30,038	13,606	107,611	40,024	84,551	1,214
		76	**Bayerische Landesbank Girozentrale (H,x)**	3,575	3,300	927,980	418,204	873,323	209,538
		77	**Bayerische Vereinsbank (x)**	87,978	58,197	1,183,323	194,955	531,186	55,515
		78	**Berliner Handels und-Frankfurter Bank (H,x)**	168,866	161,122	313,497	214,594	153,495	100,944
		79	**CIC-Union Europeenne, International et Cie. (H,b,x)**	366,517	174,497	1,179,052	935,175	754,395	293,455
		80	**Canadian Imperial Bank of Commerce (H,g,m,x)**	229,050	213,731	3,536,079	2,969,566	1,096,581	1,840,424
		81	**Cassa di Risparmio delle Provincie Lombarde (H,x)**	101,133	71,473	1,268,561	645,349	830,699	356,148
		82	**Cassa di Risparmio di Torino (H,x)**	123,540	30,735	416,062	196,768	69,943	77,954
		83	**Chiba Bank Ltd.★ (H,x)**	22,925	....	2,279,274	....	452,432	....
		84	**Cho Hung Bank (H,x)**	81,966	115,764	186,218	214,490	59,124	63,132
		85	**Christiana Bank og Kreditkasse★**	42,771	....	138,973	....	3,904	....
		86	**Chuo Trust & Banking Co. (H,m,x)**	524,300	269,027	2,471,689	1,272,635	1,837,636	897,568
		87	**Commercial Bank of Korea (H,m,x)**	103,814	116,352	313,468	373,808	11,205	11,321
		88	**Commercial Bank of Kuwait (H,x)**	39,912	46,525	467,982	495,762	450,552	469,448
		89	**Commerzbank (H,x)**	483,161	192,737	2,245,365	1,916,497	1,868,038	1,592,909
		90	**Commonwealth Bank of Australia (H,x)**	15,390	32,455	158,796	266,428	25,679	32,111
		91	**Copenhagen Handelsbank (H)**	29,730	33,007	99,998	62,386	1,036	168
		92	**Credit Agricole Mutuel (x)**	53,526	30,022	150,493	116,062	47,853	3,804
		93	**Credit Commerciale de France (H,x)**	275,063	342,220	675,410	569,886	349,801	263,817
		94	**Credit Lyonnais (x)**	438,613	443,865	5,096,132	2,832,310	3,841,707	1,866,288
		95	**Credit du Nord (H,x)**	5,672	6,307	252,120	293,707	219,398	225,572
		96	**Creditanstalt-Bankverein (H,x)**	105,785	136,257	285,736	270,154	249,391	166,336
		97	**Credito Italiano (H,x)**	249,800	206,523	1,456,804	1,363,118	147,549	98,734
		98	**Dai-Ichi Kangyo Bank Ltd. (x)**	2,864,248	2,298,000	19,111,013	10,879,000	12,666,255	6,184,000
		99	**Daiwa Bank Ltd. (H,x)**	1,499,879	647,392	4,781,164	3,549,718	2,680,493	2,062,224
		100	**Danske Bank (H)**	32,520	20,797	366,158	204,912	1,788	639
		101	**Deutsche Bank (H,x)**	406,737	253,071	1,166,833	802,166	852,616	345,560
		102	**Deutsche Genossenschaftsbank (x)**	8,812	38,305	363,869	326,838	206,437	135,632
		103	**Doha Bank Ltd. (H,x)**	171	0	54,733	38,405	50,303	18,382
		104	**Dresdner Bank (x)**	306,736	276,201	781,370	1,132,973	293,883	421,580
		105	**Fuji Bank Ltd. (H,x)**	2,450,035	1,737,569	14,110,341	9,359,947	9,362,760	5,946,060
		106	**Generale Bank (H)**	56,797	0	1,469,474	813,408	1,391,619	709,864
		107	**Girozentrale Bank Vienna★ (H,x)**	1,000	....	136,441	....	79,051	....
		108	**Gulf Bank (H,g,m,x)**	206,087	133,086	295,229	348,801	129,882	107,635
		109	**Gulf International Bank (H,x)**	0	0	689,254	81,793	150,047	79,383
		110	**Habib Bank (H,x)**	173	2,227	34,347	72,251	26,427	44,147
		111	**Hachijuni Bank Ltd.★ (H)**	33,680	....	147,204	....	90,513	....
		112	**Hang Seng Bank Ltd. (H,x)**	11,153	10,360	153,215	133,549	119,168	113,259
		113	**Hessiche Landesbank Girozentrale (H,x)**	30,000	0	106,321	82,029	59,926	23,620
		114	**Hokkaido Takushoku Bank Ltd. (x)**	428,492	357,639	2,561,707	2,287,549	2,353,813	1,978,236
		115	**Hokuriku Bank Ltd. (H,x)**	241,761	138,561	1,295,241	862,210	1,183,802	731,153
		116	**Hongkong & Shanghai Banking Corp. (H,i,x)**	738,058	538,914	1,779,060	1,510,461	1,317,251	1,080,319
		117	**Hyakujushi Bank Ltd. (H,x)**	117,495	19,390	1,039,324	95,638	514,003	41,148
		118	**Industrial Bank of Japan Ltd. (H,m,x)**	1,041,943	1,144,593	7,503,808	5,722,168	4,741,736	2,779,180
		119	**Israel Discount Bank (H)**	6,154	5,038	8,726	8,725	0	1
		120	**Istituto Bancario San Paolo di Torino (x)**	269,508	826,782	1,646,201	1,382,874	337,051	432,665
		121	**Jugobanka-United Bank (H,g,m,x)**	99,440	58,038	204,958	243,269	49,866	197,603
		122	**Ka Wah Bank Ltd. (x)**	5,649	964	29,183	14,407	25,470	14,119
		123	**Kansallis-Osake-Pankki (H)**	46,641	65,064	502,920	248,910	55,687	7,475
		124	**Korea Exchange Bank (Queens) (H)**	12,815	4,399	37,871	21,995	29,239	19,781
		125	**Korea Exchange Bank (H,k,x)**	201,846	268,040	753,205	904,539	239,342	216,267
		126	**Korea First Bank (H,m,x)**	126,275	158,594	202,319	243,581	1,581	2,405
		127	**Kredietbank (H,x)**	90,874	111,565	303,920	325,546	48,887	23,401
		128	**Krung Thai Bank Ltd. (H,x)**	28,392	18,563	79,018	93,852	34,457	71,590
		129	**Kyowa Bank Ltd. (x)**	631,940	500,045	3,204,667	2,465,599	1,878,197	1,486,012
		130	**Libra Bank Plc (H,m,x)**	0	0	344,092	346,548	324,092	341,548

Footnotes to this table appear on page 12A.

U.S. Branches of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits June 30, 1987, Compared with June 30, 1986 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
NEW YORK (Cont.)	New York	131	Lloyds Bank Plc (x)	528,825	418,886	3,005,407	2,894,866	1,844,546	1,777,759
		132	Long-Term Credit Bank of Japan (H,x)	1,501,768	1,104,092	4,208,000	3,617,170	1,666,364	1,638,791
		133	Malayan Banking Berhad (H)	18,900	6,000	171,694	127,287	121,408	95,054
		134	Metropolitan Bank & Trust Co.	1,896	2,115	12,515	17,079	7,390	3,804
		135	Middle East Bank Ltd. (H,x)	10,307	9,870	19,507	17,458	11,308	10,982
		136	Midland Bank Plc (x)	48,207	70,927	1,088,004	1,599,192	725,535	673,793
		137	Mitsubishi Bank Ltd. (x)	2,357,766	1,871,000	16,832,885	11,911,000	11,754,393	8,166,000
		138	Mitsubishi Trust & Banking Corp. (H,x)	1,230,043	605,172	4,518,287	5,157,336	2,955,580	3,073,532
		139	Mitsui Bank Ltd. (x)	1,881,413	754,175	6,318,392	3,965,511	2,054,272	1,588,622
		140	Mitsui Trust & Banking Co. Ltd. (H,x)	1,146,262	638,037	5,424,728	4,721,415	1,104,744	903,755
		141	Monte dei Paschi di Siena (H,x)	362,139	243,186	1,321,697	934,587	216,448	661,577
		142	National Australia Bank Ltd. (H,x)	59,924	69,987	449,029	403,373	110,784	166,867
		143	National Bank of Canada (x)	129,475	62,112	1,229,526	1,091,150	1,071,203	926,838
		144	National Bank of Kuwait (H,x)	1,500	3,851	314,657	375,711	63,994	252,413
		145	National Bank of Pakistan (f,H,x)	5,693	5,716	218,065	310,301	139,012	272,698
		146	National Commercial Bank (H,x)	15,050	14,917	591,205	434,940	300,653	140,416
		147	National Westminster Bank Plc (H,x)	940,825	1,118,327	2,839,780	2,429,767	1,589,202	1,327,398
		148	Nedbank Ltd.H,x)	25,242	29,297	73,692	132,346	44	978
		149	Nederlandsche Middenstandsbank (H,x)	244,589	152,960	834,671	686,153	758,518	546,928
		150	Nippon Credit Bank (H,x)	1,778,388	1,349,512	3,839,029	3,625,453	1,232,416	2,173,066
		151	Norinchukin Bank (H)	162,948	141,788	6,032,181	5,340,752	5,473,176	1,609,939
		152	Overseas Union Bank Ltd. (H,g,m,x)	0	0	70,657	109,791	2,275	979
		153	Overseas-Chinese Banking Corp. (H,m,x)	1,000	1,000	22,759	19,614	8,893	11,191
		154	PT Bank Central Asia (H,x)	25,444	20,870	43,260	31,719	5,594	9,980
		155	Philippine Commercial International Bank (H,x)	3,122	5,665	31,850	27,232	6,417	4,851
		156	Philippine National Bank	0	247	83,461	10,382	7,947	6,159
		157	Privatbanken (H,x)	17,774	571	214,765	230,280	100,380	93,126
		158	Provinsbanken (H,d,x)	234,516	173,869	421,073	250,351	235,702	210,340
		159	Rabobank Nederland (H,x)	318,994	119,226	966,104	930,559	54,312	17,158
		160	Royal Bank of Canada (f,H,x)	909,855	1,306,013	2,546,311	2,987,996	1,572,074	1,186,526
		161	Royal Bank of Scotland Plc (H)	56,435	49,079	103,333	95,972	4,479	3,422
		162	Saitama Bank Ltd. (x)	534,671	349,909	2,080,067	2,358,724	1,276,481	1,274,826
		163	Sanwa Bank Ltd. (x)	1,702,195	1,481,792	8,134,815	7,374,921	4,576,514	4,395,831
		164	Saudi International Bank (H,x)	16,000	10,000	39,647	196,757	18,174	127,621
		165	Shanghai Commercial Bank Ltd.	13,358	3,541	44,018	49,231	22,265	26,914
		166	Shoko Chukin Bank★ (H,x)	45,488	....	663,443	....	591,498	....
		167	Siam Commercial Bank Ltd. (m,x)	145,509	126,538	187,918	179,399	157,341	140,333
		168	Societe Generale (H,x)	122,204	121,549	2,820,432	1,774,701	2,231,259	1,456,173
		169	Standard Chartered Bank Plc (x)	173,581	220,165	1,066,861	821,505	823,812	456,326
		170	State Bank of India (H,k,x)	66,621	51,357	187,640	146,167	62,982	53,311
		171	State Bank of New South Wales (H)	28,383	61,322	176,320	107,338	338	20,255
		172	Sumitomo Bank Ltd. (x)	2,667,750	2,218,631	9,751,932	8,430,465	7,525,082	4,817,414
		173	Sumitomo Trust & Banking Co. Ltd. (H,x)	626,029	694,243	6,954,427	3,409,491	5,702,463	2,516,516
		174	Swiss Bank Corp. (x)	3,186,309	2,315,000	12,791,719	11,551,000	6,253,955	5,018,000
		175	Swiss Credit Bank (x)	179,898	256,156	1,798,280	1,897,530	1,125,046	1,086,392
		176	Taiyo Kobe Bank Ltd. (H,e,x)	753,097	814,200	5,163,164	4,669,743	2,807,059	2,651,269
		177	Thai Farmers Bank, Ltd. (H,x)	16,013	14,405	28,707	44,451	16,050	13,783
		178	Tokai Bank Ltd. (x)	921,628	824,425	6,782,519	4,816,765	4,380,516	3,000,836
		179	Toronto Dominion Bank (H;x)	460,244	613,735	4,890,112	5,114,406	3,044,598	3,478,687
		180	Toyo Trust & Banking Co. Ltd. (H,x)	310,591	330,419	3,393,234	2,159,471	2,298,472	1,590,555
		181	Turkiye Cumhuriyeti Ziraat Bankasi (H,x)	38,517	15,602	268,826	134,218	112,165	98,277
		182	Udruzena Beogradska Banka (H,m,x)	63,936	40,834	152,556	189,365	118,500	94,983
		183	Uniao de Bancos Brasileros (H,x)	10,021	600	131,764	88,908	3,114	45,030
		184	Union Bank of Finland Ltd. (H,x)	71,411	20,816	668,270	190,654	615,323	164,005
		185	Union Bank of Switzerland (x)	217,173	393,298	5,144,370	5,334,726	1,386,248	1,217,883
		186	Union Bank of the Middle East Ltd. (H,x)	32,622	22,625	71,573	106,009	1,363	62,484
		187	United Bank Ltd. (H,x)	3,186	52	23,359	34,454	8,090	12,325
		188	United Bank for Africa Ltd. (H,x)	0	0	114,398	411,478	62,284	379,058
		189	United Bank of Kuwait Plc (H,x)	1,185	1,753	44,855	124,039	24,746	119,915
		190	Westdeutsche Landesbank (H,x)	225,438	153,148	1,617,841	1,069,526	811,147	824,046
		191	Westpac Banking Corp. (H,x)	113,837	27,128	792,932	429,247	488,953	71,590
		192	Yasuda Trust & Banking Co. Ltd. (H,x)	1,467,053	718,906	4,898,359	2,307,166	3,445,425	1,604,672
OREGON	Portland	1	Bank of Nova Scotia	27,905	11,549	815,474	188,232	811,435	186,786
		2	Bank of Tokyo Ltd.	232,421	158,391	829,913	670,362	765,956	654,364
		3	Canadian Imperial Bank of Commerce	39,722	35,044	222,900	487,988	218,642	481,452
		4	Hongkong & Shanghai Banking Corp.	41,911	22,410	79,204	40,117	30,212	3,280
		5	Royal Bank of Canada	262,926	377,447	356,294	499,183	5,358	135,885
PENNSYLVANIA	Philadelphia	1	Bank Hapoalim (x)	71,117	102,866	124,260	130,040	74,570	71,042
		2	Bank Leumi le-Israel	37,112	25,986	92,547	82,904	76,611	70,310
	Pittsburgh	1	Algemene Bank Nederland	69,810	25,378	89,667	35,870	1,283	1,862
		2	Canadian Imperial Bank of Commerce	400,228	315,949	404,775	319,007	392	404
		3	Lloyds Bank Plc, Pittsburgh (x)	306,967	373,739	315,560	381,714	1,501	1,752
PUERTO RICO		1	Royal Bank of Canada, Hato Rey	259,029	290,569	560,713	585,825	496,826	527,331
VIRGIN ISLANDS		1	Bank of Nova Scotia, Charlotte Amalie (s)	36,500	33,837	102,900	79,614	101,287	67,503
		2	Barclays Bank International, Charlotte Amalie (t)	46,868	39,868	494,200	111,924	489,177	106,127
WASHINGTON	Seattle	1	Algemene Bank Nederland	29,346	80,268	31,528	88,924	182	111
		2	Bank of Tokyo Ltd.	222,264	184,173	337,735	263,120	306,779	247,826
		3	Barclays Bank Plc	43,397	85,383	51,684	103,373	763	1,678
		4	Canadian Imperial Bank of Commerce	7,439	21,814	47,685	59,885	30,616	29,898
		5	Hokkaido Takushoku Bank Ltd. (x)	141,986	101,151	312,137	350,455	112,196	101,267
		6	Hongkong & Shanghai Banking Corp.	21,090	31,559	42,851	42,587	24,889	28,612
		7	Korea Exchange Bank(x)	37,959	30,020	156,851	129,010	1,111	210
		8	Standard Chartered Bank	20,360	17,308	44,736	34,612	9,999	7,178
		9	Sumitomo Bank Ltd. (x)	148,604	148,190	381,358	283,748	210,753	135,898
		10	Taiyo Kobe Bank Ltd. (x)	117,231	74,231	722,909	415,181	135,867	117,675

Compiled from data taken from American Banker questionnaire and the Federal Reserve Board's report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1987. All data are as of June 30. C&I loans are commercial and industrial loans. (a)— Listed as Governor & Co. of Bank of Ireland last year. (b)— Listed as Compagnie Financiere de Credit Industriel et Commercial last year. (c)— Converted from an agency to branch between June 30, 1986, and June 30, 1987. (d)— Listed as Danske Provinsbanken last year. (e)— Inadvertantly omitted from last year's branch listing. (f)— Has 2 branches in New York. (g)— Branch was classified as an agency in 1986, but now is considered a branch by Federal Reserve because it has been granted special powers by New York State to issue large denomination deposits. (h)—Includes 3 New York branches, one of which is not FDIC insured. (i)—Includes 10 New York branches. (k)—Has 3 branches in New York. (m)—An agency under state law, but considered a branch by Federal Reserve because it has special powers, granted under New York state law, to issue large denomination deposits to both foreign and domestic residents. (s)—Includes branches in Christiansted and Frederiksted. (t)—Includes branch in St. Thomas. (x)—Has a international banking facility (IBF) office. (H)—Office is located in the bank's "home state." (★)— New branch office opened between June 30, 1986, and June 30, 1987. N.A.—Not available.

U.S. Agencies of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits
June 30, 1987, Compared with June 30, 1986 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
CALIFORNIA	**Beverly Hills**	1	**Israel Discount Bank Ltd.**	18,029	26,333	47,022	48,122	24,617	22,142
	Los Angeles	1	**Algemene Bank Nederland**	65,237	43,232	129,840	72,120	1,575	447
		2	**Australia & New Zealand Banking Group (x)**	140,187	57,263	236,393	240,365	17,484	10,133
		3	**Banca Commerciale Italiana (x)**	107,369	93,903	501,533	313,823	4,795	873
		4	**Banca Nazionale del Lavoro (x)**	98,430	56,830	610,399	272,054	198	493
		5	**Banca Serfin (H,x)**	51,078	36,067	148,915	123,192	48,473	42,095
		6	**Banco Agricola Comm'l de el Salvador**	0	0	809	796	0	2
		7	**Banco Exterior de Espana (x)**	64,570	40,519	97,650	74,611	6,141	8,227
		8	**Banco Nacion de Mexico (H,x)**	35,647	37,706	83,507	87,507	0	5
		9	**Banco Real (x)**	1,174	1,884	129,250	28,360	400	590
		10	**Banco di Sicilia (x)**	130,395	74,324	202,753	146,427	103	60
		11	**Banco do Brasil (H)**	5,443	1,069	566,901	677,460	86,141	82,124
		12	**Bancomer (H,x)**	182,231	171,122	365,516	344,427	12,515	14,187
		13	**Bank Bumiputra Malaysia Berhad (x)**	12,230	14,260	42,256	38,090	274	298
		14	**Bank Dagang Negara**	36,823	1,007	143,869	84,596	12,056	11,022
		15	**Bank Melli Iran**	0	0	3,782	1,787	1,550	42
		16	**Bank of Credit & Commerce Int'l (x)**	34,752	27,051	71,603	143,157	48,663	74,131
		17	**Bank of New Zealand (x)**	97,415	79,519	237,100	198,095	80,391	70,415
		18	**Bank of Seoul (x)**	59,415	73,939	123,501	149,376	450	383
		19	**Bank of Tokyo Ltd. (H,x)**	534,543	387,893	1,143,291	1,014,964	13	8
		20	**Bank of Yokohama Ltd. (x)**	142,704	85,308	747,398	593,361	502,063	430,856
		21	**Banque Nationale de Paris**	67,724	83,143	68,672	84,088	0	0
		22	**Banque Paribas**	153,645	128,435	336,916	332,123	19	306
		23	**Bayerische Vereinsbank (H)**	22,416	32,665	243,000	200,915	0	0
		24	**Canadian Imperial Bank of Commerce**	21,564	7,031	51,962	93,863	0	0
		25	**Commercial Bank of Korea (x)**	89,026	102,557	159,111	196,334	248	730
		26	**Commonwealth Bank of Australia (x)**	73,041	128,007	136,748	209,257	0	0
		27	**Copenhagen Handelsbank (x)**	41,239	54,475	72,455	68,377	83	11,806
		28	**Credit Lyonnais (H)**	26,527	36,701	45,645	41,748	345	132
		29	**Credito Italiano (x)**	26,363	45,378	232,003	169,341	545	771
		30	**Dai-Ichi Kangyo Bank (H,x)**	1,092,099	506,156	4,761,698	2,906,944	2,290,961	1,559,627
		31	**Daiwa Bank Ltd. (x)**	395,627	372,059	1,048,393	1,157,702	473,277	499,929
		32	**Development Bank of Singapore, Ltd.**	1,260	1,273	9,460	14,441	8,826	6,749
		33	**Dresdner Bank (H)**	119,509	87,760	150,088	96,992	690	830
		34	**Fuji Bank Ltd. (x)**	653,119	33,067	4,328,570	3,580,097	1,715	2,035
		35	**Hanil Bank Ltd. (H)**	52,820	66,221	62,591	111,193	929	5,121
		36	**Hokkaido Takushoku Bank Ltd. (H,x)**	240,434	83,891	666,748	368,254	709	897
		37	**Industrial Bank of Japan Ltd. (x)**	1,481,421	1,314,069	3,396,308	2,528,343	1,281,221	705,997
		38	**Korea Exchange Bank (x)**	93,468	96,603	233,830	233,561	535	749
		39	**Korea First Bank (x)**	36,816	34,588	114,390	123,086	661	339
		40	**Kredietbank**	0	0	103,825	44,557	5	0
		41	**Kyowa Bank (H,x)**	423,952	326,110	1,503,843	1,163,715	0	0
		42	**Long-Term Credit Bank of Japan, Ltd. (x)**	797,389	435,866	1,372,897	1,141,937	1,821	1,483
		43	**Mitsubishi Bank Ltd. (H,x)**	746,258	433,169	3,997,148	2,895,036	0	0
		44	**Mitsubishi Trust & Banking Corp. (x)**	761,013	510,038	2,484,043	2,154,566	42,453	117
		45	**Mitsui Bank Ltd. (H,x)**	506,682	407,704	1,417,264	1,009,127	329	163
		46	**Mitsui Trust & Banking Co. Ltd. (x)**	669,736	117,626	2,256,738	1,419,370	20,857	1,063
		47	**National Australia Bank Ltd. (x)**	197,648	197,578	392,507	304,112	149,420	87,762
		48	**Nippon Credit Bank Ltd. (x)**	341,294	310,822	983,135	822,512	135,472	135,454
		49	**Overseas Union Bank Ltd. (x)**	9,870	10,850	40,135	36,133	13,154	7,417
		50	**PT Bank Niaga★ (x)**	13,955	....	34,566	....	30,682	....
		51	**Philippine Commercial International Bank (x)**	12,355	12,226	17,555	17,317	2,144	1,256
		52	**Scandinavian Bank Ltd. (x)**	108,412	95,154	243,924	240,630	45,031	44,430
		53	**State Bank of India**	21,922	19,293	78,017	46,917	1,292	1,326
		54	**Sumitomo Trust & Banking Co. Ltd. (x)**	510,644	248,104	1,710,254	1,276,667	367,865	466,681
		55	**Taiyo Kobe Bank Ltd.**	537,369	299,101	1,192,001	966,463	345,281	415,595
		56	**Thai Farmers Bank Ltd. (x)**	34,616	41,862	48,497	58,986	317	318
		57	**Tokai Bank Ltd. (H,x)**	392,609	287,133	2,448,653	1,425,976	133	31
		58	**Toyo Trust & Banking Co. Ltd. (x)**	140,816	105,437	1,460,566	895,170	845,655	4,526,762
		59	**United Overseas Bank Ltd.**	3,375	615	15,877	10,736	594	1,929
		60	**Yasuda Trust & Banking Co. Ltd. (x)**	462,840	210,386	2,333,846	1,498,645	3,832	165
	San Francisco	1	**Algemene Bank Nederland**	144,365	135,648	148,067	143,011	1,392	1,107
		2	**Banco Agricola Commercial de El Salvador★**	0	....	86	....	83	....
		3	**Banco Central (x)**	97,310	52,548	117,893	239,873	1,153	543
		4	**Banco de Vizcaya (x)**	3,093	2,410	68,923	48,568	41,212	39,508
		5	**Banco de la Nacion Argentina (x)**	11,972	16,778	97,811	95,589	10,180	10,099
		6	**Banco di Roma (x)**	261,019	469,048	1,908,007	1,760,656	2,816	10,219
		7	**Banco do Brasil (H,x)**	0	0	587,867	801,261	116,100	192,577
		8	**Banco do Estado de Sao Paulo (x)**	32,394	35,756	136,332	172,770	2,562	2,398
		9	**Bangkok Metropolitan Bank Ltd. (x)**	6,655	5,399	17,728	45,687	2,122	2,616
		10	**Bank of Credit & Commerce Hong Kong Ltd. (x)**	7,337	3,054	137,000	173,803	133,523	171,981
		11	**Bank of India**	24,063	21,344	96,170	91,116	35,912	40,316
		12	**Bank of Nova Scotia**	584,132	242,814	3,584,659	975,980	2,990	6,874
		13	**Bank of Tokyo Ltd. (H,x)**	67,304	51,717	80,820	64,231	2	31
		14	**Banque Francaise du Commerce Exterieur**	19,082	41,510	19,910	42,486	0	0
		15	**Banque Nationale de Paris (x)**	69,101	97,538	575,397	515,792	54,888	54,148
		16	**Barclays Bank Plc**	13,245	61,828	441,900	237,085	0	0
		17	**Canadian Imperial Bank of Commerce**	52,970	137,480	197,652	207,743	0	0
		18	**Chekiang First Bank Ltd.**	13,376	13,808	97,638	90,658	96,612	89,257
		19	**Cho Hung Bank Ltd. (x)**	73,755	75,309	106,428	116,935	304	1,075
		20	**Credit Lyonnais (H)**	19,591	7,952	20,123	8,351	6	0
		21	**Fuji Bank Ltd.★**	115,568	....	452,488	....	843	....
		22	**International Bank of Singapore Ltd.**	2,743	1,667	7,655	9,898	2,199	2,200
		23	**Liu Chong Hing Bank**	597	955	30,763	34,973	29,604	34,405
		24	**National Westminster Bank Plc**	190,428	181,377	285,022	373,817	2,761	1,611
		25	**Royal Bank of Canada**	0	0	1,022	1,535	0	0
		26	**Royal Bank of Scotland Plc**	24,936	6,810	41,837	15,007	250	48
		27	**Sanwa Bank Ltd. (H,x)**	358,829	216,609	1,961,106	1,798,028	83	271
		28	**Shanghai Commercial Bank Ltd.**	12,062	11,489	149,764	156,200	144,967	154,085
		29	**Standard Chartered Bank (H)**	4,750	17,377	5,324	18,470	0	0
		30	**Toronto Dominion Bank**	233,957	378,726	325,843	632,750	0	0
FLORIDA	**Boca Raton**	1	**Bank of Credit & Commerce Int'l**	1,957	1,883	28,577	41,317	28,427	40,711
	Coral Gables	1	**Banco de Vizcaya (x)**	5,521	7,301	73,242	60,711	71,785	60,362
		2	**Bank of Tokyo Ltd. (x)**	12,593	18,860	102,677	78,968	100,699	77,853

Footnotes to this table appear on page 14A.

U.S. Agencies of Foreign Banks

Listed Alphabetically, Within City, With C&I Loans, Assets, and Deposits June 30, 1987, Compared with June 30, 1986 (Dollar Figures in Thousands)

				C&I Loans		Assets		Deposits	
				6/30/87	6/30/86	6/30/87	6/30/86	6/30/87	6/30/86
FLORIDA (Cont.)	**Miami**	1	**Algemene Bank Nederland (x)**	15,626	9,733	186,528	171,509	185,103	169,999
		2	**Atlantic Security Bank★**	6,030	....	20,957	....	19,555	....
		3	**Banca Nazionale del Lavoro (x)**	20,795	11,332	178,286	167,141	172,538	157,618
		4	**Banco Atlantico★ (a)**	7,158	32,730	147,349	128,313	138,695	122,879
		5	**Banco Central (x)**	49,282	16,657	118,430	100,746	21,487	20,512
		6	**Banco Colpatria (x)**	140	486	2,927	3,482	0	0
		7	**Banco Espanol de Credito (x)**	6,659	4,164	61,441	53,125	60,751	52,445
		8	**Banco Exterior de Espana (x)**	40,632	50,344	151,395	199,827	112,723	126,199
		9	**Banco Ganadero International (x)**	3,455	341	115,213	110,022	113,408	108,345
		10	**Banco Industrial de Venezuela**	8,358	83	96,593	64,656	2,624	1,184
		11	**Banco International de Costa Rica (x)**	8,941	19,226	33,826	52,644	17,483	13,107
		12	**Banco Mercantil (x)**	24,567	12,738	284,610	232,860	283,239	221,572
		13	**Banco Nacional**	14,238	24,491	83,019	88,525	81,635	86,742
		14	**Banco Portugues do Atlantico★ (x)**	0	....	13,519	....	6,478	....
		15	**Banco Real (x)**	3,954	6,073	123,566	12,135	7,874	12,038
		16	**Banco de Bilbao (x)**	37,503	29,975	83,082	79,049	43,513	37,890
		17	**Banco de Santander (H,x)**	0	0	33,585	37,294	48	406
		18	**Banco de la Nacion Argentina (x)**	1,162	1,613	157,087	158,400	19,367	8,072
		19	**Banco del Pichincha★**	0	....	16,259	....	2,699	....
		20	**Banco do Brasil (x)**	0	0	149,009	168,674	10,197	13,811
		21	**Banco do Estado de Sao Paulo (x)**	38,867	30,042	113,474	117,997	33,551	28,494
		22	**Bank of Credit & Commerce International Ltd. (x)**	57,616	22,740	409,801	255,692	386,851	248,754
		23	**Bank of Nova Scotia**	190	4,149	5,723	25,625	138	2,112
		24	**Banque Nationale de Paris**	61,244	64,183	116,500	94,941	70,832	84,941
		25	**Banque Sudameris (x)**	55,982	62,816	373,043	264,075	361,944	256,595
		26	**Barclays Bank Plc (x)**	50,574	37,135	556,834	521,478	479,488	477,228
		27	**Credit Lyonnais (x)**	570	1,914	35,409	51,878	35,200	48,067
		28	**Credit Suisse (x)**	33,188	29,634	172,911	148,318	170,523	146,827
		29	**Deutsch Sudamerikanische Bank (x)**	73,814	78,216	676,540	409,670	478,819	358,137
		30	**Lloyds Bank Plc (x)**	164,559	240,166	283,026	558,081	278,176	312,551
		31	**Royal Bank of Canada (x)**	66,224	30,132	425,483	388,174	419,378	379,721
		32	**Standard Chartered Bank**	83,227	70,569	88,343	77,228	5,477	2,869
		33	**Vereins und Westbank (x)**	103,703	134,955	308,331	208,410	145,052	80,397
	Miami Beach	1	**Bank Hapoalim (x)**	68,691	52,281	98,978	73,164	97,283	71,903
		2	**Bank Leumi le-Israel (x)**	20,949	19,217	219,983	182,087	217,808	180,033
		3	**Israel Discount Bank Ltd.**	20,798	19,722	170,763	147,336	165,928	144,915
	Tampa	1	**Bank of Credit & Commerce Int'l**	3,842	7,527	32,424	14,788	31,178	13,170
GEORGIA	**Atlanta**	1	**Algemene Bank Nederland**	49,006	38,796	113,632	72,165	268	220
		2	**Banca Nazionale del Lavoro (x)**	229,704	172,977	813,890	663,157	617,802	268,827
		3	**Bank of Nova Scotia International★**	7,200	....	7,414		0	....
		4	**Bank of Nova Scotia**	1,666,925	562,104	1,845,175	730,893	1,715	1,622
		5	**Barclays Bank Plc**	0	58,869	1,765	67,380	1,208	2,073
		6	**Bayerische Vereinsbank (x)**	21,592	41,834	22,041	102,741	0	30,466
		7	**Canadian Imperial Bank of Commerce**	172,668	196,417	239,642	259,053	0	100
		8	**Commerzbank**	45,891	40,907	47,620	42,719	0	0
		9	**Lloyds Bank Plc**	74,164	52,319	88,972	67,751	277	226
		10	**Sanwa Bank Ltd.**	154,146	45,741	169,352	49,818	36	0
		11	**Standard Chartered Bank Plc**	95,310	56,857	164,580	63,115	1,256	1,329
		12	**Swiss Bank Corp.**	135,629	97,834	184,609	99,285	105	38
		13	**Toronto-Dominion Bank**	465,783	798,788	1,130,820	1,553,043	0	11
HAWAII	**Honolulu**	1	**Bank of Tokyo Ltd.**	43,813	36,936	44,990	37,498	5,192	55
		2	**Philippine National Bank**	0	0	166	339	0	0
LOUISIANA	**New Orleans**	1	**Barclays Bank International Plc**	0	0	2,000	2,000	0	0
NEW YORK (b)	**New York**	1	**Bahrain Middle East Bank★ (H,x)**	28,379	....	30,317	....	3,000	....
		2	**Banca Serfin (x)**	86,997	72,308	331,211	270,105	32,094	40,450
		3	**Banco Atlantico (x)**	6,195	7,962	81,836	46,997	55,393	35,083
		4	**Banco Fonsecas & Burnay (x)**	94,932	24,085	172,305	62,892	1,446	517
		5	**Banco Industrial de Venezuela (x)**	19,464	20,300	447,798	451,467	83,834	88,603
		6	**Banco Internacional (x)**	143,896	135,121	514,036	516,904	124,236	199,498
		7	**Banco Mexicano (x)**	0	0	17,783	16,509	99	375
		8	**Banco Nacional de Mexico (x)**	40,207	342,129	781,002	502,500	15,086	152,389
		9	**Banco Totta & Acores (x)**	63,676	66,699	161,560	146,359	76,115	36,292
		10	**Banco de Venezuela**	3,463	1,806	8,451	12,245	61	3
		11	**Banco de la Provincia de Buenos Aires (x)**	4,752	10,031	245,595	244,975	96,837	102,827
		12	**Bancomer (x)**	381,408	575,909	697,784	893,769	460,484	530,707
		13	**Bangkok Metropolitan Bank Ltd. (x)**	22,096	20,482	89,934	180,741	41,590	76,914
		14	**Bank Dagang Negara (H,x)**	26,916	56,648	78,651	201,901	20,682	39,635
		15	**Bank Leumi le-Israel**	1,393	21,851	31,790	25,686	0	0
		16	**Bank Melli Iran**	22	22	2,993	32,126	1,919	2,198
		17	**Bank Saderat Iran**	0	0	7,193	14,294	1,944	6,289
		18	**Bank Sepah Iran**	0	0	70	58	36	0
		19	**Bank of Credit & Commerce International (x)**	23,452	50,020	187,254	142,893	184,441	88,649
		20	**Banque Internationale pour L'Afrique Occidentale★ (H)**	657	....	2,378	....	17	....
		21	**Development Bank of Singapore Ltd. (x)**	5	2,296	97,796	82,438	4,729	2,945
		22	**Hanil Bank Ltd. (x)**	70,934	72,769	176,132	172,871	3,052	2,758
		23	**International Commercial Bank of China (H,x)**	132,803	61,425	2,757,087	2,906,977	47,414	41,828
		24	**London & Continental Bankers**	0	0	285	213	0	0
		25	**Multibanco Comermex (x)**	123,386	184,270	359,835	398,557	215,931	237,099
		26	**Saudi European Bank (x)**	89,369	52,946	113,449	84,115	0	5,000
		27	**State Bank of Victoria (c)**	0	0	80,432	1,713	152	639
		28	**United Mizrahi Bank Ltd.**	13,342	8,405	14,367	11,430	0	0
		29	**United Overseas Bank Ltd. (x)**	3,747	9,663	14,820	33,698	3,851	3,484
TEXAS	**Dallas**	1	**Sanwa Bank Ltd.**	65,345	27,284	111,432	27,993	18	4
	Houston	1	**Algemene Bank Nederland (d)**	276,144	187,213	304,589	199,614	587	463
		2	**Bank of Montreal**	0	0	0	0	0	0
		3	**Banque Paribas**	185,179	89,106	196,845	90,114	1,092	0
		4	**Fuji Bank Ltd.**	119,897	74,397	143,916	74,841	38	6
		5	**Hongkong & Shanghai Banking Corp.**	21,852	4,400	76,077	13,391	487	491
		6	**Mitsubishi Bank Ltd.**	90,695	89,800	176,276	181,226	124	88,841
		7	**Societe Generale**	154,242	106,201	206,459	155,738	0	0
		8	**Standard Chartered Bank (e)**	21,191	10,265	24,455	16,389	2,310	2,854
		9	**Sumitomo Bank Ltd.★**	86,729	....	108,231	....	36	....
		10	**Swiss Bank Corp. ★**	236,161	....	293,269	....	0	....
		11	**Union Bank of Switzerland**	22,255	0	22,970	19	22	19

Compiled from data taken from American Banker questionnaire and the Federal Reserve Board's report of assets and liabilities of U.S. branches and agencies of foreign banks for June 30, 1987. All data are as of June 30. C&I loans are commercial and industrial loans. (a)— Began opearations May 1, 1987. Banco Atlentico, Barcelona, Spain, owns 51% of Banco de Iberoamerica, Panama City. Banco de Iberoamerica closed its Miami agency and shifted its assets and liabilities to Banco Atlantico. The 1986 data were for Banco de Iberoamerica. (b)—Under New York State banking law, some agencies have been granted power to issue large denomination deposits to both foreign and domestic residents. For that reason, the Federal Reserve considers these agencies as branches. American Banker also classifies these agencies as branches. In the listing of New York branches, these special agencies are identified with a footnote "m". (c)— Was classified as a branch in last year's listing. (d)— Inadvertantly listed in Dallas in last year's listing. (e)— Converted to an agency from an Edge bank in July, 1986. (x)— Has a international banking facility (IBF) office. (H)— Office is located in the bank's "home state." (★)— New agency office opened between June 30, 1986, and June 30, 1987.

FOREIGN BANKS IN THE U.S.

C&I Loans Outstanding at Foreign Banks' Edge Banks

Listed Alphabetically with C&I Loans, Assets, and Deposits on June 30, 1987, Compared with June 30, 1986
(Dollar Amounts in Thousands)

Name and Location of Edge Subsidiary Name of Parent	C&I Loans Outstanding 6/30/87	C&I Loans Outstanding 6/30/86	Total Assets. 6/30/87	Total Assets. 6/30/86	Total Deposits 6/30/87	Total Deposits 6/30/86	Deposit Rank (a) 12/31/86
ABN Bank International USA, Chicago (h) Algemene Bank Nederland, Amsterdam, Netherlands	0	0	5,850	5,948	0	0	45
ABN Bank International USA, Houston (b) Algemene Bank Nederland, Amsterdam, Netherlands	286	1,594	8,959	4,905	7,394	4,141	45
BNP International Corp., Houston Banque Nationale de Paris	1,172	649	6,972	4,960	4,069	2,281	9
Banco Cafetero International Corp., Miami (c) Banco Cafetero, Bogota, Colombia	29,907	49,394	127,688	144,487	114,242	124,565	...
Banco Latino International, Miami Banco Latino, Caracas, Venezuela	14,919	22,048	140,444	110,288	130,405	102,121	...
Banco Real International, Inc., Chicago (h) Banco Real, Sao Paulo, Brazil	266	5,984	5,910	9,208	2	2	602
Banco Real International, Inc., Houston (b) Banco Real, Sao Paulo, Brazil	346	1,045	5,680	13,102	5,618	11,305	602
Banco de Bogota International Corp., Miami Banco de Bogota, Colombia	2,864	4,895	34,992	32,047	32,132	28,801	...
Banco de Santander International Inc., Miami Banco de Santander, Spain	3,277	5,170	463,020	444,092	436,995	421,489	137
Banco de Venezuela International, Miami (h) Banco de Venezuela, Caracas	450	287	260,239	224,332	152,485	124,565	...
Banco de Venezuela International, New York (b) Banco de Venezuela, Caracas	0	N.A.	59,110	N.A.	50,737	N.A.	...
Bank of Bermuda International Ltd., New York (d) Bank of Bermuda Ltd., Hamilton	1,066	395	94,110	91,145	5,364	8,120	583
Bank of California International, New York (b) Mitsubishi Bank Ltd., Tokyo	1,943	1,051	138,964	91,634	125,997	80,868	4
Bank of California International, San Francisco (h) Mitsubishi Bank Ltd., Tokyo	0	0	8,080	8,404	0	0	4
Bank of Oman Overseas (USA), New York Bank of Oman Ltd., Dubai, U.A.E.	6,926	2,338	22,194	21,475	16,141	11,346	736
Bank of Tokyo International USA, Coral Gables, Fla. Bank of Tokyo Ltd.	2,868	0	16,163	7,175	10,737	2,210	25
Banque Paribas International (Houston) Co. Banque Paribas, Paris	2,815	2,808	15,599	11,727	11,527	7,535	70
Consolidado International Bank, New York (e) Banco Consolidado, Caracas, Venezuela	18,668	1,522	125,671	113,088	112,596	105,720	...
Fuji Bank International, Inc., San Francisco Fuji Bank Ltd., Tokyo	300	1,573	9,182	188,244	3,466	4,380	2
Harris Bank International Corp., New York Bank of Montreal	2,745	837	125,972	119,951	60,077	25,370	47
IBJ Schroder International Bank, Miami Industrial Bank of Japan Ltd., Tokyo	2,706	4,001	51,367	37,137	44,267	29,683	7
Indosuez Bank International, Houston Banque Indosuez, Paris	80	0	3,728	2,594	6	1	82
Marine Midland International Bank, Miami Hongkong & Shanghai Banking Corp., Hong Kong	5,542	9,241	179,913	194,230	153,877	172,157	28
National Westminster USA International Bank, Miami National Westminster Bank Plc, London	14,212	3,193	160,200	142,346	142,304	107,681	15
Petra International Banking Corp., Washington, D.C. Petra Bank, Amman, Jordan	38,037	33,506	70,062	60,944	30,764	29,233	...
Skandinaviska Enskilda Banken International Corp., New York Skandinaviska Enskilda Banken, Stockholm, Sweden	0	0	106,197	130,374	52,055	33,717	103
Societe Generale International, Inc., Dallas (b) Societe Generale, Paris	0	0	0	0	0	0	18
Societe Generale International, Inc., Houston (h) Societe Generale, Paris	4,971	56,163	5,643	58,719	0	1	18
Tokyo Bancorp International (Houston) (f) Bank of Tokyo Ltd.	4,212	4,992	8,370	7,046	3,458	2,460	25
Union Chelsea International Corp., Miami Banco Union, Caracas, Venezuela	1,370	2,558	42,795	44,754	39,794	41,699	...

Sources of data: American Banker questionnaire and report of condition submitted by Edge Act banks to the Federal Reserve. **(a)**— Deposit rank of parent among world commercial banks on 12/31/86. **(b)**— Edge bank's branch office. **(h)**— Edge bank's head office. **(c)**— Closed New York Edge office 9/87. Data for 6/30/86 are combined data for the Miami and New York offices. **(d)**— Closed the Chicago Edge branch office. **(e)**— Owns 51% of the Edge bank. The other 49% is owned by First National Bank of Greater Miami. **(f)**— An agreement corporation. **N.A.**— Not available.

Please note: Some of the Edge banks in this listing are direct subsidiaries of U.S. commercial banks, which are in turn owned by foreign banks. American Banker shows the foreign bank as the parent of these Edge banks in this listing.

FOREIGN BANKS IN THE U.S.

New York Investment Company Subsidiaries of Foreign Banks

(Dollar Amounts in Thousands)

Name and Location of Subsidiary Name of Parent	Date Office Opened	C&I Loans Outstanding 6/30/87	C&I Loans Outstanding 6/30/86	Total Assets 6/30/87	Total Assets 6/30/86	Total Deposits And Credit Balances 6/30/87	Total Deposits And Credit Balances 6/30/86
American Scandinavian Banking Corp. (a) Union Bank of Finland, Helsinki	March 2, 1981	83,560	N.A.	397,793	N.A.	18,739	N.A.
BAII Banking Corp. BAII Bank Group, Paris	**May 7, 1984**	167,885	N.A.	412,454	N.A.	43,052	N.A.
Banesto Banking Corp. Banco Espanol de Credito, Madrid	July 1978	56,276	298,000	124,570	392,000	26,930	319,000
Banque Worms Capital Corp.★ Banque Worms, Paris	January 1, 1987	0	....	5,490	....	0	....
Christiana Banking (US) Corp. Christiania Bank og Kreditkasse, Oslo	January 1, 1986	144,603	0	372,051	0	2,851	0
DnC America Banking Corp. (b) Norske Creditbank, Oslo	August, 1985	432,210	441,338	858,475	729,491	39,238	350,306
French-American Banking Corp. Banque Nationale de Paris	1919	572,399	N.A.	1,708,370	N.A.	239,474	N.A.
Generale Investment Banking Corp. (c) Societe Generale de Banque, Brussels, Belgium	July 1984	24,868	N.A.	45,740	N.A.	0	N.A.
PKBanken International U.S. Banking★ PK Banken, Stockholm	October 22, 1986	303,573	....	355,816	....	425	....
Skandinaviska Enskilda Banken Corp. Skandinaviska Enskilda Banken, Stockholm	May 18, 1982	316,260	N.A.	434,098	N.A.	0	N.A.
Venezuelan American Banking Corp. See footnote (d) below.	March 2, 1984	4,847	....	38,969	....	3,117	....

New York Investment Company: A corporation organized under Article XII of the New York State Banking Law. An investment company is similar to a state-chartered commercial bank. However there are three major differences: (1) an investment company is not subject to the 10% lending limitation, while a commercial bank cannot lend to any one person an amount greater than 10% of its capital stock, surplus, and undivided profits; (2) an investment company has no restriction on investing in stocks of corporations, while banks cannot acquire the stock of any corporation; and (3) an investment company cannot accept deposits, but can only maintain credit balances incidental to the conduct of its lawful business. **(a)**— American Scandinavia Banking Corp. was formerly owned by American Scandinavia Group. The group was comprised of four banks: Christiana Bank og Kreditkasse, Oslo; Danske Bank, Copenhagen; Post-och Kreditbanken, Stockholm; and Union Bank of Finland Ltd., Helsinki. **(b)**— Formerly known as Nordic American Banking Corp.. Changed title and ownership on Jan. 21, 1986. It was owned by four European Banks: Copenhagen Handelsbank, Denmark; Kansallis Osake-Pankki, Helsinki;3. Norske Creditbank, Oslo; and Svenska Handelsbanken, Stockholm. **(c)**— Formerly known as Belgian General Banking Corp. **(d)**— Owned by a group comprised of individuals; Venezuelan industrial companies; and Banco la Guaira International, Caracas. **N.A.**— Not available. **(★)**— New to the survey.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

Home Country and Parent	Parent Company's Assets 12/31/86 (a)		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (b) (%)	Location of Offices and Type (c)
ARGENTINA	**Banco Rio de la Plata, Buenos Aires**	6/30/87:	1	19.4	153.5	91.9	12.0	NY(B)
	1,279	6/30/86:	1	44.8	236.7	156.4	18.7	
	Banco de la Nacion Argentina, Buenos Aires	6/30/87:	4	312.4	1,093.0	137.6	11.6	SF(A);MIA(A);CHI(B);NY*(B)
	9,388	6/30/86:	4	280.3	1,071.9	111.9	12.0	
	Banco de la Provincia de Buenos Aires	6/30/87:	1	4.8	245.6	96.8	5.8	NY(A)
	4,224	6/30/86:	1	10.0	245.0	102.8	7.1	
AUSTRALIA	**Australia & New Zealand Bkg Group Ltd., Melbourne**	6/30/87:	3	639.9	1,036.2	210.7	3.3	LA(A);CHI(B);NY*(B)
	31,042	6/30/86:	3	300.5	824.5	237.0	3.1	
	Commonwealth Bank of Australia, Sydney	6/30/87:	3	88.4	299.4	25.7	1.3	LA(A);CHI(B);NY*(B).
	23,188	6/30/86:	3	165.5	484.7	32.1	5.0	
	National Australia Bank Ltd., Melbourne	6/30/87:	3	312.1	921.2	260.4	4.1	LA(A);CHI(B);NY*(B)
	22,646	6/30/86:	3	291.7	772.7	254.7	3.6	
	State Bank of New South Wales, Sydney	6/30/87:	1	28.4	176.3	0.3	2.8	NY*(B)
	6,403	6/30/86:	1	61.3	107.3	20.3	2.7	
	State Bank of Victoria, Melbourne	6/30/87:	1	0.0	80.4	0.2	1.0	NY(A)
	7,986	6/30/86:	1	0.0	1.7	0.6	0.0	
	Westpac Banking Corp., Sydney	6/30/87:	4	161.4	958.9	489.6	2.8	LA(B);SF(B);CHI(B);NY*(B)
	34,716	6/30/86:	4	95.1	606.4	73.1	1.9	
AUSTRIA	**Creditanstalt-Bankverein, Vienna**	6/30/87:	1	105.8	285.7	249.4	0.9	NY*(B)
	33,142	6/30/86:	1	136.3	270.2	166.3	1.1	
	Girozentrale und Bank der Osterreich. Spark., Vienna★	6/30/87:	1	1.0	136.4	79.1	0.7	NY*(B)
	18,524	6/30/86:	0	0.0	0.0	0.0	0.0	
BAHRAIN	**Arab Banking Corp., Manama**	6/30/87:	1	61.6	362.0	184.1	2.5	NY*(B)
	14,582	6/30/86:	1	80.8	458.3	223.9	3.5	
	Bahrain Middle East Bank, Manama★	6/30/87:	1	28.4	30.3	3.0	6.0	NY*(A)
	504	6/30/86:	0	0.0	0.0	0.0	0.0	
	Gulf International Bank, Manama	6/30/87:	1	0.0	689.3	150.0	8.6	NY*(B)
	7,984	6/30/86:	1	0.0	81.8	79.4	1.1	
BELGIUM	**Banque Bruxelles Lambert, Brussels**	6/30/87:	1	111.6	729.2	388.3	2.0	NY*(B)
	35,612	6/30/86:	1	42.8	626.9	322.5	2.3	
	Generale de Banque, Brussels	6/30/87:	2	81.7	1,515.2	1,391.6	3.0	NY*(B);NY*(I)
	51,025	6/30/86:	2	1.0	814.4	710.9	2.3	
	Kredietbank International Group, Brussels	6/30/87:	2	90.9	407.7	48.9	1.1	LA(A);NY*(B)
	38,800	6/30/86:	2	111.6	370.1	23.4	1.5	
BERMUDA	**Bank of Bermuda Ltd., Hamilton**	6/30/87:	1	1.1	94.1	5.4	2.7	NY(E)
	3,523	6/30/86:	1	0.4	91.1	8.1	3.3	
BRAZIL	**Banco Bamerindus do Brasil, Curitiba**	6/30/87:	1	11.7	59.1	6.4	2.6	NY*(B)
	2,315	6/30/86:	1	7.8	92.9	4.7	6.7	
	Banco Bandeirantes, Sao Paulo	6/30/87:	1	0.0	3.1	0.0	...	NY*(B)
	N.A.	6/30/86:	1	0.0	10.5	0.0	2.5	
	Banco Brasileiro de Descontos, Sao Paulo	6/30/87:	1	3.0	99.8	29.0	0.7	NY*(B)
	14,007	6/30/86:	1	3.0	72.3	41.5	0.7	
	Banco Economico, Salvador	6/30/87:	1	0.5	62.6	1.6	3.2	NY*(B)
	1,944	6/30/86:	1	0.3	28.8	2.1	2.1	
	Banco Itau, Sao Paulo	6/30/87:	1	7.8	77.1	0.9	0.8	NY*(B)
	9,189	6/30/86:	1	32.4	93.3	0.8	1.5	
	Banco Mercantil de Sao Paulo	6/30/87:	1	41.4	104.2	35.9	4.6	NY*(B)
	2,284	6/30/86:	1	4.0	123.3	25.9	6.1	
	Banco Nacional, Rio de Janeiro	6/30/87:	2	34.5	170.8	122.8	4.5	MIA(A);NY*(B)
	3,812	6/30/86:	2	77.1	214.5	134.1	7.6	
	Banco Real, Sao Paulo	6/30/87:	6	107.4	565.0	63.1	12.8	LA(A);DC(B);MIA(A);CHI(E);NY*(B);HOU(E)
	4,410	6/30/86:	6	222.6	508.3	90.9	15.2	
	Banco Safra, Sao Paulo	6/30/87:	1	32.5	299.8	272.7	9.3	NY(C)
	3,238	6/30/86:	1	77.2	300.9	261.1	14.3	
	Banco de Credito Nacional, Sao Paulo	6/30/87:	1	82.5	125.5	2.1	12.4	NY*(B)
	1,015	6/30/86:	1	63.0	110.1	19.7	10.5	
	Banco do Brasil, Brasilia	6/30/87:	4	70.0	2,052.7	430.7	3.0	LA*(A);SF*(A);MIA(A);NY(B)
	69,581	6/30/86:	4	50.6	1,991.4	491.5	3.4	
	Banco do Estado de Sao Paulo	6/30/87:	3	197.5	476.6	45.6	5.7	SF(A);MIA(A);NY*(B)
	8,385	6/30/86:	3	176.8	472.0	44.7	7.2	
	Banco do Estado do Parana, Curitiba	6/30/87:	1	2.7	19.0	10.6	...	NY(B)
	N.A.	6/30/86:	1	0.0	8.2	4.4	0.6	
	Banco do Estado do Rio Grande do Sul, Porto Allegre	6/30/87:	1	0.0	19.0	0.0	...	NY*(B)
	N.A.	6/30/86:	1	0.0	12.8	0.0	0.6	
	Banco do Estado do Rio de Janeiro	6/30/87:	1	0.0	17.5	10.3	0.6	NY*(B)
	2,931	6/30/86:	1	0.0	23.0	10.4	2.1	
	Uniao de Bancos Brasileros, Rio de Janiero	6/30/87:	1	10.0	131.8	3.1	2.8	NY*(B)
	4,727	6/30/86:	1	0.6	88.9	45.0	2.6	
CANADA	**Bank of Montreal**	6/30/87:	15	4,283.1	16,873.2	10,035.5	28.4	SF(C);CHI*(B);CHI*(C);Barrington, Ill*(C)
	59,417	6/30/86:	13	4,577.2	16,621.6	10,302.0	29.1	Glencoe, Ill*(C);Hinsdale, Ill*(C) Naperville, Ill*(C); Roselle, Ill*(C) Summit, Ill*(C);Wilmette, Ill*(C) Winnetka, Ill*(C);NY(B);NY(C);NY(E);HOU(A)
	Bank of Nova Scotia, Toronto	6/30/87:	12	3,539.0	9,924.8	3,319.0	22.7	SF(A);MIA(A);ATL(A);ATL(A);BOS(B)
	43,814	6/30/86:	11	1,454.1	4,956.4	2,454.9	11.6	NY*(B);NY*(C);Portland, Ore(B) San Juan, P.R.(C);Charlotte Amalie, V.I.(3B)
	Canadian Imperial Bank of Commerce, Toronto	6/30/87:	10	1,826.2	6,212.9	1,601.0	11.5	LA(A);LA(C);SF(A);ATL(A);CHI(B)
	54,261	6/30/86:	10	1,434.8	5,407.1	2,643.9	10.6	NY*(B);NY(C);Portland, Ore(B);PIT(B);SEA(B)
	National Bank of Canada, Montreal	6/30/87:	2	291.6	1,419.3	1,071.2	7.1	CHI(B);NY(B)
	20,062	6/30/86:	2	115.5	1,230.6	926.9	7.6	
	Royal Bank of Canada, Montreal	6/30/87:	8	1,618.8	4,717.8	3,212.4	7.0	SF(A);MIA(A);NY*(2B)
	67,783	6/30/86:	8	2,154.8	5,330.3	2,970.3	7.9	NY*(C);Portland, Ore(B);Hato Rey, P.R.(B) Santurce, P.R.(C)
	Toronto Dominion Bank	6/30/87:	4	1,600.5	6,821.9	3,048.8	20.0	SF(A);ATL(A);CHI(B);NY*(B)
	34,159	6/30/86:	4	2,291.3	7,841.3	3,487.7	22.6	
CAYMAN ISLES★	**Atlantic Security Bank, Cayman Isles★**	6/30/87:	1	6.0	21.0	19.6	7.3	MIA(A)
	288	6/30/86:	0	0.0	0.0	0.0	0.0	
CHILE	**Banco de Chile, Santiago**	6/30/87:	1	4.0	50.7	38.2	0.8	NY*(B)
	6,425	6/30/86:	1	9.1	62.6	41.8	1.3	
CHINA	**Bank of China, Peking**	6/30/87:	2	59.7	380.1	119.4	0.5	NY*(2B)
	81,476	6/30/86:	1	48.7	466.9	86.0	0.7	

Footnotes to this table appear on page 22A.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/86 (a)		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (b) (%)	Location of Offices and Type (c)
COLOMBIA	**Banco Cafetero, Bogota**	6/30/87:	1	29.9	127.7	114.2	11.6	MIA*(E)
	1,101	6/30/86:	2	11.1	112.8	98.7	11.1	
	Banco Colpatria, Bogota	6/30/87:	1	0.1	2.9	0.0	2.5	MIA(A)
	116	6/30/86:	1	0.5	3.5	0.0	2.9	
	Banco Ganadero, Bogota	6/30/87:	1	3.5	115.2	110.0	13.3	MIA(A)
	869	6/30/86:	1	0.3	110.0	108.3	12.4	
	Banco de Bogota	6/30/87:	3	78.9	324.6	205.0	32.8	MIA(E);NY*(B);NY*(C)
	991	6/30/86:	3	68.2	337.8	225.0	25.6	
	Banco de Colombia, Bogota	6/30/87:	1	46.5	180.9	157.0	13.8	MIA*(C)
	1,308	6/30/86:	1	39.1	167.4	150.9	9.6	
DENMARK	**Aktivbanken, Vejle, Denmark**	6/30/87:	1	58.7	214.6	194.4	17.2	Long Beach, Calif.(C)
	1,24[illegible]	6/30/86:	1	36.1	141.1	122.7	13.6	
	Copenhagen Handelsbank	6/30/87:	2	71.0	172.5	1.1	1.3	LA(A);NY*(B)
	13,793	6/30/86:	2	87.5	130.8	12.0	0.9	
	Danske Bank, Copenhagen	6/30/87:	1	32.5	366.2	1.8	2.2	NY*(B)
	16,820	6/30/86:	1	20.8	204.9	0.6	1.5	
	Privatbanken, Copenhagen	6/30/87:	1	17.8	214.8	100.4	1.7	NY*(B)
	12,324	6/30/86:	1	0.6	230.3	93.1	2.6	
	Provinsbanken, Aarhus (d)	6/30/87:	1	234.5	421.1	235.7	5.3	NY*(B)
	7,876	6/30/86:	1	173.9	250.4	210.3	5.1	
ECUADOR	**Banco del Pacifico, Guayaquil**	6/30/87:	1	10.8	100.7	87.0	22.3	MIA*(C)
	452	6/30/86:	1	8.3	91.1	77.3	20.4	
	Banco del Pichincha, Quito	6/30/87:	1	0.0	16.3	2.7	5.2	MIA*(A)
	315	6/30/86:	0	0	0	0	0	
EGYPT	**Arab African International Bank, Cairo**	6/30/87:	1	0.3	181.6	36.2	5.3	NY*(B)
	3,421	6/30/86:	1	1.9	225.1	19.2	5.1	
EL SALVADOR	**Banco Agricola Commercial de El Salvador, San Salvador**	6/30/87:	2	0.0	0.9	0.1	0.4	LA(A);SF(A)
	254	6/30/86:	1	0.0	0.8	0.0	0.0	
FINLAND	**Kansallis-Osake-Pankki, Helsinki**	6/30/87:	1	46.6	502.9	55.7	2.4	NY*(B)
	21,204	6/30/86:	1	65.1	248.9	7.5	1.7	
	Union Bank of Finland Ltd., Helsinki	6/30/87:	2	155.0	1,066.1	634.0	4.9	NY*(B),NY*(I)
	21,876	6/30/86:	1	20.8	190.7	164.0	1.4	
FRANCE	**BAII Bank Group, Paris**	6/30/87:	1	167.9	412.5	43.1	...	NY(I)
	...	6/30/86:	1	N.A.	N.A.	N.A.	...	
	Banque Francaise du Commerce Exterieur, Paris	6/30/87:	2	114.3	1,086.8	285.3	4.1	SF(A);NY*(B)
	26,478	6/30/86:	2	119.5	1,081.4	440.0	4.5	
	Banque Indosuez, Paris	6/30/87:	4	578.7	3,562.2	2,254.5	8.7	LA(B);CHI(B);NY*(B);HOU(E)
	40,889	6/30/86:	4	328.6	1,927.4	1,411.8	5.8	
	Banque Internationale pour L'Afrique Occidentale, Paris★	6/30/87:	1	0.7	2.4	0.0	0.1	NY*(A)
	4,688	6/30/86:	0	0.0	0.0	0.0	0.0	
	Banque Nationale de Paris	6/30/87:	8	2,245.6	7,032.8	3,669.8	4.9	LA(A);SF(C);SF(A);MIA(A);CHI(B)
	143,685	6/30/86:	8	1,301.5	5,175.3	3,039.4	4.2	NY*(B);NY*(I);HOU(E)
	Banque Paribas, Paris	6/30/87:	5	681.6	2,026.8	1,066.0	4.9	LA(A);CHI(B);NY*(B);HOU(A);HOU(E)
	41,286	6/30/86:	6	472.9	1,767.7	1,021.7	5.4	
	Banque Sudameris, Paris	6/30/87:	1	56.0	373.0	361.9	9.0	MIA(A)
	4,164	6/30/86:	1	62.8	264.1	256.6	8.3	
	Banque Worms, Paris	6/30/87:	2	0.0	12.3	0.0	0.2	NY*(B);NY*(I)
	7,763	6/30/86:	1	36.2	135.7	58.3	2.4	
	CIC-Union Europeenne, International et Cie., Paris (e)	6/30/87:	1	366.5	1,179.1	754.4	19.5	NY*(B)
	6,054	6/30/86:	1	174.5	935.2	293.5	...	
	Credit Agricole Mutuel, Paris	6/30/87:	2	126.7	539.0	225.9	0.3	CHI*(B);NY(B)
	156,382	6/30/86:	2	53.2	519.3	259.0	0.4	
	Credit Commercial de France, Paris	6/30/87:	1	275.1	675.4	349.8	2.1	NY*(B)
	32,448	6/30/86:	1	342.2	569.9	263.8	2.6	
	Credit Lyonnais, Paris	6/30/87:	5	807.0	5,578.4	3,880.2	4.2	LA*(A);SF*(A);MIA(A);CHI(B);NY(B)
	133,765	6/30/86:	5	756.2	3,293.7	1,926.0	2.9	
	Credit du Nord, Lille	6/30/87:	1	5.7	252.1	219.4	1.6	NY*(B)
	15,361	6/30/86:	1	6.3	293.7	225.6	2.5	
	Saudi European Bank, Paris	6/30/87:	1	89.4	113.4	0.0	21.1	NY(A)
	538	6/30/86:	1	52.9	84.1	5.0	12.6	
	Societe Generale, Paris	6/30/87:	6	400.2	3,169.3	2,232.1	2.7	LA(B);Chi(B);NY*(B);Dal(E);Hou(A);Hou(E)
	117,496	6/30/86:	6	391.9	2,122.8	1,457.6	2.2	
GERMANY	**Bank fuer Gemeinwirtschaft, Frankfurt**	6/30/87:	1	9.5	236.0	157.1	0.8	NY*(B)
	31,104	6/30/86:	1	17.0	308.6	99.5	1.2	
	Bayerische Hypotheken -und Wechsel Bank, Munich	6/30/87:	1	30.0	107.6	84.6	0.2	NY*(B)
	62,555	6/30/86:	1	13.6	40.0	1.2	0.1	
	Bayerische Landesbank Girozentrale, Munich	6/30/87:	1	3.6	928.0	873.3	1.6	NY*(B)
	[illegible]	6/30/86:	1	3.3	418.2	209.5	1.0	
	Bayerische Vereinsbank, Munich	6/30/87:	4	169.1	1,535.8	696.8	2.1	LA*(A);ATL(A);CHI(B);NY(B)
	72,863	6/30/86:	4	143.2	582.2	161.6	1.1	
	Berliner Handels und-Frankfurter Bank, Frankfurt	6/30/87:	1	168.9	313.5	153.5	2.2	NY*(B)
	14,131	6/30/86:	1	161.1	214.6	100.9	2.0	
	Commerzbank, Frankfurt	6/30/87:	4	787.4	2,864.6	2,216.1	3.7	LA(B);ATL(A);CHI(B);NY*(B)
	76,980	6/30/86:	3	379.1	2,246.2	1,762.0	4.0	
	Deutsch Sudamerikanische Bank, Hamburg	6/30/87:	1	73.8	676.5	478.8	19.8	MIA(A)
	3,418	6/30/86:	1	78.2	409.7	358.1	15.2	
	Deutsche Bank, Frankfurt (f)	6/30/87:	1	406.7	1,166.8	852.6	0.9	NY*(B)
	133,048	6/30/86:	1	253.1	802.2	345.6	0.8	
	Deutsche Genossenschaftsbank, Frankfurt	6/30/87:	2	65.0	699.8	206.5	1.2	LA*(B);NY(B)
	57,983	6/30/86:	2	77.1	503.4	151.9	1.2	
	Dresdner Bank, Frankfurt	6/30/87:	3	468.1	1,009.3	301.6	1.0	LA*(A);CHI(B);NY(B)
	102,137	6/30/86:	3	435.0	1,336.7	434.5	1.7	
	Hessiche Landesbank Girozentrale, Frankfort	6/30/87:	1	30.0	106.3	59.9	0.3	NY*(B)
	31,966	6/30/86:	1	0.0	82.0	23.6	0.3	
	Vereins und Westbank, Hamburg	6/30/87:	1	103.7	308.3	145.1	3.3	MIA(A)
	9,293	6/30/86:	1	135.0	208.4	80.4	3.1	
	Westdeutsche Landesbank Girozentrale, Duesseldorf	6/30/87:	1	225.4	1,617.8	811.1	2.1	NY*(B)
	76,961	6/30/86:	1	153.1	1,069.5	824.0	1.8	
GREECE	**National Bank of Greece, Athens**	6/30/87:	3	204.4	1,021.9	813.0	5.0	CHI(B);BOS*(B);NY(C)
	20,447	6/30/86:	3	179.8	835.2	658.9	5.1	

Footnotes to this table appear on page 22A.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/86 (a)		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (b) (%)	Location of Offices and Type (c)
HONG KONG	**Bank of East Asia Ltd.**	6/30/87:	1	11.2	94.0	17.1	4.1	NY*(B)
	2,294	6/30/86:	1	7.7	85.7	20.9	4.6	
	Chekiang First Bank Ltd.	6/30/87:	1	13.4	97.6	96.6	9.8	SF(A)
	996	6/30/86:	1	13.8	90.7	89.3	10.7	
	Dah Sing Bank Ltd.	6/30/87:	1	2.0	12.6	3.3	...	SF(B)
	N.A.	6/30/86:	1	3.4	20.3	4.5	8.9	
	Hang Seng Bank Ltd.	6/30/87:	1	11.2	153.2	119.2	1.3	NY*(B)
	11,499	6/30/86:	1	10.4	133.5	113.3	1.5	
	Hongkong & Shanghai Banking Corp.	6/30/87:	20	7,470.8	25,539.2	19,611.8	28.1	LA(B);SF(B);Wilmington, Del(C);MIA(E) Agana, Guam(B);CHI(B);Buffalo, N.Y.*(C) N.Y.*(C);NY*(10B);Portland, Ore(B) HOU(A);SEA(B)
	90,863	6/30/86:	18	7,027.9	23,497.0	17,302.6	34.1	
	Ka Wah Bank Ltd.	6/30/87:	2	6.6	36.2	29.1	5.5	LA(B);NY(B)
	663	6/30/86:	2	1.4	19.7	16.5	2.4	
	Liu Chong Hing Bank	6/30/87:	1	0.6	30.8	29.6	4.4	SF(A)
	696	6/30/86:	1	1.0	35.0	34.4	5.6	
	Nanyang Commercial Bank Ltd.	6/30/87:	1	10.8	26.5	13.5	1.2	SF(B)
	2,241	6/30/86:	1	4.8	17.3	5.2	1.2	
	Overseas Trust Bank Ltd.	6/30/87:	1	6.5	15.3	12.2	1.5	SF*(B)
	1,021	6/30/86:	1	10.7	20.5	15.7	2.0	
	Shanghai Commercial Bank Ltd.	6/30/87:	2	25.4	193.8	167.2	10.0	SF(A);NY(B)
	1,929	6/30/86:	2	15.0	205.4	181.0	12.1	
	Wing Lung Bank Ltd.	6/30/87:	1	6.4	25.9	19.3	2.3	LA*(B)
	1,138	6/30/86:	1	4.3	22.7	16.1	2.4	
INDIA	**Bank of Baroda, Bombay**	6/30/87:	1	18.8	61.5	6.3	1.0	NY*(B)
	6,060	6/30/86:	1	18.0	28.3	6.2	0.5	
	Bank of India, Bombay	6/30/87:	2	101.9	186.2	64.1	2.6	SF(A);NY*(B)
	7,271	6/30/86:	2	80.3	160.0	55.5	2.4	
	State Bank of India, Bombay	6/30/87:	6	119.4	316.4	94.0	1.0	LA(A);LA(C);CHI(B);NY*(3B)
	32,834	6/30/86:	6	88.9	227.5	82.0	0.7	
INDONESIA	**Bank Bumi Daya, Jakarta**	6/30/87:	1	46.4	471.4	318.2	10.0	NY*(B)
	4,699	6/30/86:	1	42.2	576.9	287.7	11.2	
	Bank Dagang Negara, Jakarta	6/30/87:	2	63.7	222.5	32.7	5.8	LA(A);NY*(A)
	3,858	6/30/86:	2	57.7	286.5	50.7	6.2	
	Bank Ekspor Impor Indonesia, Jakarta	6/30/87:	1	32.7	426.3	288.4	...	NY*(B)
	N.A.	6/30/86:	1	22.7	237.9	161.7	11.6	
	Bank Negara Indonesia 1946, Jakarta	6/30/87:	1	171.4	644.0	199.9	8.7	NY*(B)
	7,439	6/30/86:	1	118.1	962.2	243.8	12.6	
	PT Bank Central Asia, Jakarta	6/30/87:	2	39.4	77.8	36.3	25.0	LA(A);NY*(B)
	311	6/30/86:	1	20.9	31.7	10.0	8.4	
IRAN	**Bank Melli Iran, Tehran**	6/30/87:	2	0.0	6.8	3.5	0.0	LA(A);NY(A)
	36,804	6/30/86:	2	0.0	33.9	2.2	0.1	
	Bank Saderat Iran, Tehran	6/30/87:	1	0.0	7.2	1.9	0.0	NY(A)
	18,253	6/30/86:	1	0.0	14.3	6.3	0.1	
	Bank Sepah, Tehran	6/30/87:	1	0.0	0.1	0.0	...	NY(A)
	N.A.	6/30/86:	1	0.0	0.1	0.0	0.0	
IRELAND	**Allied Irish Banks Plc, Dublin**	6/30/87:	4	1,135.5	5,316.5	4,201.9	42.2	Millsboro, Del(C);CHI(B);Baltimore*(C);NY(B)
	12,584	6/30/86:	4	997.1	4,873.1	3,531.9	45.1	
	Bank of Ireland, Dublin	6/30/87:	1	22.1	216.8	136.9	1.8	NY*(B)
	11,785	6/30/86:	1	12.2	165.7	80.7	1.8	
ISRAEL	**Bank Hapoalim, Tel-Aviv**	6/30/87:	9	705.9	1,852.2	1,334.8	7.0	LA*(B);SF*(B);MB(A);CHI(B);BOS(B) NY(3B);PHI(B)
	26,287	6/30/86:	9	750.7	1,804.8	1,241.8	8.1	
	Bank Leumi le-Israel, Tel-Aviv	6/30/87:	6	1,457.2	3,382.4	3,046.7	14.0	Beverly Hills, Calif*(B);Miami Beach, Fla(A) CHI(B);NY(A);NY(C);PHI(B)
	24,190	6/30/86:	6	1,283.3	3,361.4	3,047.2	14.9	
	Israel Discount Bank, Tel-Aviv	6/30/87:	4	733.1	4,047.3	3,679.7	31.9	Beverly Hills, Calif(A);Miami Beach, Fla(A) NY*(B);NY*(C)
	12,704	6/30/86:	4	598.0	3,932.1	3,601.1	33.2	
	United Mizrahi Bank Ltd., Tel-Aviv	6/30/87:	3	168.0	749.8	466.1	12.6	LA*(B);NY*(C);NY(A)
	5,962	6/30/86:	3	202.0	735.0	517.5	14.2	
ITALY	**Banca Commerciale Italiana, Milan**	6/30/87:	3	732.2	3,655.6	493.4	6.6	LA(A);CHI(B);NY*(B)
	55,595	6/30/86:	4	981.4	5,388.3	2,007.9	11.6	
	Banca Nazionale del Lavoro, Rome	6/30/87:	5	1,169.9	8,109.0	4,119.4	10.7	LA(A);MIA(A);ATL(A);CHI(B);NY*(B)
	75,899	6/30/86:	5	1,145.4	4,732.8	1,871.4	8.0	
	Banca Nazionale dell Agricoltura, Rome	6/30/87:	1	197.1	1,317.6	771.1	5.6	NY*(B)
	23,590	6/30/86:	1	193.9	1,107.4	798.1	6.5	
	Banco Popolare di Milano, Milan	6/30/87:	1	401.8	1,100.0	602.1	6.8	NY(B)
	16,237	6/30/86:	1	333.7	699.6	329.3	5.9	
	Banco di Napoli, Naples	6/30/87:	1	2,659.0	5,766.6	3,676.6	12.8	NY*(B)
	45,141	6/30/86:	1	1,626.9	3,304.8	2,350.3	10.9	
	Banco di Roma	6/30/87:	4	1,115.9	9,503.3	3,640.8	18.0	SF(A);CHI(B);CHI(C);NY*(B)
	52,752	6/30/86:	4	2,166.7	6,546.7	2,629.8	16.9	
	Banco di Sicilia, Palermo	6/30/87:	2	289.2	976.7	16.7	3.9	LA(A);NY*(B)
	24,787	6/30/86:	2	240.1	818.2	15.7	4.3	
	Cassa di Risparmio delle Provincie Lombarde, Milan	6/30/87:	1	101.1	1,268.6	830.7	2.4	NY*(B)
	53,547	6/30/86:	1	71.5	645.3	356.1	1.6	
	Cassa di Risparmio di Torino, Turin	6/30/87:	1	123.5	416.1	69.9	3.1	NY*(B)
	13,342	6/30/86:	1	30.7	196.8	78.0	2.1	
	Credito Italiano, Milan	6/30/87:	2	276.2	1,688.8	148.1	3.6	LA(A);NY*(B)
	47,125	6/30/86:	2	251.9	1,532.5	99.5	4.1	
	Istituto Bancario San Paolo di Torino, Turin	6/30/87:	3	545.2	2,617.1	1,088.4	4.4	LA*(C);LA*(B);NY(B)
	59,433	6/30/86:	3	1,110.4	2,194.0	1,140.9	5.2	
	Monte dei Paschi di Siena	6/30/87:	1	362.1	1,321.7	216.4	2.5	NY*(B)
	53,365	6/30/86:	1	243.2	934.6	661.6	2.4	

Footnotes to this table appear on page 22A.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/86 (a)		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (b) (%)	Location of Offices and Type (c)
JAPAN	**Bank of Tokyo Ltd.**	6/30/87:	11	6,597.9	26,082.9	14,739.6	23.4	LA*(A);SF*(A);SF*(C);Coral Gables, Fla.(E)
	111,455	6/30/86:	11	6,374.7	22,251.6	13,889.0	28.3	Coral Gables, Fla.(A);Honolulu(A);NY(B) NY(C);Portland, Ore(B);HOU(E);SEA(B)
	Bank of Yokohama Ltd.	6/30/87:	2	835.5	4,197.8	3,214.4	7.5	LA(A);NY*(B)
	55,999	6/30/86:	2	519.6	2,197.1	1,601.7	6.3	
	Chiba Bank Ltd.★	6/30/87:	1	22.9	2,279.3	452.4	7.8	NY*(B)
	29,104	6/30/86:	0	0.0	0.0	0.0	0.0	
	Chuo Trust & Banking Co., Tokyo	6/30/87:	1	524.3	2,471.7	1,837.6	5.1	NY*(B)
	48,854	6/30/86:	1	269.0	1,272.6	897.6	4.4	
	Dai-Ichi Kangyo Bank Ltd., Tokyo	6/30/87:	4	4,676.2	26,348.1	16,196.7	11.0	LA*(A);LA*(C);CHI(B);NY(B)
	239,580	6/30/86:	4	3,059.6	15,534.3	8,902.7	9.2	
	Daiwa Bank Ltd., Osaka	6/30/87:	3	2,190.4	7,285.9	4,269.6	7.1	LA(A);NY*(B);NY*(C)
	102,338	6/30/86:	3	1,189.3	5,822.1	3,509.6	8.7	
	Fuji Bank Ltd., Tokyo (f)	6/30/87:	7	4,899.0	25,828.9	13,182.5	12.2	LA(A);SF(E);SF(A);CHI(B);NY*(B)
	212,441	6/30/86:	6	3,057.2	17,754.9	9,320.1	12.4	NY*(C);HOU(A)
	Hachijuni Bank Ltd., Nagano★	6/30/87:	1	33.7	147.2	90.5	0.7	NY*(B)
	20,983	6/30/86:	0	0.0	0.0	0.0	0.0	
	Hokkaido Takushoku Bank Ltd., Sapporo	6/30/87:	3	810.9	3,540.6	2,466.7	6.9	LA*(A);NY(B);SEA(B)
	51,297	6/30/86:	3	542.7	3,006.3	2,080.4	8.4	
	Hokuriku Bank Ltd., Toyama	6/30/87:	1	241.8	1,295.2	1,183.8	4.4	NY*(B)
	29,420	6/30/86:	1	138.6	862.2	731.2	4.2	
	Hyakujushi Bank Ltd., Takamatsu	6/30/87:	1	117.5	1,039.3	514.0	7.3	NY*(B)
	14,178	6/30/86:	1	19.4	95.6	41.1	1.0	
	Industrial Bank of Japan Ltd., Tokyo	6/30/87:	6	4,442.2	19,237.8	11,227.5	12.0	LA(A);MIA(E);CHI(B);NY*(C);NY*(B);NY*(C)
	160,837	6/30/86:	6	3,705.9	13,457.0	7,654.0	13.0	
	Kyowa Bank Ltd., Tokyo	6/30/87:	4	1,195.3	5,059.1	2,057.1	7.0	LA*(A);LA*(C);CHI(B);NY(B)
	72,398	6/30/86:	3	844.5	3,720.9	1,559.0	7.7	
	Long-Term Credit Bank of Japan Ltd., Tokyo	6/30/87:	3	2,511.5	6,040.5	1,800.4	5.3	LA(A);NY*(B);NY*(C)
	114,971	6/30/86:	2	1,540.0	4,759.1	1,640.3	6.0	
	Mitsubishi Bank Ltd., Tokyo	6/30/87:	8	5,304.0	29,395.2	16,466.8	14.4	LA*(A);LA*(C);SF(E);SF*(C)
	203,806	6/30/86:	8	3,715.6	21,876.2	12,169.3	16.4	CHI(B);NY(E);NY(B);HOU(A)
	Mitsubishi Trust & Banking Corp., Tokyo	6/30/87:	3	2,072.0	7,146.7	3,008.5	5.7	LA(A);NY*(B);NY*(C)
	125,033	6/30/86:	2	1,115.2	7,311.9	3,073.6	9.1	
	Mitsui Bank Ltd., Tokyo	6/30/87:	4	3,264.4	9,944.5	3,711.5	7.6	LA*(A);LA*(C);CHI(B);NY(B)
	131,406	6/30/86:	5	1,992.5	7,351.6	3,413.4	8.3	
	Mitsui Trust & Banking Co. Ltd., Tokyo	6/30/87:	2	1,816.0	7,681.5	1,125.6	6.7	LA(A);NY*(B)
	114,979	6/30/86:	2	755.7	6,140.8	904.8	8.4	
	Nippon Credit Bank Ltd., Tokyo	6/30/87:	2	2,119.7	4,822.2	1,367.9	6.2	LA(A);NY*(B)
	77,883	6/30/86:	2	1,660.3	4,448.0	2,308.5	8.9	
	Norinchukin Bank, Tokyo	6/30/87:	1	162.9	6,032.2	5,473.2	3.7	NY*(B)
	161,569	6/30/86:	1	141.8	5,340.8	1,609.9	5.0	
	Saitama Bank Ltd., Urawa	6/30/87:	2	933.8	3,112.0	1,916.8	5.1	LA*(B);NY(B)
	61,244	6/30/86:	2	591.8	3,223.9	1,750.2	7.5	
	Sanwa Bank Ltd., Osaka	6/30/87:	7	4,208.4	17,255.2	8,526.7	9.0	SF*(C);SF*(A);ATL(A);CHI(B)
	191,362	6/30/86:	6	2,640.9	12,116.9	5,720.3	9.8	BOS(B);NY(B);DAL(A)
	Shizuoka Bank Ltd.	6/30/87:	1	105.7	1,144.2	1,003.1	4.1	LA*(B)
	27,796	6/30/86:	1	33.5	637.3	565.1	3.5	
	Shoko Chukin Bank, Tokyo★	6/30/87:	1	45.5	663.4	591.5	0.9	NY*(B)
	71,193	6/30/86:	0	0.0	0.0	0.0	0.0	
	Sumitomo Bank Ltd., Osaka	6/30/87:	6	5,006.3	17,114.9	11,603.8	8.4	SF*(B);SF*(C);CHI(B);NY(B);SEA(B); HOU(A)
	205,126	6/30/86:	5	3,838.0	14,231.7	8,536.0	10.5	
	Sumitomo Trust & Banking Co. Ltd., Osaka	6/30/87:	2	1,136.7	8,664.7	6,070.3	7.0	LA(A);NY*(B)
	124,085	6/30/86:	2	942.3	4,686.2	2,963.2	5.9	
	Taiyo Kobe Bank Ltd., Kobe	6/30/87:	4	1,561.0	7,264.2	3,288.4	6.3	LA(A);CHI(B);NY*(B);SEA(B)
	115,952	6/30/86:	3	1,187.5	6,051.4	3,184.5	8.1	
	Tokai Bank Ltd., Nagoya	6/30/87:	4	2,359.5	11,873.3	5,591.9	8.6	LA*(A);LA*(C);CHI(B);NY(B)
	137,789	6/30/86:	4	1,613.4	7,515.4	3,805.3	8.3	
	Toyo Trust & Banking Co. Ltd., Tokyo	6/30/87:	2	451.4	4,853.8	3,144.1	6.0	LA(A);NY*(B)
	80,764	6/30/86:	2	435.9	3,054.6	6,117.3	6.4	
	Yasuda Trust & Banking Co. Ltd., Tokyo	6/30/87:	2	1,929.9	7,232.2	3,449.3	7.2	LA(A);NY*(B)
	100,853	6/30/86:	2	929.3	3,805.8	1,604.8	6.0	
JORDAN	**Arab Bank Ltd., Amman**	6/30/87:	1	32.1	325.8	74.2	2.6	NY*(B)
	12,528	6/30/86:	1	10.3	332.2	71.7	2.8	
	Petra Bank, Amman	6/30/87:	1	38.0	70.1	30.8	10.4	DC(E)
	675	6/30/86:	1	33.5	60.9	29.2	9.0	
KOREA	**Bank of Seoul**	6/30/87:	2	122.3	311.9	3.3	1.8	LA(A);NY*(B)
	17,515	6/30/86:	2	158.5	293.9	1.6	2.1	
	Cho Hung Bank Ltd., Seoul	6/30/87:	2	155.7	292.6	59.4	3.7	SF(A);NY*(B)
	7,837	6/30/86:	2	191.1	331.4	64.2	4.8	
	Commercial Bank of Korea Ltd., Seoul	6/30/87:	4	220.2	592.7	62.9	6.6	LA(A);CHI(B);NY*(B);NY*(C)
	9,028	6/30/86:	4	243.9	658.4	53.6	8.3	
	Hanil Bank Ltd., Seoul	6/30/87:	3	146.3	341.2	94.0	4.1	LA*(A);Santa Fe Springs, Calif.*(C);NY(A)
	8,415	6/30/86:	3	157.9	373.5	86.7	4.8	
	Korea Exchange Bank, Seoul	6/30/87:	8	451.4	1,524.0	533.8	9.1	LA(C);LA(A);CHI(B);NY*(3B)
	16,674	6/30/86:	8	491.8	1,601.8	490.0	10.1	NY*(B);SEA(B)
	Korea First Bank, Seoul	6/30/87:	4	196.2	419.7	56.0	4.7	LA(A);CHI(B);NY*(B);NY(C)
	8,892	6/30/86:	4	236.4	454.8	38.8	5.3	
KUWAIT	**Commercial Bank of Kuwait**	6/30/87:	1	39.9	468.0	450.6	8.6	NY*(B)
	5,412	6/30/86:	1	46.5	495.8	469.4	8.8	
	Gulf Bank	6/30/87:	1	206.1	295.2	129.9	4.8	NY*(B)
	6,176	6/30/86:	1	133.1	348.8	107.6	5.6	
	National Bank of Kuwait	6/30/87:	1	1.5	314.7	64.0	3.0	NY*(B)
	10,336	6/30/86:	1	3.9	375.7	252.4	4.2	
LUXEMBOURG	**Bank of Credit & Commerce International**	6/30/87:	6	129.0	866.7	813.1	13.7	LA(A);SF(A);Boca Raton, Fla.(A);MIA(A)
	6,329	6/30/86:	6	112.3	771.6	637.4	14.0	Tampa, Fla.(A);NY(A)
MALAYSIA	**Bank Bumiputra Malaysia Berhad, Kuala Lumpur**	6/30/87:	2	42.8	165.5	9.6	2.6	LA(A);NY*(B)
	6,259	6/30/86:	2	54.9	171.9	13.4	2.3	
	Malayan Banking Berhad, Kuala Lumpur	6/30/87:	1	18.9	171.7	121.4	2.7	NY*(B)
	6,460	6/30/86:	1	6.0	127.3	95.1	1.9	

Footnotes to this table appear on page 22A.

U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

	Home Country and Parent Parent Company's Assets 12/31/86 (a)		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (b) (%)	Location of Offices and Type (c)
MEXICO	**Banca Serfin, Mexico City**	6/30/87:	2	138.1	480.1	80.6	11.8	LA*(A);NY(A)
	4,068	6/30/86:	2	108.4	393.3	82.5	10.6	
	Banco Internacional, Mexico City	6/30/87:	1	143.9	514.0	124.2	24.3	NY(A)
	2,117	6/30/86:	1	135.1	516.9	199.5	25.2	
	Banco Mexicano Somex, Mexico City	6/30/87:	1	0.0	17.8	0.1	0.5	NY(A)
	3,320	6/30/86:	1	0.0	16.5	0.4	0.5	
	Banco Nacional de Mexico, Mexico City	6/30/87:	3	124.6	1,081.6	212.9	10.8	LA*(A);LA*(C);NY(A)
	10,026	6/30/86:	3	427.5	789.9	336.2	8.8	
	Bancomer, Mexico City	6/30/87:	3	629.2	1,315.8	697.5	15.5	La Mesa, Calif*(C);LA*(A);NY(A)
	8,497	6/30/86:	3	803.3	1,474.2	755.7	18.2	
	Multibanco Comermex, Mexico City	6/30/87:	1	123.4	359.8	215.9	13.8	NY(A)
	2,601	6/30/86:	1	184.3	398.6	237.1	16.3	
NETHERLANDS	**Algemene Bank Nederland, Amsterdam**	6/30/87:	14	1,612.2	4,794.2	2,680.5	7.1	LA(A);SF(A);MIA(A);ATL(A);CHI(E)
	67,337	6/30/86:	13	1,479.6	3,913.7	2,096.4	7.6	CHI*(B);CHI*(C);Lisle, Ill*(C);BOS(B);NY(B)
								PIT(B);HOU(E);HOU(A);SEA(B)
	Amsterdam Rotterdam Bank, Amsterdam	6/30/87:	1	204.1	1,680.0	866.1	2.6	NY*(B)
	63,994	6/30/86:	1	118.4	994.0	412.2	2.1	
	Nederlandsche Middenstandsbank, Amsterdam	6/30/87:	1	244.6	834.7	758.5	2.5	NY*(B)
	32,913	6/30/86:	1	153.0	686.2	546.9	2.7	
	Rabobank Nederland, Utrecht	6/30/87:	1	319.0	966.1	54.3	1.5	NY*(B)
	64,285	6/30/86:	1	119.2	930.6	17.2	2.0	
NEW ZEALAND	**Bank of New Zealand Ltd., Wellington**	6/30/87:	2	361.8	1,009.4	751.3	16.9	LA(A);NY*(B)
	5,980	6/30/86:	2	223.1	723.5	478.7	18.0	
NIGERIA	**United Bank for Nigeria Ltd., Lagos**	6/30/87:	1	0.0	114.4	62.3	2.5	NY*(B)
	4,585	6/30/86:	1	0.0	411.5	379.1	8.9	
NORWAY	**Christiana Bank og Kreditkasse, Oslo★**	6/30/87:	2	187.4	511.0	6.8	4.5	NY(B);NY*(I)
	11,377	6/30/86:	0	0.0	0.0	0.0	0.0	
	Norske Creditbank, Oslo	6/30/87:	1	432.2	558.5	39.2	3.2	NY(I)
	17,194	6/30/86:	1	441.3	729.5	350.3	0.0	
PAKISTAN	**Habib Bank Ltd., Karachi**	6/30/87:	1	0.2	34.3	26.4	0.7	NY*(B)
	5,093	6/30/86:	1	2.2	72.3	44.1	1.4	
	National Bank of Pakistan, Karachi	6/30/87:	4	5.9	296.0	158.3	8.0	DC(B);CHI(B);NY*(2B)
	3,694	6/30/86:	3	6.0	455.1	291.3	12.4	
	United Bank Ltd., Karachi	6/30/87:	1	3.2	23.4	8.1	0.6	NY*(B)
	3,645	6/30/86:	1	0.1	34.5	12.3	0.9	
PANAMA	**Banco International de Costa Rica**	6/30/87:	1	8.9	33.8	17.5	16.7	MIA(A)
	202	6/30/86:	1	19.2	52.6	13.1	25.8	
	Banco Nacional de Panama, Panama City	6/30/87:	1	0.0	4.7	1.2	0.3	NY*(B)
	1,498	6/30/86:	1	0.0	3.3	1.8	0.2	
PERU	**Banco Credito del Peru, Lima**	6/30/87:	1	13.3	21.8	10.5	2.1	NY(B)
	1,051	6/30/86:	1	9.1	31.2	18.6	4.4	
PHILIPPINES	**Allied Banking Corp., Manila, Philippines**	6/30/87:	2	11.7	49.4	29.7	15.2	SF*(C);Agana, Guam(B)
	325	6/30/86:	2	16.2	52.7	32.5	10.9	
	Bank of the Philippine Islands, Manila	6/30/87:	1	2.3	33.6	15.7	3.0	NY*(B)
	1,134	6/30/86:	1	7.5	47.5	29.0	4.4	
	Manila Banking Corp.	6/30/87:	1	9.7	27.2	21.5	6.0	LA*(C)
	456	6/30/86:	1	4.1	26.6	21.1	6.2	
	Metropolitan Bank & Trust Co. Co., Manila	6/30/87:	4	24.7	87.1	68.9	11.2	LA*(C);SF*(B);Agana, Guam(B);NY(B)
	777	6/30/86:	4	15.9	78.3	48.1	9.0	
	Philippine Commercial International Bank, Makati	6/30/87:	2	15.5	49.4	8.6	7.1	LA(A);NY*(B)
	696	6/30/86:	2	17.9	44.5	6.1	5.2	
	Philippine National Bank, Manila	6/30/87:	3	6.0	118.1	8.7	6.8	LA*(B);Honolulu(A);NY(B)
	1,730	6/30/86:	3	6.2	50.0	6.7	1.2	
PORTUGAL	**Banco Fonsecas & Burnay, Lisbon**	6/30/87:	1	94.9	172.3	1.4	8.2	NY(A)
	2,113	6/30/86:	1	24.1.	62.9	0.5	...	
	Banco Portugues do Atlantico, Oporto, Portugal	6/30/87:	2	54.9	160.1	12.7	2.6	MIA(A);NY*(B)
	6,200	6/30/86:	1	56.3	125.5	3.8	2.5	
	Banco Totta & Acores, Lisbon, Portugal	6/30/87:	1	63.7	161.6	76.1	4.4	NY(A)
	3,658	6/30/86:	1	66.7	146.4	36.3	4.8	
QATAR	**Doha Bank Ltd.**	6/30/87:	1	0.2	54.7	50.3	12.2	NY*(B)
	450	6/30/86:	1	0.0	38.4	18.4	...	
SAUDI ARABIA	**National Commercial Bank, Jeddah**	6/30/87:	1	15.0	591.2	300.7	3.5	NY*(B)
	16,896	6/30/86:	1	14.9	434.9	140.4	2.9	
SINGAPORE	**Development Bank of Singapore Ltd.**	6/30/87:	2	1.3	107.3	13.6	1.8	LA(A);NY(A)
	5,881	6/30/86:	2	3.6	96.9	9.7	1.6	
	Overseas Union Bank Ltd. (g)	6/30/87:	3	12.6	118.4	17.6	3.2	LA(A);SF(A);NY*(B)
	3,727	6/30/86:	3	12.5	155.8	10.6	4.3	
	Overseas-Chinese Banking Corp.	6/30/87:	1	1.0	22.8	8.9	0.5	NY*(B)
	4,610	6/30/86:	1	1.0	19.6	11.2	0.4	
	United Overseas Bank Ltd.	6/30/87:	2	7.1	30.7	4.4	0.6	LA(A);NY(A)
	5,224	6/30/86:	2	10.3	44.4	5.4	0.9	
SOUTH AFRICA	**Nedbank Ltd., Johannesburg**	6/30/87:	1	25.2	73.7	0.0	1.4	NY*(B)
	5,174	6/30/86:	1	29.3	132.3	1.0	3.2	

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U.S. Offices of Foreign Banks

Listed Alphabetically by Country and Parent (Dollar Amounts in Millions)

Home Country and Parent	Parent Company's Assets 12/31/86 (a)		No. of Offices	C&I Loans	Total Assets	Total Deposits	Ratio (b) (%)	Location of Offices and Type (c)
SPAIN	**Banco Atlantico, Barcelona**	6/30/87:	2	13.4	229.2	194.1	5.6	MIA(A);NY(A)
	4,084	6/30/86:	1	8.0	47.0	35.1	1.9	
	Banco Central, Madrid	6/30/87:	5	535.8	2,485.2	1,490.4	8.7	SF(A);MIA(A);NY*(B);NY*(C);
	28,483	6/30/86:	5	363.4	2,545.9	1,394.6	11.0	Hato Rey, P.R.(C)
	Banco Espanol de Credito, Madrid	6/30/87:	3	162.6	296.3	172.4	0.7	MIA(A);NY(B);NY(I)
	43,876	6/30/86:	3	385.8	539.5	455.7	1.2	
	Banco Exterior de Espana, Madrid	6/30/87:	3	365.5	820.2	583.4	4.2	LA(A);MIA(A);Stony Brook, NY*(C)
	19,337	6/30/86:	3	289.9	776.7	577.9	4.5	
	Banco Hispano-Americano, Madrid	6/30/87:	1	14.4	296.1	5.9	1.3	NY*(B)
	22,742	6/30/86:	1	10.9	224.3	6.0	1.2	
	Banco Occidental de Madrid	6/30/87:	1	37.7	381.2	316.0	...	San Juan, P.R.(C)
	N.A.	6/30/86:	1	43.1	381.1	310.2	...	
	Banco Zaragozano	6/30/87:	1	5.6	51.5	47.4	2.8	MIA*(C)
	1,808	6/30/86:	1	15.1	53.0	48.4	3.2	
	Banco de Bilbao	6/30/87:	2	82.8	391.7	193.5	1.8	MIA(A);NY*(B)
	22,127	6/30/86:	2	68.8	473.4	281.4	2.7	
	Banco de Santander	6/30/87:	5	258.8	2,259.3	2,000.8	10.7	MIA*(A);MIA(E);NY(2B);San Juan, P.R.*(C)
	21,160	6/30/86:	5	174.4	2,071.2	1,723.0	13.8	
	Banco de Vizcaya, Bilbao	6/30/87:	7	78.0	571.6	497.7	2.8	SF(A);Coral Gables, Fla(A); Albuquerque,
	20,594	6/30/86:	3	36.2	196.9	156.4	1.2	N.M.*(C)Farmington, N.M.*(C); Sante Fe, N.M.*(C); Taos, N.M.*(C);NY(B)
SWEDEN	**PK Banken, Stockholm★**	6/30/87:	1	303.6	355.8	0.4	1.3	NY(I)
	26,374	6/30/86:	0	0.0	0.0	0.0	0.0	
	Skandinaviska Enskilda Banken, Stockholm	6/30/87:	2	316.3	540.3	52.1	1.9	NY(I);NY(E)
	28,352	6/30/86:	2	1.0	131.4	34.7	0.6	
SWITZERLAND	**Banca della Svizzera Italiana, Lugano**	6/30/87:	1	221.4	795.0	126.2	15.9	NY*(B)
	5,011	6/30/86:	1	109.1	457.7	52.6	9.6	
	Bank Julius Baer & Co. Ltd., Zurich	6/30/87:	1	32.7	268.7	129.9	14.6	NY*(B)
	1,843	6/30/86:	1	16.4	181.7	117.8	13.8	
	Bank Leu, Zurich	6/30/87:	1	34.0	506.0	175.3	5.7	NY*(B)
	8,804	6/30/86:	1	35.0	524.0	128.6	8.3	
	Credit Suisse, Zurich (h)	6/30/87:	3	329.7	2,128.5	1,315.6	3.3	LA*(B);MIA(A);NY(B)
	64,423	6/30/86:	3	392.0	2,203.4	1,254.7	5.1	
	Habib Bank, Zurich	6/30/87:	1	7.8	51.2	40.0	11.2	NY(C)
	457	6/30/86:	1	4.9	44.2	35.8	11.3	
	Swiss Bank Corp., Basle	6/30/87:	5	4,388.2	14,556.1	6,387.4	17.0	SF*(B);ATL(A);CHI(B);NY(B);HOU(A)
	85,591	6/30/86:	5	2,982.9	12,547.9	5,205.0	20.2	
	Union Bank of Switzerland, Zurich	6/30/87:	4	469.7	6,064.0	1,401.0	6.4	LA*(B);CHI(B);NY(B);HOU(A)
	94,496	6/30/86:	4	679.1	5,936.8	1,226.5	8.8	
TAIWAN	**First Commercial Bank, Taipei**	6/30/87:	1	15.1	17.0	9.6	0.1	Agana, Guam(B)
	13,444	6/30/86:	1	12.6	14.6	8.3	0.1	
	International Commercial Bank of China, Taipei	6/30/87:	4	177.5	3,368.8	573.1	43.2	LA(B);CHI(B);NY*(C);NY*(A)
	7,798	6/30/86:	4	88.9	3,532.5	543.3	90.0	
THAILAND	**Bangkok Bank Ltd.**	6/30/87:	2	68.1	178.6	15.3	1.7	LA*(B);NY(B)
	10,371	6/30/86:	2	45.5	234.0	19.5	2.3	
	Bangkok Metropolitan Bank Ltd.	6/30/87:	2	28.8	107.7	43.7	8.0	SF(A);NY(A)
	1,348	6/30/86:	2	25.9	226.4	79.5	16.9	
	Krung Thai Bank Ltd., Bangkok	6/30/87:	1	28.4	79.0	34.5	1.9	NY*(B)
	4,057	6/30/86:	1	18.6	93.9	71.6	2.6	
	Siam Commercial Bank Ltd., Bangkok	6/30/87:	2	171.8	230.4	161.4	8.1	LA*(B);NY(B)
	2,830	6/30/86:	2	167.4	235.6	146.9	9.5	
	Thai Farmers Bank, Bangkok	6/30/87:	2	50.6	77.2	16.4	1.7	LA(A);NY*(B)
	4,516	6/30/86:	2	56.3	103.4	14.1	2.6	
TURKEY	**Turkiye Cumhuriyeti Ziraat Bankasi, Ankara**	6/30/87:	1	38.5	268.8	112.2	3.6	NY*(B)
	7,401	6/30/86:	1	15.6	134.2	98.3	2.2	
UNITED ARAB EMIRATES	**Bank of Oman Ltd., Dubai**	6/30/87:	1	6.9	22.2	16.1	0.9	NY(E)
	2,409	6/30/86:	1	2.3	21.5	11.3	0.9	
	Middle East Bank, Dubai	6/30/87:	1	10.3	19.5	11.3	2.1	NY*(B)
	948	6/30/86:	1	9.9	17.5	11.0	2.0	
	National Bank of Abu Dhabi	6/30/87:	1	35.4	552.7	451.7	10.3	DC*(B)
	5,349	6/30/86:	1	7.2	168.3	95.7	3.3	
	Union Bank of the Middle East, Dubai	6/30/87:	1	32.6	71.6	1.4	...	NY*(B)
	N.A.	6/30/86:	1	22.6	106.0	62.5	9.4	
UNITED KINGDOM	**Bank of Scotland, Edinburgh**	6/30/87:	1	193.1	246.8	3.0	1.7	NY*(B)
	14,388	6/30/86:	1	135.6	186.2	2.0	1.6	
	Barclays Plc, London (f)	6/30/87:	16	2,031.0	8,809.0	6,214.3	7.5	SF(A);SF(C);Wilmington, Del(C)
	117,007	6/30/86:	15	1,718.5	7,146.3	5,541.8	7.6	MIA(A);ATL(A);CHI(B);New Orleans(A);BOS(B) NY*(3B);NY*(C);Charlotte, N.C.(C) Charlotte Amalie, V.I.(2B);SEA(B)
	Libra Bank Plc, London	6/30/87:	1	0.0	344.1	324.1	11.8	NY*(B)
	2,912	6/30/86:	1	0.0	346.5	341.5	12.2	
	Lloyds Bank Plc, London	6/30/87:	7	1,561.3	4,366.7	2,185.6	6.2	SF*(B);MIA(A);ATL(A);CHI(B)
	70,883	6/30/86:	8	2,195.8	7,383.3	4,477.6	11.7	BOS(B);NY(B);PIT(B)
	London & Continental Bankers	6/30/87:	1	0.0	0.3	0.0	0.0	NY(A)
	810	6/30/86:	1	0.0	0.2	0.0	0.0	
	Midland Bank Plc, London	6/30/87:	1	48.2	1,088.0	725.5	1.4	NY(B)
	78,796	6/30/86:	1	70.9	1,599.2	673.8	1.9	
	National Westminster Bank Plc, London	6/30/87:	6	6,391.9	14,953.6	10,881.7	12.1	SF(A);MIA(E);CHI(B);BOS(B);NY*(B);NY*(C)
	123,488	6/30/86:	5	5,395.2	13,724.8	9,583.2	13.2	
	Royal Bank of Scotland, Edinburgh	6/30/87:	2	81.4	145.2	4.7	0.6	SF(A);NY*(B)
	24,016	6/30/86:	2	55.9	111.0	3.5	0.6	
	Saudi International Bank, London	6/30/87:	1	16.0	39.6	18.2	0.8	NY*(B)
	4,782	6/30/86:	1	10.0	196.8	127.6	4.5	
	Scandinavian Bank Ltd., London	6/30/87:	1	108.4	243.9	45.0	5.0	LA(A)
	4,899	6/30/86:	1	95.2	240.6	44.4	5.4	
	Standard Chartered Bank Plc, London	6/30/87:	9	3,483.8	10,690.6	8,240.5	22.4	LA*(C);SF*(A);MIA(A);ATL(A);CHI(B)
	47,757	6/30/86:	8	3,152.0	9,711.2	6,868.5	23.4	NY(B);HOU(A);HOU(E);SEA(B)
	United Bank of Kuwait Plc, London	6/30/87:	1	1.2	44.9	24.7	1.3	NY*(B)
	3,396	6/30/86:	1	1.8	124.0	119.9	3.9	

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URUGUAY	**Banco de la Republica Oriental del Uruguay, Montevideo**	6/30/87:	1	12.8	181.4	38.8	...	NY*(B)
	N.A.	6/30/86:	1	1.0	1.0	1.0	0.0	
VENEZUELA	**Banco Consolidado, Caracas**	6/30/87:	2	27.2	263.3	245.2	43.0	NY*(B);NY(E)
	612	6/30/86:	3	16.0	198.3	190.1	27.0	
	Banco Industrial de Venezuela, Caracas	6/30/87:	2	27.8	544.4	86.5	37.6	MIA(A);NY(A)
	1,448	6/30/86:	2	20.4	516.1	89.8	32.4	
	Banco Latino, Caracas	6/30/87:	1	14.9	140.4	130.4	19.6	MIA(E)
	715	6/30/86:	1	22.0	110.3	102.1	12.8	
	Banco Mercantil y Agricola, Caracas	6/30/87:	1	24.6	284.6	283.2	21.3	MIA(A)
	1,335	6/30/86:	1	12.7	232.9	221.6	17.8	
	Banco Union, Caracas	6/30/87:	3	101.7	370.2	301.8	47.5	MIA(E);NY*(B);NY*(C)
	779	6/30/86:	3	75.5	336.2	296.8	35.2	
	Banco de Venezuela, Caracas	6/30/87:	3	3.9	327.8	203.3	34.3	MIA(E);NY(A);NY(E)
	957	6/30/86:	3	3.1	237.6	125.6	19.3	
YUGOSLAVIA	**Jugobanka United Bank, Belgrade**	6/30/87:	1	99.4	205.0	49.9	2.8	NY*(B)
	7,264	6/30/86:	1	58.0	243.3	197.6	3.6	
	Ljubljanska Banka, Ljubljana★	6/30/87:	1	12.7	70.6	7.1	0.8	NY*(C)
	8,614	6/30/86:	0	0.0	0.0	0.0	0.0	
	Udruzena Beogradska Banka, Belgrade	6/30/87:	1	63.9	152.6	118.5	1.6	NY*(B)
	9,704	6/30/86:	1	40.8	189.4	95.0	2.1	
GROUP OWNED BANKS	**Al UBAF Banking Group, Neuilly, France (q)**	6/30/87:	1	264.3	1,105.3	783.1	1.6	NY(C)
		6/30/86:	1	189.1	1,129.4	871.0	0.0	
	Audi Group (j)	6/30/87:	1	51.7	276.1	222.7	1.6	NY(C)
		6/30/86:	1	22.7	222.2	168.8	0.0	
	Century Bank (k)	6/30/87:	1	11.0	67.3	52.3	1.6	SF*(C)
		6/30/86:	1	11.7	66.8	50.6	0.0	
	European-American Group (l)	6/30/87:	1	1,578.5	6,536.2	4,639.9	1.6	NY(C)
		6/30/86:	1	1,949.1	6,151.1	4,629.0	0.0	
	Grupo Financiero Populare, Dominican Republic (m)★	6/30/87:	1	4.6	22.4	16.8	1.6	NY*(C)
		6/30/86:	0	0.0	0.0	0.0	0.0	
	Venezuela American Banking Corp., New York (n)	6/30/87:	1	4.8	39.0	3.1	...	NY(I)
	N.A.	6/30/86:	0	0.0	0.0	0.0	0.0	
		6/30/86:	0	0.0	0.0	0.0	0.0	

Sources of data: American Banker questionnaire and data from the Federal Reserve Board's reports of assets and liabilities for these respective banking offices as of June 30, 1987. Also, data for some commercial banks were provided by **ADP Data Services Division, New York,** from their data base derived from Federal Reserve Board call report. **Description of this listing:** Included in this listing are the U.S. banking offices of foreign banks for which data have been received, either directly by American Banker, or indirectly from the various data sources listed below. If data were not available, the office is not listed. Also, this year, finance company data are no longer included in the totals. For banks with finance company subsidiaries, the 1986 data have been restated to exclude these subsidiaries. In this listing, foreign countries are listed alphabetically. Within a country, the banks are listed alphabetically. All data are as of June 30. C&I loans are commercial and industrial loans, which are commonly known as business loans. **(a)**— Assets shown are for 12/31/86, or nearest fiscal yearend, for banks providing data for World Bank listings published July, 1987. For other banks, latest available data was used. **(b)**— Ratio represents the June assets of the bank's U.S. office(s) to the bank's total worldwide assets the previous yearend. **(c)**— Office types are: A=Agency; B=Branch; C=Commercial Bank; E=Edge bank; Eb=Branch of Edge bank; and I=Investment company. Abbreviations for locations are:ATL=Atlanta; BOS=Boston; CHI=Chicago; DAL=Dallas; DC=Washington, D.C.; LA=Los Angeles; MIA=Miami; NY=New York City; PHI=Philadelphia; PIT=Pittsburgh; SF=San Francisco; HOU=Houston and SEA=Seattle. **(d)**— Listed as Danske Provinsbank last year. **(e)**— Bank is, in turn, owned by Compagnie Financiere de Credit Industriel et Commercial, Paris. Last year, bank was listed as Credit Industriel et Commercial. **(f)**— Has a finance company subsidiary. This year, finance company subsidiaries are not included in the totals. The 1986 figures have been restated to exclude finance company data. **(g)**— Overseas Union Bank owns International Bank of Singapore, Ltd. The latter bank has a San Francisco agency which is included in the Overseas Union Bank totals. **(h)**— Bank is also known as Swiss Credit Bank. New York branch is listed as Swiss Credit Bank. **(i)**— The bank—UBAF Arab American Bank, New York— is part of the Al UBAF Banking Group, Neuilly, France. The bank has 20 shareholders. These 20 shareholders are: (1) Alahli Bank of Kuwait; (2) Arab African International Bank, Cairo; (3) Arab Bank Ltd., Aman, Jordan; (4) Bankers Trust New York Corp.; (5) Banque du Maroc, Rabat, Morocco; (6) Central Bank of Egypt, Cairo; (7) Commercial Bank of Syria, Damascus; (8) First Chicago Corp.; (9) Government of the Sultanate of Oman, Directorate General of Finance, Muscat; (10) Libyan Arab Foreign Bank, Tripoli; (11) National Bank of Abu Dhabi, United Arab Emirates; (12) Riyad Bank, Jeddah, Saudi Arabia; (13) Security Pacific Corp., Los Angeles; (14) Sudan Commercial Bank, Khartoum; (15) Texas Commerce Bancshares Inc., Houston; (16) U.B.A.E. Arab German Bank SA, Luxembourg/Frankfurt; (17) U.B.A.E. Arab Italian Bank SpA, Rome; (18) UBAF Bank Ltd., London; (19) UBAN International Ltd., Hong Kong; and (20) UBIC Nederland B.V., The Hague. **(j)**— Owned by three banks of the Audi Group; (1)-Banque Audi, Beirut, Lebanon; (2)-Bank Audi (Switzerland), Zurich; and (3)-Banque Audi (France), Paris. **(k)**—The bank is owned by the following five Philippine banks: (1)-Philippine National Bank; (2)-Land Bank of the Philippines; (3)-Development Bank of the Philippines; (4)-Government Services Insurance System; and (5)-Social Security System. **(l)**—Owned by six European banks: (1)-Amsterdam-Rotterdam Bank, Netherlands; (2)-Creditanstalt-Bankverein, Vienna, Austria; (3)-Deutsche Bank, Frankfurt, Germany; (4)-Midland Bank Plc., London; (5)-Societe Generale de Banque, Brussels; and (6)-Societe Generale, Paris. **(m)**— A financial services holding company which owns Banco Popular Dominico, Santo Domingo. **(n)**— Owned by a group comprised of individuals; Venezuelan industrial companies; and Banco la Guaira International, Caracas. **(*)**— Office is in the foreign bank's "Home State". **(★)**— New to the survey. **N.A.**— Not Available.

Definitions and Data Sources

American Banker's study of foreign banking in the United States shows the business loans (commercial and industrial loans), deposits, and assets of the full banking offices of foreign banks in the U.S. as of June 30, 1987.

Full banking offices of foreign banks in the U.S. include commercial bank subsidiaries more than 50% owned, branches, agencies, Edge Act banks, and New York State investment companies. This year, American Banker has excluded finance companies from the definition of banking offices. The 1986 figures for banks with a U.S. finance company subsidiary have been restated to exclude the finance company.

The major source of the data for this survey comes from an American Banker survey questionnaire sent to each of the more than 600 foreign banking offices in the U.S. This questionnaire asked for data from the various Federal Reserve Board quarterly condition report that these offices are required to complete. More than 50% of the offices were kind enough to respond to our data request.

For the remaining 50%, data were taken directly from the various Federal Reserve reports. These reports were purchased by American Banker from the National Technical Information Service, U.S. Department of Commerce, Springfield, Va. In addition, the data for those reporting directly to American Banker were checked against their respective Federal Reserve reports.

According to the International Banking Act of 1978, an agency is "any office or any place of business of a foreign bank located in any state of the United States or District of Columbia at which credit balances are maintained, checks are paid, or money is lent, but at which deposits may not be accepted from a citizen or resident of the United States."

A branch is defined as "any office or any place of business of a foreign bank located in any state of the United States or District of Columbia thay may accept domestic deposits that are incidental to, or for the purpose of, carrying out transactions in foreign countries."

In New York state, a large number of agencies of foreign banks have been granted powers by the state to issue large-denomination deposits to both domestic and foreign residents. For that reason, *American Banker* follows the Federal Reserve Board's policy of classifying these agencies as branches. These agencies are listed in the branch listing and are identified by a footnote 'm" after their name.

The U.S. branches and agencies of foreign banks are required to submit to the Federal Reserve Form FFIEC 002: "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks" on a quarterly basis.

An Edge Act banking corporation is a nationally chartered organization set up to engage in international banking and investment, under the rules established in the 1919 Edge Act. The International Banking Act of 1978 permitted foreign banks to establish Edge banking offices.

An Edge bank can make loans, accept deposits, and provide a wide range of banking services, but all of these must be directly related to foreign or international transactions.

An Edge bank is required to submit to the Federal Reserve Board Form FR2886B: "Report of Condition for Edge and Agreement Corporations" on a quarterly basis. These are unconsolidated data for the Edge and for each domestic branch of the Edge.

An investment company, which is established under Article XII New York State banking law, is similar to a state-chartered commercial bank. However there are three major differences: (1) an investment company is not subject to the 10% lending limitation, while a commercial bank cannot lend to any one person an amount greater than 10% of its capital stock, surplus, and undivided profits; (2) an investment company has no restriction on investing in stocks of corporations, while banks cannot acquire the stock of any corporation; and (3) an investment company cannot accept deposits, but can only maintain credit balances incidental to the conduct of its lawful business. Only investment companies more than 50% owned by foreign banks are included in the listings.

An investment company is required to submit to the Federal Reserve Board Form FR2886A: "Quarterly Report of Condition for A New York Investment Company and its Domestic Subsidiaries."

The U.S. commercial bank subsidiaries of foreign banks are required to complete one of four forms— Form FFIEC 031-034— depending on the size of the institution and whether or not it has foreign branches. This report, entitled "Consolidated Reports of Condition and Income," is generally referred to as the "call report." For the banks not completing the American Banker questionnaire, call report data were obtained by American Banker from **ADP Data Services, New York.** ADP maintains a computer tape of the the Federal regulatory call reports.

1 Commercial and industrial loans are defined as loans for commercial and industrial purposes to business enterprises (proprietorships, partnerships, and corporations), whether secured or unsecured, single payment or installment. These loans may take the form of direct or purchased loans, such as commercial paper or bankers acceptances.

For commercial banks, data are consolidated, including these banks' domestic and foreign branches and their Edge bank subsidiaries.

Representative Offices By State

CALIFORNIA

Los Angeles
Amsterdam-Rotterdam Bank, Netherlands
Banca Nazionale Dell' Agricoltura, Rome
Banco di Roma, Rome
Bank of Montreal
Bank of Scotland, Edinburgh, U.K.
Bergen Bank, Norway
Berliner Handels-und Frankfurter Bank, Frankfurt
Commerzbank, Dusseldorf, Germany
Deutsche Bank, Frankfurt, Germany
Export-Import Bank of Korea, Seoul
Hongkong and Shanghai Banking Corp., Victoria
Kleinwort, Benson (North America Corp.) (a)
Kredietbank, Brussels, Belgium
Mercantile Bank of Canada, Montreal
Mitsui Trust & Banking Co., Ltd., Tokyo
National Westminster Bank, Plc., London
Nederlandscbe Middenstandsbank, Amsterdam
Royal Bank of Canada, Montreal
Royal Bank of Scotland, Plc., Edinburgh
Security Pacific Australia, Ltd., Sydney
State Bank of New South Wales, Sydney, Australia
Swiss Bank Corporation, Basle
Toronto Dominion Bank, Canada

Newport Beach
Bank of N.T. Butterfield & Son, Ltd., Bermuda

San Diego
Royal Trust Co., Montreal

San Francisco
Amsterdam-Rotterdam Bank, Netherlands
Bank Julius Baer & Co., Ltd., Zurich, Switzerland
Bank of Montreal
Banque Paribas, Paris
Central Trust of China, Taipei, Taiwan
Christiana Bank og Kreditkasse, Oslo, Norway
Credit Suisse, Zurich
Creditanstalt-Bankverein, Vienna, Austria
Industrial Bank of Japan, Ltd., Tokyo
Interallianz Bank, Zurich, Switzerland
Kyowa Bank, Ltd., Tokyo
Mitsui Bank, Ltd., Tokyo
Samuel Montagu & Co., Ltd., London
National Australia Bank, Ltd., Melbourne
Pierson, Heldring & Pierson, Amsterdam, Netherlands
Royal Bank of Scotland, Plc., Edinburgh
Societe Generale, Paris
Union Bank of Switzerland, Zurich
Wing Lung Bank, Ltd., Hong Kong

COLORADO

Denver
Bank of Montreal
Canadian Imperial Bank of Commerce, Vancouver
Lloyds Bank Plc., London
Mercantile Bank of Canada
Norske Creditbank, Oslo, Norway
Royal Bank of Canada

CONNECTICUT

Hartford
Equator Bank, Ltd., Nassau, Bahamas

DISTRICT OF COLUMBIA

Banca Commerciale Italiana, Milan
Banco Nacional do Desenvolvimento Economico, Rio de Janeiro
Bank of Credit & Commerce International, Luxembourg
Bank of Tokyo, Ltd.
Banque Paribas, Paris
Equator Bank, Ltd., Nassau, Bahamas
Export-Import Bank of Japan
Hongkong and Shanghai Banking Corp., Victoria
Industrial Bank of Japan, Ltd.
Japan Development Bank, Tokyo
Nacional Financiera, Mexico City
State Bank of India, Bombay

FLORIDA

Coral Gables
Banca March, Palma de Mallorca, Spain
Filanbanco, Guayaquil, Equador

Miami
Banco Popular Dominicano, Santo Domingo
Banco Regional Sur Medio y Callao, Callao, Peru
Bank Audi (Suisse), Zurich
Banque Intercommerciale de Gestion, Lausanne
Banque Paribas, Paris
Credit Suisse, Zurich
Dow Banking Corp., Zurich, Switzerland
Dresdner Bank, Frankfurt, Germany
Fuji Bank, Ltd., Tokyo

Tampa
Lloyds Bank Plc., London

GEORGIA

Atlanta
Bank of Tokyo, Ltd.
Credit Suisse, Zurich
Dai-Ichi Kangyo Bank, Tokyo
Fuji Bank, Ltd., Tokyo
Industrial Bank of Japan, Ltd., Tokyo
Kredietbank, Brussels, Belgium
Mitsui Bank, Ltd., Tokyo
National Australia Bank Ltd., Melbourne
Sumitomo Bank, Osaka, Japan
Tokai Bank, Ltd., Nagoya, Japan

ILLINOIS

Chicago
Banco di Sicilia, Palermo, Italy
Banco do Brasil, Brasilia
Banco Nacional de Mexico, Mexico City
Bank of Ireland, Dublin
Bank of Nova Scotia, Toronto, Canada
Bank of Scotland, Edinburgh
Bank of Tokyo, Ltd.
Christiana Bank og Kreditkasse, Oslo, Norway
Continental Bank of Canada, Toronto
Credit Commercial de France, Paris
Credit Suisse, Zurich
Credito Italiano, Milan
Daiwa Bank, Ltd., Osaka, Japan
Deutsche Bank, Frankfurt
Hokkaido Takushoku Bank, Ltd., Sapporo, Japan
Industrial Bank of Japan, Ltd., Tokyo
Jugobanka, Belgrade, Yugoslavia
Kleinwort, Benson (North America Corp.) (a)
Kyowa Bank, Ltd., Tokyo
Long-Term Credit Bank of Japan, Tokyo
Metropolitan Bank & Trust Co., Manila, Philippines
Mitsui Bank, Ltd., Tokyo
Nederlandsche Middenstandsbank, Amsterdam
Post-och Kreditbanken, Stockholm, Sweden
Royal Bank of Canada
Royal Bank of Scotland, Plc., Edinburgh
Saitama Bank, Ltd., Tokyo

INDIANA

Gary
Stopanska Banka Skopje, Yugoslavia

LOUISIANA

New Orleans
Banque de l'Union Europeenne, Paris

MARYLAND

Baltimore
Lloyds Bank Plc., London

MASSACHUSETTS

Boston
Toronto Dominion, Inc., Canada

Fall River
Banco Comercial Dos Acores, Ponta Delgada, Portugal

MICHIGAN

Detroit
Stopanska Banka Skopje, Yugoslavia

MINNESOTA

Minneapolis
Barclays Plc., London
Lloyds Bank Plc., London

MISSOURI

St. Louis
Kredietbank, Brussels, Belgium
Lloyds Bank Plc., London

NEW YORK

New York
Akbank, Ankara, Turkey
Al Saudi Banque, Paris
Algemene Bank Nederland, Amsterdam
Andelsbanken, Copenhagen, Denmark
ANZ Merchant Bank Ltd., London
Ashikaga Bank Ltd., Utsunomiya, Japan
Bahrain Middle East Bank, Manama
Banca Cattolica del Veneto, Vicenza, Italy
Banca Nazionale dell'Agricoltura, Rome
Banca Popolare di Novara, Italy
Banca San Paolo, Brescia, Italy
Banco Bolivano Americano, La Paz, Bolivia
Banco Comercial del Norte, Buenos Aires, Argentina
Banco de Galicia y Buenos Aires, Argentina
Banco de Italia y Rio de la Plata, Buenos Aires
Banco de la Construccion, San Jose, Costa Rica
Banco de Quilmes, Argentina
Banco de Santiago, Chile
Banco di Santo Spirito, Rome
Banco Espanol del Rio de la Plata, Buenos Aires
Banco Espirito Santo e Comerciale, Lisbon
Banco Exterior de Espana, Madrid, Spain
Banco Hipotecario Dominicano, Santo Domingo
Banco Mercantil, Caracas, Venezuela
Banco Nac'l de Obras y Serv. Pub., Mexico City
Banco Pan de Azucar, Montevideo, Uruguay
Banco Rio de la Plata (Panama), Panama City
Banco Sud Americano, Santiago, Chile
Bank Handlowy W. Warszawie, Poland
Bank Indonesia, Jakarta
Bank of Fukuoka, Ltd., Japan
Bank of Japan, Tokyo
Bank of Korea, Seoul
Bank of Pusan, Korea
Bank Polska Kasa Opieka, Warsaw, Poland
Banque Arabe et Internationale d'Investissement, Paris
Banque Audi SAL, Beirut, Lebanon
Banque de Bretagne, Rennes, France
Banque de la Societe Financiere Europeenne, Paris
Banque Francaise du Commerce Exterieur, Paris★
Banque Internationale a Luxembourg
Banque Internationale pour l'Afrique Occidentale, Paris
Banque Nationale de Paris★
Banque Paribas (Suisse), Geneva
Banque Sudameris, Paris (l)
Baring Brothers & Co., Ltd., London
Bergen Bank, Norway
Berliner Handels-und Frankfurter Bank, Frankfurt★
Bremar Holdings Ltd., U.K.
British Bank of the Middle East, London
Caisse Centrale des Banques Populaires, Paris
Cassa di Risparmio di Firenze, Florence, Italy
Cassa di Risparmio di Genova e Imperia, Genoa, Italy
Cassa di Risparmio di Torino, Turin, Italy
Cassa di Risparmio di Verona Vicenza e Bulluno, Italy
Central Bank of Turkey, Ankara
Central Trust of China, Taipei, Taiwan
Charterhouse Group International, Inc., London
Clydesdale Bank Plc., Glasgow, Scotland, U.K.
Compagnie de Banque et d'Investissements, Lausanne
Compagnie Financiere de la Mediterranee, Paris
Country Bank, Ltd., London
Credit Chimique, Paris
Credit Lyonnais, Paris★
Credito Romagnolo, Bologna, Italy
Daegu Bank, Ltd., Seoul, Korea
Daishi Bank Ltd., Nigata, Japan
Danske Bank, Copenhagen, Denmark
Dresdner Bank, Frankfurt
Euro Canadian Bank, Nassau, Bahamas
Export-Import Bank of Korea, Seoul
Fenno Scandia Ltd., London, U.K.
Filanbanco, Guayaquil, Ecuador
First Curacao International Bank, Willemstad
First International Bank of Israel, Ltd., Tel-Aviv
First Nat'l Bk of S. Africa Ltd., Johannesburg (b)
Fukui Bank, Ltd., Fukui, Japan
Fukutoku Sogo Bank, Ltd., Osaka, Japan
Genossenschaftliche Zentralbank, Vienna, Austria
Gerrard and National, Plc., London
Guinness Mahon Capital Corp.
Gunma Bank, Ltd., Gunma, Japan
Gyeongnam Bank, Ltd., Seoul, Korea
Hambro America (c)
Hill Samuel & Co., Inc., London
Hokkaido Bank Ltd., Sapporo, Japan
Hongkong & Shanghai Banking Corp., Victoria
Hyogo Sogo Bank, Ltd., Kobe, Japan
Investiciona Banka Titograd-Udruzena Banka, Yugo.
Iyo Bank Ltd., Matsuyama, Japan
Japan Development Bank, Tokyo
Juroku Bank, Ltd., Gifu, Japan
Kinki Sogo Bank, Ltd., Osaka, Japan
Kleinwort, Benson (North America Corp.) (a)
Korea Development Bank, Seoul
Kredietbank S.A. Luxembourgeoise
Libra Bank, Ltd., London
Ljubljanska Banka, Ljubljana, Yugoslavia
Meridien International Ltd., London
Morgan Grenfell Ltd., London
Nacional Financiera, Mexico City, Mexico
National Bank of Hungary, Budapest
National Bank of New Zealand, Wellington
National Bank of Nigeria, Lagos
National Mortgage Bank of Greece, Athens
National Westminster Bank, Plc., London
North American Bank, Ltd., Tel-Aviv, Israel
Nuovo Banco Ambrosiano, Milan, Italy
Oesterreichische Landerbank, Vienna
Orion Royal Bank, London
Overland Trust Bank, Lugano, Switzerland
Pierson, Heldring & Pierson, Amsterdam, Netherlands
Post-Och Kredietbanken, Stockholm, Sweden
Privredna Banka Sarajevo, Yugoslavia
Rea Brothers, Ltd., London
Reserve Bank of Australia, Sydney
Romanian Bank for Foreign Trade, Bucharest
Samuel Montagu & Co., Ltd., London
Saudi European Bank, Paris
Scandinavian Bank, Ltd., London
Senshu Bank, Ltd, Kishiwada, Japan
Skopbank, Helsinki, Finland
Small and Medium Industry Bank, Seoul, Korea
Societe Industrielle de Banque, Paris
Sparebanken Oslo Akershus, Oslo, Norway
Stopanska Banka, Skopje, Yugoslavia
Suruga Bank, Numazu, Japan
Tokyo Tomin Bank
Toronto Dominion Bank, Canada
Trans-Arabian Investment Bank, Ltd., Manama, Bahrain
Udruzena Banka Hrvatske, Zagreb, Yugoslavia
Ufficio Italiano dei Cambi (Bank of Italy), Rome
Ulster Investment Bank, Ltd., Ireland
Union Bank of Norway, Oslo
Vereins-und Westbank, Hamburg, Germany
Vojvodjanska Banka-Udruzena Banka, Yugoslavia
Volkskas Ltd., Pretoria, South Africa
Wardley Ltd., Hong Kong
Yapi ve Kredi Bankasi, Ankara, Turkey
Zenshinren Bank, Tokyo

NORTH CAROLINA

Charlotte
Barclays Plc., London

Winston-Salem
Lloyds Bank Plc., London

OHIO

Cleveland
Bank of Nova Scotia, Toronto, Canada
Bayerische Vereinsbank, Munich, Germany
Lloyds Bank Plc., London

Columbus
Westpac Banking Corp., Sydney, Australia

OREGON

Portland
Mitsubishi Bank, Ltd., Tokyo

PENNSYLVANIA

Philadelphia
Barclays Plc., London
Charterhouse Japhet North America, London
Lloyds Bank Plc., London

Pittsburgh
Royal Bank of Canada, Montreal
Toronto Dominion Bank, Canada

TEXAS

Dallas
Banco do Brasil, Brasilia
Banque Paribas, Paris
Barclays Plc., London
Canadian Imperial Bank of Commerce, Toronto
Lloyds Bank Plc, London
Long-Term Credit Bank of Japan, Ltd.
Mercantile Bank of Canada, Montreal
National Australia Bank, Ltd., Melbourne
National Bank of Canada, Montreal
National Australia Bank, Melbourne
National Westminster Bank Plc., London
Royal Bank of Canada, Montreal
Saitama Bank, Ltd., Urawa, Japan
Societe Generale, Paris

Houston
Algemene Bank Nederland, Amsterdam
Amsterdam-Rotterdam Bank, Amsterdam, Netherlands
Arab Banking Corp., Manama, Bahrain
Australia and New Zealand Banking Corp., Melbourne
Banca Nazionale del Lavoro, Rome
Banco di Roma, Rome
Banco do Brasil, Brasilia
Banco do Estado de Sao Paulo, Brazil
Banco Nacional de Mexico
Bank of Credit & Commerce International, Luxembourg
Bank of Nova Scotia, Toronto, Canada
Bank of Scotland, Edinburgh
Bank of Seoul, Korea
Bank of Tokyo, Ltd.
Banque Francaise du Commerce Exterieur, Paris
Banque Indosuez, Paris
Banque Nationale de Paris
Banque Paribas, Paris
Barclays Plc., London
Bergen Bank, Norway
Canadian Imperial Bank of Commerce, Toronto
Charterhouse Japhet, Ltd., London
Cho-Heung Bank, Ltd., Seoul, Korea
Christiania Bank og Kreditkasse, Olso, Norway
Clydesdale Bank, Ltd., Glasgow, Scotland
Credit Lyonnais, Paris
Credito Italiano, Milan
Credit Suisse, Zurich
Dai-Ichi Kangyo Bank, Ltd., Tokyo
Daiwa Bank, Ltd., Osaka, Japan
Danske Bank, Copenhagen, Denmark
Dresdner Bank, Frankfurt, Germany
Fuji Bank, Ltd., Tokyo
Guardian International Bank, Ltd., Montserrat
Hill Samuel & Co., Ltd., London
Hokkaido Takushoku Bank, Ltd., Sapporo, Japan
Hongkong & Shanghai Banking Group, Victoria
Industrial Bank of Japan
International Commercial Bank of China, Taipei
James Finlay Int'l Inc., London (d)
Korea Exchange Bank, Seoul
Lloyds Bank Plc., London
Mitsubishi Bank, Ltd., Tokyo
Mitsui Bank, Ltd., Tokyo
National Westminster Bank, Plc., London
Philippine Commercial and Industrial Bank, Makati
Post-och Kreditbanken, Stockholm, Sweden
Royal Bank of Canada, Montreal
Royal Bank of Scotland, Plc., Edinburgh
Sanwa Bank, Ltd., Osaka, Japan
Societe Generale, Paris
Sumitomo Bank, Ltd., Osaka, Japan
Swiss Bank Corporation, Basle
Taiyo Kobe Bank, Ltd., Kobe, Japan
Tokai Bank Ltd., Nagoya, Japan
Toronto Dominion Bank, Canada
Union Bank of Switzerland, Zurich
Westpac Banking Corp., Sydney, Australia

WASHINGTON

Seattle
Fuji Bank, Ltd., Tokyo
Lloyds Bank Plc., London
Mitsubishi Bank, Ltd., Tokyo
Mitsui Bank Ltd., Tokyo (e)

Closed in 1987

Bank of British Columbia, Vancouver (Los Angeles)
Development Fin. Cp. of N. Zealand, Wellington (San Francisco)
Fuji Bank, Ltd., Tokyo (San Francisco)
Banco do Brasil, Brasilia (Washington, D.C.)
Banco Atlantico, Barcelona (Miami) (f)
Banque Indosuez, Paris (Atlanta) (g)
Banco do Brasil, Brasilia (Atlanta)
Credit Lyonnais, Paris (Atlanta) (g)
Philippine National Bank, Manila (Chicago)
Taiyo Kobe Bank, Ltd., Tokyo (Chicago) (h)
Banco de Credito Argentino, Buenos Aires (New York)
N.T. Butterfield & Son, Bermuda (New York)
Chiba Bank, Japan (New York) (i)
Hachijuni Bank, Ltd., Nagano, Japan (New York) (i)
Merrill Lynch Int'l Bank, Inc., Panama (New York) (j)
Merrill Lynch Int'l Bank, Ltd., London (New York) (j)
National Bank of Greece, Athens (New York) (k)
Shoko Chukin Bank, Tokyo (New York) (l)
Volkskas Ltd., Pretoria, South Africa (New York)

Representative offices that are new to the listing (last published on Feb. 26, 1987) are shown in bold face. Most are new, having opened in 1987. Some were inadvertantly omitted from the last listing.

(a)— Rep. office for Kleinwort, Benson, Ltd., London. (b)— Formerly Barclays National Bank Ltd., Johannesburg. Changed title to First National Bank of Southern Africa Ltd., 9/30/87. (c)— Representative office for Hambros Bank, Ltd., London. (d)—Representative office for James Finlay Plc., Glasgow, Scotland. (e)— Converted to a rep. office from a branch 10/86. (f)— Converted from rep. office to an agency office. (g)— Was licensed as an agency but was operating as a rep. office. (h)— Converted from rep. office to branch 12/86. (i)— Converted from rep. office to branch 4/87. (j)— No longer listed in New York phone directory. (k)— Its affiliated bank, Atlantic Bank of New York, is a full service commercial bank. (l)— Converted to a branch 11/86. (★)— Also operates a branch or agency office in the same city.

Major data sources: U.S. Treasury; R.L. Polk & Co. World Bank Directory — North American and International editions; American Banker world bank questionnaire; and various other sources.

Japanese Banks Continue as Dominant Foreign Presence in US

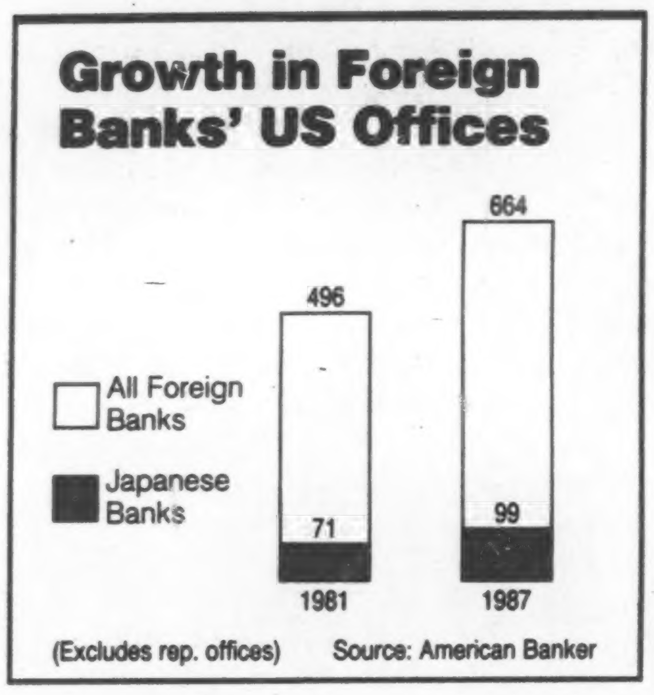
→ Continued from Page 1

five years, foreign bank branches have had the highest growth rate of any type of office.

These are among the findings of the *American Banker's* annual survey of U.S. banking activities of foreign banks.

Foreign banks had a total of 1,014 offices in the U.S. as of June 30, an increase of 39 from the previous year. Total offices include full banking offices — branches, agencies, commercial bank subsidiaries, Edge Act banks, and New York State investment companies — plus representative offices. These offices were located in 58 U.S. cities, two more than in 1986.

By far the most prevalent foreign banks in the U.S. are the Japanese with 30 institutions, an increase of three from midyear 1986. These banks control 99 full banking offices, excluding representative offices. That accounts for 20.3% of all foreign branches and agencies in the United States. In the past two years, Japanese banks have opened 21 of the 51 new foreign banking offices in the U.S.



According to the Japan Economic Institute of America, a Washington-based nonprofit organization funded by the foreign ministry in Japan, Japanese banks have also been moving into the Midwest.

For instance, after Toyota established an automobile manufacturing plant in Lexington, Ky., four Japanese banks opened representative offices there to assist in financing, wire transfers, and negotiating local banking arrangements. They are Mitsui Bank Ltd., Sanwa Bank Ltd., Tokai Bank Ltd., and Bank of Tokyo Ltd. These offices were not included on the U.S. Treasury's list of foreign offices and are not reflected in today's survey.

All told, representative offices grew by 33 to 350; branches increased by 15 to 340; commercial bank subsidiaries were up 8 to 89; agencies rose by 6 to 193; investment companies increased by 1 to 12; and Edge Act banks declined by 4 to 30.

Edge Act banks — both U.S. and foreign — have been decreasing in number for the past several years. An Edge corporation is a nationally chartered organization established to engage in international banking and investment under rules established in the Edge Act of 1919. An Edge bank can make loans, accept deposits, and provide a wide range of banking services, but all must be directly related to foreign or international transactions.

A Federal Reserve Board official noted that part of the reason for the decline of Edge Act banks is the Latin American situation. During the 1970s and early 1980s, banks were opening up these offices to attract Latin American business. Since then, the cash flow from that region has declined and Edge banks have followed suit. Of the four Edge banks closed between midyear 1986 and midyear 1987, three were in Miami and one was in Houston.

The Fed spokesman also said that changes in the structure of U.S. banking have given an impetus to the move away from Edge corporations. In the past, banks used Edge Act offices as a vehicle to enter other states. Since previously restrictive states such as Texas have made it easier to operate foreign offices, some foreign banks have opted to use branches and agencies for their banking presence. Standard Chartered Bank PLC, London, converted its Houston Edge Act bank into an agency in October 1986.

The number of offices for United Kingdom banks, the second largest foreign bank segment in the U.S., continued to decline. U.K. banks decreased to 12 from 14 at midyear 1986, and total offices also declined to 47 from 51. Commercial and industrial loans increased 7.1% to $13.9 billion, while deposits and assets showed negligible increases of 0.3% and 0.2%, respectively.

On Feb. 16, Standard Chartered signed a letter of intent to sell its California commercial bank subsidiary, Union Bank, to California First Bank. Bank of Tokyo Ltd. owns 77% of California First. Earlier in the year, Standard Chartered agreed to sell United Bank of Arizona to Citicorp. Also in 1987, Barclays Bank PLC sold its California subsidiary, Barclays Bank of California, to Wells Fargo Bank. Lloyds Bank of California, which had assets of $2.4 billion in 1986, was sold to Sanwa Bank Ltd., which was then merged into Sanwa Bank California in September of that year.

- New York remained the top location for foreign bank offices, with 435, a net increase of 14 from the year-earlier period. Included in that total are 214 branches, 140 representative offices, 33 commercial bank subsidiaries, 29 agencies, 12 investment companies, and 7 Edge Act banks.
- Los Angeles was a distant second, with 118 foreign bank offices, four more than in 1986. Sixty-one of those offices were agencies and 21 were branches. Los Angeles was followed by: Chicago at 81, up 1 office; Houston at 77, an increase of 5; and San Francisco at 70, up 3 from the previous year.

- Two new investment companies were opened after midyear 1986. Banque Worms Capital Corp., owned by Banque Worms, Paris, opened its doors on Jan. 1, 1987. Banque Worms did not have commercial and industrial loans or deposits and credit balances on June 30, 1987, but it reported assets of $5.5 million; and PKBanken International U.S. Banking, a subsidiary of PK Banken, Stockholm, became active on Oct. 22, 1986. At midyear 1987, PKBanken reported commercial and industrial loans of $303.6 million, assets of $355.8 million, and deposits and credit balances of $425,000.

- Today's listing of foreign-bank-owned commercial banks includes for the first time the four New Mexican subsidiaries of Banco de Vizcaya, Bilboa, Spain's seventh largest bank. The four banks — Banquest National Bank, Albuquerque; San Juan National Bank, Farmington; Banquest First National Bank, Santa Fe; and Banquest First State Bank, Taos — had combined corporate and industrial loans of $59.4 million and assets of $341.7 million.

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- Asset and Deposit Rankings and Growth Rates

Balance Sheet Structure
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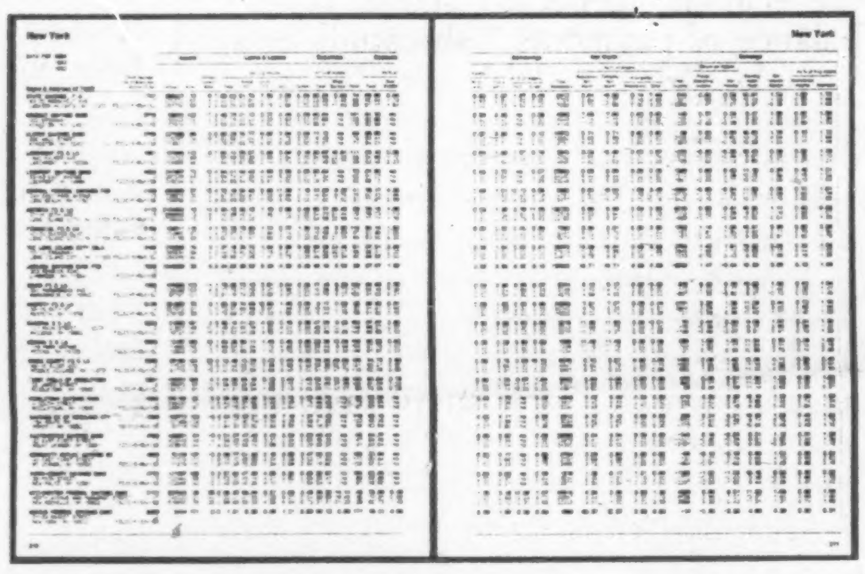

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Foreign Banks in US Boost Loan Purchases

➔ Continued from Page 1

only 4.4%, to $419.5 billion from $402 billion.

A Federal Reserve Board study, published last July, found that nine large U.S.-owned banks — Citibank, Bank of America, Chase Manhattan Bank, Morgan Guaranty Trust Company of New York, Manufacturers Hanover Trust Co., Chemical Bank, Bankers Trust Co., Security Pacific National Bank, and First National Bank of Chicago — sold $25.1 billion in business loans as of March 31, 1987.

"About 45% [$11.2 billion] of the outstanding loans sold by the nine banks were on the books of U.S. agencies and branches of foreign commercial banks," the Fed study said. "Moreover, almost one-half of their remaining loans sold went to a group of 'other' purchasers, among the most important of which were foreign offices of foreign banks."

If the nine large banks had retained all those loans on their books, business loans at U.S.-owned banks would have risen by about 9.5% in the year ended June 30, 1987, and business loans at the U.S. offices of foreign banks would have grown by 11.5% instead of 21.3%. Thus, the sale of loans by these nine banks accounted for more than 46% of the growth in business loans posted by the U.S. offices of foreign banks last year.

The survey found that 30 Japanese banks, operating through 99 U.S. offices, had $61.6 billion in business loans on June 30, 1987. That was up 43.9% from the $42.8 billion in business loans held by the 90 U.S. offices of the 27 Japanese banks operating in the U.S. on June 30, 1986. Japanese banks accounted for 44.5% of the business loans held by all foreign banks in the United States at midyear 1987, up from 37.5% a year earlier.

"The large Japanese banking community in the U.S. enables the big, well-known Japanese banks to efficiently participate out loans to the smaller, second- and third-tier Japanese banks in the U.S., which have little or no market recognition," said one foreign banker based in New York. "A large Japanese bank can take a $100 million position on a loan in the morning and have only $20 million of that loan on its books by evening."

A study of Japanese banks in the United States, published last month by the Japan Economic Institute of America, an organization funded by Japan's foreign ministry, lists factors that have contributed to the recent surge in the expansion of Japanese banks abroad — especially in the United States.

"One reason is Japan's capital market liberalization. Investment funds, once restricted, are now generally free to move into or out of Japan," the study said.

"Another reason is growth, both in the economy generally and in Japan's balance of payments," the study continued. "It is inevitable that Japanese investors and borrowers would like to diversify. As the largest and best-developed financial system in the world, the United States cannot be ignored.

"Another powerful motive for Japanese banks to move to the United States [is] the presence of their Japanese customers," the study said. For example, the study cites Mitsui Bank, which opened a representative office in Lexington, Ky., to help service the new Toyota auto plant there.

A fourth reason, the study said, is that the U.S. banking system offers Japanese banks opportunities to expand into areas prohibited at home. "For example," the study said, "city banks cannot engage in trust banking in Japan, but are free to offer these services in the United States. Most have established subsidiaries to do just that."

Impetus Has Changed

Several years ago, the major impetus for the sale of assets by U.S.-owned banks was the higher capital adequacy requirements imposed on commercial banks by federal regulators. Limiting asset growth was a way to bolster a bank's capital-assets ratio. Loan-participation sales also produce revenue for a bank without increasing loan risk. This factor was especially important to the large banks that had problems with foreign and energy-related loan portfolios.

"U.S. banks now view the asset sales area as a new profit center for the bank," according to a New York officer of a large West German bank. "And participations enable these banks to price their loans lower than a conventional credit."

Foreign banks in the U.S. are the chief buyers of those loans, for a number of reasons. "Several years ago, many foreign banks came into the U.S. market as second-tier participants," said an officer of a large French bank operating in New York. "Our recognition in the marketplace was low, and we took what we could get, because we needed to build up the asset side of the balance sheet.

"Today, our recognition and acceptance by American corporate customers has grown," the French banker said. "And we are now more familiar with the U.S. market and are more comfortable with buying pieces of securitized loans. In addition, the market's perception of securitization has changed. It has become the respectable thing to do. It's routine now."

Securitization is the sale of financial assets by an institution. The purchaser of a security invests in the pool and not the issuer. Securitization provides a bank with liquidity and allows it to shift market risk to investors.

Other Survey Findings

- Hongkong and Shanghai Banking Corp., owners of Marine Midland Banks Inc., Buffalo, remains the largest foreign bank in the United States in business loans. Hongkong had $7.5 billion in business loans outstanding in 20 U.S. offices at midyear 1987, up 6.3% from $7 billion the year before. The bank also leads foreign banks in deposits, with $19.6 billion, but fell from first place to fifth place in assets, with $25.5 billion on June 30, 1987.
- Four Tokyo-based banks surpassed Hongkong in assets held in their U.S. offices. They are Mitsubishi Bank Ltd., which is now the top foreign bank in terms of assets at U.S. offices, with $29.4 billion on June 30, 1987; Dai-Ichi Kangyo Bank Ltd., with $26.3 billion in assets; Bank of Tokyo Ltd., with $26.1 billion; and Fuji Bank Ltd., with $25.8 billion.
- Of the $138.5 billion in business loans booked in the U.S. offices of foreign banks at midyear 1987, 71% were booked through branch and agency offices, 27.5% through commercial bank subsidiaries, and the remaining 1.5% through Edge Act banks and New York State investment companies.
- Foreign banks had 1,014 U.S. offices at midyear 1987, up from 975 a year earlier. There were 350 representative offices, 340 branches, 193 agencies, 89 commercial bank subsidiaries, 30 Edge Act banks, and 12 New York State investment companies.
- New York City is the home of 435 of these offices, or 43% of all foreign bank offices in the United States. The next six largest cities for foreign bank offices — Los Angeles, Chicago, Houston, San Francisco, Miami, and Atlanta — have a combined total of 424 offices.
- The United Kingdom follows Japan, with the second largest foreign banking presence in the United States. Twelve British banks have 47 banking offices, which held $13.9 billion in business loans, or 10% of the business loans held by all foreign banks in the United States. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our annual study of the U.S. banking operations of foreign banks meets your information needs. So would you spend a moment to give us some feedback? Please clip this questionnaire and return to William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the section to make it more useful? What would you add?

(2.) What do you like **best** about the study of U.S. operations of foreign banks?

(3.) What do you like **least** about the survey and its presentation?

(4.) How do you use the information on operations of foreign banks in your work?

Name (optional)________________

Title________________

Company ________________

Address________________

Phone________________

DAILY FINANCIALS
Monday February 22, 1988

Money Market

Federal funds range	6¾-6¾%
Prime rate (2/4/88)	8.50%
Discount rate FRB of New York (9/4/87)	6.00%
Call loans on securities, to brokers on stock exchange collateral	8.00%

Bankers acceptances offering rate, discount (2/22)
30 days: 6.48 60 days: 6.48 90 days: 6.50
120 days: 6.53 180 days: 6.53

Certificates of deposit, highest offering rate, at New York City banks (2/22)
14 days: 6.35 30 days: 6.45 60 days: 6.50
90 days: 6.60 120 days: 6.60 150 days: 6.65
180 days: 6.65 270 days: 6.80 360 days: 7.00

Commercial paper, dealer Aaa, discount (2/22)
30 days: 6.50 60 days: 6.50 90 days: 6.55

Commercial paper, directly placed, discount (2/22)
5-14 days: 6.30-6.50 15-29 days: 6.45-6.50
30-59 days: 6.25-6.53 60-89 days: 6.25-6.45
90-179 days: 6.25-6.38 180-270 days: 6.25-6.25

Treasury-bill rates, secondary market, bid (2/22)
90 days: 5.64 180 days: 5.91 1 year: 6.21

Eurodollar deposits, London bid (2/22)
Overnight: $6\frac{11}{16}$ 7 days: 6⅝1 month: $6\frac{11}{16}$
3 mos.: $6\frac{13}{16}$ 6 mos.: 6⅞ 1 year: $7\frac{3}{16}$
NIBOR: 6⅞ **LIBOR:** 7

Futures Markets

The Bond Buyer Municipal Bond Index

	2/22/88	2/19/88	2/15/88
Index	90 .27	90.25	91.02
Yield to Par Call	8.06	8.07	8.06
Yield to Maturity	7.91	7.92	7.97

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Mar. '88	94.37	94.24	94.37	+ 4	5.63
June '88	94.31	94.23	94.30	+ 4	5.70
Sept.'88	94.04	93.98	94.04	+ 2	5.96
Dec. '88	93.76	93.74	93.75	+ 2	6.25
Mar. '89	93.52	.....	93.51	+ 2	6.49
Jun. '89	93.32	93.29	93.31	+ 2	6.69

As of the previous day's close; Total no. of contracts traded: 3,170 total open interest: 22,617 and change in open interest: - 176

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Feb. 22:	251.0	1988:	253.3	227.7	250.1
Feb. 19:	246.6	1987:	401.7	212.0	234.6
Feb. 18:	246.9	1986:	388.7	331.2	331.3
Feb. 17:	249.3	1985:	344.2	242.7	344.2
Feb. 16:	247.1	1984:	269.6	178.4	246.3

* Based on midday prices.

Job Volatility Linked to Overexpansion

The U.S. labor market is much more volatile than many managers believe, says a scholar at the University of California at Berkeley business school.

One in every nine jobs is destroyed and one in every eight is created each year, according to Jonathan Leonard, associate professor and an economist in the School of Business Administration's organization behavior and industrial relations group.

"The aggregate statistics hide huge job losses and gains," he said, adding that companies seem too quick to jump on a roller coaster when good times or hard times are at hand.

"When a company grows unusually fast one year, the best bet is that it will shrink the next year," Mr. Leonard said. "Firms seem to overreact to market conditions with an expansion-and-contraction, boom-or-bust pattern."

The tremendous rate of job creation in this country — far higher than in Europe or Japan — is a tribute to the entrepreneurial abilities of American business, he said. But the jobs created are more tenuous than are those overseas. Mr. Leonard believes that as much as one-fourth of the "natural" rate of domestic unemployment is caused by fluctuations in labor demand by individual firms.

Business managers can avoid the sharp layoffs of the boom-bust cycle by resisting the temptation to overexpand at the first hint of good news, he argues. Subcontracting to meet peak demands may be better than hiring a raft of new workers, according to the scholar.

Mr. Leonard's conclusions are contained in his recently published book, "Unemployment & the Structure of Labors Markets," published by Basil Blackwell Inc. Coedited by Kevin Lang, the book is a collection of papers by University of California economists investigating labor market structure, wages, and unemployment. ■

Strategic Dates
July 1, 1988

VERMONT'S BAN: A sunset provision of a Vermont law banning nonbank banks in the state goes into effect today. Under the provision, the rule will expire today.

American Banker

The Daily Financial Services Ne

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Friday, February 26, 1988

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Today

THRIFTS & MORTGAGES

First Nationwide Bank, the San Francisco-based savings and loan, is using its recently acquired Chicago thrift, Uptown Federal Savings, to tap into the rich Illinois market. ______6

The primary business of thrifts — making mortgage loans — is likely to slow in 1988 after two very active years, writes Henry S. Peltz in the Observer column. ______7

The Farmers Home Administration has a house for sale that a family in Horicon, Wis., claims is haunted. 10

INSIDE

Interest rate ahd currency swaps totaling $225 billion were executed during the first half of 1987.______2

Two separate consumer rights bills would direct banks to provide services to the poor without charge and would mandate increased monitoring of banks' compliance with community reinvestment laws. ______2

Minnesota's independent bankers support opening the state to banks across the country, switching their traditionally vocal opposition to interstate banking. ______2

Plastic cards and electronic funds transfer machines will replace unemployment checks in Washington State as it modernizes its unemployment insurance system.______3

The Department of Housing and Urban Development, often criticized for not doing enough to promote housing at home, spent $427,000 in Moscow last May, trying to get American companies in on an anticipated $60 billion Soviet housing boom. 16

The U.S. Supreme Court let stand an appeals court ruling that reduced Dominion Federal Savings and Loan Association's liability in a negligence and fraud suit to $1,000 — a fraction of the jury's award. ______ 16

Maggie Mae, the first asset-backed commercial paper issued in the Euromarkets and named for Prime Minister Margaret Thatcher, was introduced by British financiers. The first $350 million deal will be secured by British residential mortgages. __ 16

COMMENT

Recent downgrades of bank holding companies by Moody's Investors Service indicate the need for public scrutiny of the practices of the rating agencies, writes David C. Cates. __4

KEEPING CURRENT

Executive Changes ______ 12
In the News ______3

Quote/Unquote

The Washington unemployment agency should experience a dramatic reduction in its operating costs. If it doesn't, then we are not doing our job right.

Martin Dukler, vice president of TransFirst Corp., which will provide the distribution network for the state's unemployment benefits. [Page 3]

Bid for Irving Wins State Banking Board Nod

Company Vows to Continue Fight Against Hostile Takeover by Bank of New York

By GORDON MATTHEWS

NEW YORK — The New York State Banking Board on Thursday voted unanimous approval of Bank of New York Co.'s hostile bid for Irving Bank Corp. But Irving said it would continue to fight the takeover attempt, which if successful would be the first unwelcome acquisition of a major bank.

Bank of New York said it was "pleased and gratified" with the regulatory ruling, which came exactly five months after its bid for Irving was unveiled.

Federal Reserve Board approval is still required before Bank of New York can proceed with its $1.1 billion takeover. The board met Wednesday and Thursday on the matter. The Thursday meeting ended at 3 p.m., but by late in the afternoon no decision had been made public. It was not clear if a ruling would be announced Thursday evening.

News of the state banking board's 13-to-0 decision at midmorning sent the price of Irving's stock up sharply. In afternoon trading, Irving was quoted at $53.75, up $3.25 from Wednesday's close. Bank of New York Co.'s shares were unchanged at $29.625.

Irving said in a statement it "will continue to resist the Bank of New York's hostile takeover attempt." The state approval, it asserted, "does not change the nature of the proposal, which makes no business sense and is not in the best interests of Irving shareholders."

In an indication that it may be considering legal action, Irving charged that the state decision "appears clearly to run counter to the statutory standards for such approvals which the Banking Board is required to follow."

With full regulatory approval, the stage could be set for a proxy battle between two of New York's most venerable banks. Bank of New York was formed in 1784 by Alexander Hamilton, the nation's first Treasury secretary; Irving was founded in 1811 and named after Washington Irving, the author and diplomat.

Bid: Page 15 ➵

First Wisconsin Restates Earnings To Register Loss

By JOHN P. FORDE

NEW YORK — First Wisconsin Corp. and Peat Marwick Main & Co. this week were reminded of the old saying that close only counts in horseshoes and hand grenades, not financial accounting.

Wisconsin's largest bank holding company will restate its 1987 earnings to show a $49 million loss after its accounting firm changed its mind on when to recognize income from the sale of a building.

A spokeswoman for the Milwaukee-based holding company said on Thursday that Peat Marwick, its auditor, decided that $57 million in income from the sale/leaseback of its headquarters must be included in

First Wisconsin: Page 14 ➵

Auto Lenders File Formal Complaint Protesting Dealer Financing Practices

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Trade groups representing independent bankers and credit unions filed a formal complaint Thursday charging the credit subsidiaries of three major U.S. automakers with unfair and deceptive advertising.

The Independent Bankers Association of America and the Credit Union National Association asked the Federal Trade Commission to investigate the advertising practices of General Motors Acceptance Corp., Chrysler Financial Services, and Ford Motor Credit Co.

"The cut-rate financing offered by the captive subsidiaries is a blatant violation of the FTC Act, catching consumers in an illegal bait-and-switch operation," the groups said.

Spokesmen at Ford Credit and GMAC said they had not seen the complaint and could not comment. No one authorized to speak for Chrysler Financial could be reached yesterday.

A commission spokeswoman said the agency's credit practices division will look into the complaint and decide whether a full investigation is warranted.

Finance companies are exercising growing control over new-car loans, the complaint said — reaching almost 38% by the end of 1987 — while the share held by banks, thrifts, and credit unions is declining. How much of the 38% belongs to finance company affiliates of the car manufacturers is not indicated.

The bank and credit union trade groups argue that buyers are lured to car showrooms by advertisements promising low interest rates on loans from the manufacturer's finance com-

Auto Lenders: Page 15 ➵

More financial institutions failed in 1987 than in any year since the Great Depression.

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Dollar Dominates Swaps, Survey Shows

Deals in US Currency Outstrip Yen, Deutsche Mark by Far

By LISABETH WEINER
Midwest Bureau

CHICAGO — Interest rate and currency swaps totaling $225 billion were executed during the first half of 1987, according to a survey released by the International Swap Dealers Association.

While the association has kept track of interest rate swap activity since 1985, this is the first time the group has provided data on currency swaps.

"There was absolutely great demand for the currency swap numbers," said Patrick de Saint-Aignan, chairman of the International Swap Dealers Association and a managing director at Morgan Stanley & Co.

"When we do release the next survey, we will also include information on the amount of swaps [currency and interest rate] outstanding, as well as production. I think outstandings will be more than $1 trillion for swaps with average maturities of three years or more."

Swaps, developed in 1982, are corporate finance tools used by companies to hedge risk, reduce borrowing costs, or raise capital in foreign currency markets. Interest rate and currency swaps are agreements between counterparties to exchange debt obligations.

"These new figures furnish additional evidence that swaps are an increasingly dominant presence throughout the global marketplace," said Mr. Saint-Aignan. "Fueled by market volatility and currency fluctuations, the swap market has become universally recognized by financial managers around the world as an effective means of hedging portfolios against risk."

The U.S. dollar dominates as the major currency used in swaps. The survey concluded that transactions involving the dollar totaled $178 billion for the first half of the year. The yen was second with $28 billion, followed by the deutsche mark at $17 billion.

Mr. Saint-Aignan said the dollar's dominance in swap is "consistent with the role of dollar financing in the total world picture. No market has the depth and liquidity of the dollar market." He added, however, that it is not surprising to see the strength of the dollar swap market compared with other currencies.

"In every capital market, there are local currency needs, but also some amount of dollar swapping is needed which adds up to a large number. It's also possible some nondollar major dealers did not take part in the survey, which would create a statistical bias — and this is something we will have to look at."

Interest rate swaps also continue to outpace currency swaps. Volume in dollar interest rate swaps reached $138.7 billion in the first half of the year, with yen volume at $13.7 billion and deutsche mark volume at $10 billion.

In currency swaps, U.S. dollar volume was $39.2 billion, yen volume was $14.4 billion, and deutsche mark volume was $6.8 billion.

The International Swap Dealers Association, which released the survey at its third annual conference in San Francisco, said that 10,936 swaps were booked in the first half of last year, broken down into 9,321 interest rate and 1,615 currency swap deals. The average contract value was $20 million for interest rate swaps and $27 million for currency swaps.

The swap group said 51 dealers, representing the most active traders in 13 currencies, took part in the survey conducted by Arthur Andersen & Co. ■

How Swaps Are Denominated

January 1987 - June 1987

Interest Rate Swaps	No. of Swaps	$ Equiv (Mil.)	Average Contract Value (Mil.)
US dollars	6,158	$138,740	$22.53
Australian dollars	772	3,824	4.95
Belgian francs	0	0	0.00
British sterling	593	9,349	15.77
Canadian dollars	107	2,077	19.41
Deutsche marks	727	10,009	13.77
Dutch guilders	12	142	11.83
European currency units	46	619	13.46
French francs	86	667	7.76
Hong Kong dollars	49	403	8.22
Japanese yen	591	13,741	23.25
New Zealand dollars	5	50	10.00
Swiss francs	175	1,922	10.98
Total	**9,321**	**$181,543**	
Currency Swaps			
US dollars	1,523	$39,157	$25.71
Australian dollars	276	5,349	19.38
Belgian francs	3	71	23.67
British sterling	80	2,516	31.44
Canadian dollars	87	2,388	27.45
Deutsche marks	205	6,803	33.19
Dutch guilders	25	990	39.60
European currency units	230	5,492	23.88
French francs	31	1,284	41.42
Hong Kong dollars	2	37	18.50
Japanese yen	424	14,407	33.98
New Zealand dollars	114	2,798	24.54
Swiss francs	229	5,780	25.24
Total	**3,229**	**$87,071**	

Source: International Swap Dealers Association Inc.

Minnesota Independents Reverse Position, Back Interstate Banking

By ANDREA BENNETT
Midwest Bureau

Interstate Banking

CHICAGO — Minnesota's independent bankers, traditionally among the most vocal opponents of interstate banking, switched their position this week to support opening the state to banks across the country.

The Independent Bankers of Minnesota announced the shift during hearings on a bill that would allow the state's banks to expand into 12 additional states, provided they have reciprocal legislation. The regional bill passed the Senate Commerce Committee on a voice vote Tuesday.

The independent bankers maintain that converting to nationwide banking is better than taking a piecemeal approach. The association plans to work to amend the regional bill and make it a national one, said Reese Doffing, vice president of administration for the trade group.

"The Legislature is going to be dealing with it year after year," Mr. Doffing said. "Why not do it all now?"

The independent bankers' new position, however, conflicts with that of the state's major bank holding companies, which say they need more time to prepare for full nationwide banking.

"Our position is there should be a gradual transition to nationwide banking that allows banks to prepare for [it]," said Becky Malkerson, vice president of government relations at First Bank System Inc., Minneapolis, a major supporter of the bill moving through the Senate.

The bill would add the the following states to Minnesota's region: Colorado, Idaho, Illinois, Kansas, Michigan, Missouri, Montana, Nebraska, Oregon, Utah, Washington, and Wyoming. It contains no trigger to nationwide interstate banking, Ms. Malkerson said.

Since July 1986 the state has allowed banks to expand into Iowa, North Dakota, South Dakota, and Wisconsin if they have reciprocal legislation. Only Wisconsin has such a law.

No Nationwide Banking Position

The Minnesota Bankers Association supports the regional legislation but has not taken a position on nationwide banking, said Bill Zwart, associate counsel for the group.

There appears to be enough legislative support to amend Minnesota's interstate banking law this year so that some states are added to the region, bankers said. The move by the independent bankers could increase support for adding a national trigger to the bill, they said.

In addition to expanding the bill to encompass nationwide banking, the independent bankers will ask for safeguards, such as concentration limits and minimum capital requirements for banks coming in the state, Mr. Doffing said. ■

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2 Congressmen Unveil Separate Consumer Bills

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Separate consumer rights bills introduced Thursday may provide a clue about the direction major banking legislation is taking in the House.

The two bills, from Rep. Charles E. Schumer, D-N.Y., and Rep. Joseph P. Kennedy 2d, D-Mass., were unveiled at a joint press conference complete with endorsements from Ralph Nader and other activists. The measures would direct banks to provide free services to the poor and would mandate increased monitoring of compliance with the Community Reinvestment Act.

The two lawmakers declined to say whether House Banking Committee Chairman Fernand J. St Germain, D-R.I., supports their bills. But Mr. Kennedy noted that the committee staff provided extensive help and that Mr. St Germain had been generally supportive. Banking committee staffers were present at the press conference as well.

The consumer bill would be Mr. Schumer's second contribution to banking legislation the committee is expected to consider next month. A bill introduced earlier would set permanent restrictions on insurance, securities, and real estate activities by banks.

Mr. St Germain has said little about the bill being drafted for committee consideration, but it is widely expected to follow the same direction as Mr. Schumer's bill. Close observers say committee staffers have encouraged that view.

A spokesman for the Consumer Bankers Association, stressing that he has not yet seen the fine print of either bill, said his organization objects to the major elements of both pieces of legislation.

No-Fee Checking for the Poor

The Schumer bill would require banks, thrifts, and credit unions to provide no-fee checking accounts for the poor and to issue identification cards at nominal cost, permitting government checks to be cashed without charge.

The bill mandates public disclosure of the geographic distribution of commercial loans by making such lending subject to the Home Mortgage Disclosure Act. It would establish voluntary organizations in each state to advocate consumer interests. Members would be solicited through inserts enclosed in monthly bank statements.

The Kennedy bill would establish a five-point rating scale for Community Reinvestment Act compliance. As a condition for approval of new powers — including powers currently authorized under the Bank Holding Company Act — an institution would be required to secure one of the two highest ratings. The reinvestment act ratings would be made public. Federal regulators would be required to establish a separate division of consumer affairs to develop rating standards and conduct reinvestment act examinations.

The rating system would evolve over five years so that a comparative approach could be taken, Mr. Kennedy said.

"Not all banks can be above average, so the regulators will have to make decisions about which banks perform better than others," he said. "Only the best should be allowed to get involved in nonbanking activities and interstate banking."

Mr. Schumer said the legislation is designed so that it can be attached to any bill reported out of the banking committee. ■

COMMENT

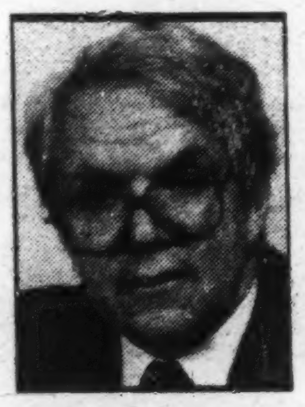
Moody's Actions Point Up Need for Agency Scrutiny

By DAVID C. CATES

MOODY'S INVESTORS Service became an outlaw last week, in my opinion. In its severe downgrades of most New York bank holding companies, the rating agency violated the public trust that its earlier reputation had earned for it. If there is a bright side to the damage, it is that peer review of rating agency world views and methods should now begin to limit the monopoly power over bank funding capacity these bureaucracies have so far been uncritically been awarded.

Let's begin with some history. In 1973, Moody's was the first to issue a bank holding company rating: Aaa on Bankers Trust New York Corp. Lewis Lapham of Bankers Trust had headed the industry committee that skeptically considered whether banks would cooperate with the agencies and finally decided to recommend such a posture. Within a few years, all money center bank holding companies and a few regionals had won triple-A ratings from Moody's or Standard & Poor's Corp. The agency theory at that time was that sheer size, coupled with market dominance; broad diversification of assets and funding; strong asset quality, liquidity, and capital; and reasonable profitability were required for a double-A or better.

Though the agencies understood from the outset (in advance of almost all other analysts) that the U.S. parent of a bank holding company had potential cash flow constraints to the extent it relied on bank subsidiaries, this awareness initially did not stand in the way of high bank holding company ratings.



We should never forget that the major rating agencies are far from bloodless Olympians hurling abstract thunderbolts from above the clouds. The two are locked in mortal combat for leadership image and revenue.

— David C. Cates

In those early days, only a few curmudgeons were heard to mutter such sentiments as this: "Triple-As are fine, but what happens when they try to bring us down to a single-A or worse? We can then neither refuse nor contest the rating. Aliens now control our funding destiny." Naturally, such views were ridiculed and overruled.

Crises Created

Some downgrades have in fact precipitated crises. For example, Moody's dropped the commercial paper rating of Northern States Financial to a Prime-3 in 1976, which stopped a dealer-issued program in its tracks and caused the Comptroller to save a bank holding company in order to save a bank. A few years later, Moody's dropped the commercial paper rating of First Pennsylvania to a Prime-3, which impaired not only the holding company's finances but also affected the bank's own uninsured funding, thus creating the immediate crisis that led to federal assistance.

Whether they were merited or not in those instances (yes, they were), the point here is simply that rating downgrades by a major agency can have an enormous affect on the market, especially for banks and bank holding companies, whose funding is its raw material.

Following the high water mark of the late 1970s, when there were a dozen triple-A-rated domestic bank holding companies, Moody's and S&P began downgrades in earnest. Moody's Money Center Bank Review of March 1982 laid out much of the rationale for the series of downgrades of our largest banks since then.

Moody's was rightly troubled by three factors. There was the problem of Third World debt. There was uncertainty about the strategic retooling required of New York banks if they were to retain the Fortune 1000 (among other constituencies) for any source of income. And there was the asset-quality problem that arose from the banks' rush to expand their domestic lending in the middle market.

As the downgrades continued throughout the 1980s, large foreign banks began to win triple-A ratings. By early 1987, S&P or Moody's had awarded triple-As to about a dozen foreign-owned banks. Since then, they have lost some of their original luster with the rating agencies, but there are still 29 foreign banks rated triple-A, and 30 with double-A ratings.

Three other points may help explain why Moody's acted as it did. First, the Federal Deposit Insurance Corp.'s assistance last year in response to two near-failures in Oklahoma showed that the government would no longer bail out a holding company, as it did with Continental Illinois Corp. in 1984. Second, the rating agencies were almost certainly embarrassed by their misperception of — or laggard response to — the Continental Illinois situation.

And third, we should never forget that the major rating agencies are far from bloodless Olympians hurling abstract thunderbolts from above the clouds. The two are locked in mortal combat for leadership image and, like any business, for revenue. This, in turn, can breed career opportunism, with consequent risks of overstatement and conflict of interest.

Some Justified

I find no problem with two large aspects of the Moody's downgrades. First, some of them were probably justified, not because the economic reality behind financial services has recently changed, but simply because the previous ratings were still too high in relation to that reality. This "catch-up" effort should have led Moody's, in my opinion, to implement a pattern of minor downgrades such as S&P followed in its early February announcement.

Nor do I have a problem with Moody's relative assessment of the money center group. With some minor exceptions, I believe the agency is fair in its relative judgment of creditworthiness.

So where's the beef? If the pattern of continuing downgrades is justified to some degree, and if these are more or less applied as deserved, does not mere heavy-handedness become just a cosmetic question? On the contrary, I will single out four substantial issues to support my opinion that Moody's has acted unaccountably, and in a manner that cries out for public review.

- The dramatic and unprecedented severity of the money center downgrades falsely suggests that the economy has recently deteriorated, or is about to do so. The dramatic high points: J.P. Morgan & Co., the last domestic bank holding company with an Aaa rating, went to Aa. Bankers Trust New York Corp. lost its Aa as its new chief executive officer, Charles Sanford, was declaring that the company deserved to be rated Aaa. Several bank holding companies sank to Baa status, which the market insists on viewing as below investment grade (despite rating agency disclaimers to the contrary). The commercial paper of Manufacturers Hanover Corp. dropped to a potentially damaging Prime-3. Furthermore, several of the downgrades did not occur in the customary small increments, but skipped intermediate steps as to suggest some emerging crisis.

The question here is whether these stunning falls from grace are merited either by new environmental shifts as uniquely perceived by the Moody's analysts (e.g., Third World borrower deterioration), or by fundamental deterioration at the companies in question (recall that rating agency analysts are technically "insiders" and are privy to nonpublic information).

If neither, then the dramatic severity of the downgrades — viewed singly or as a composite — sends an alarming but false signal of new weakness. Signals like this can cause damage around the world at the hands of those who have no reason to understand the fine points of the rating agency tea ceremony.

- The unadjusted continuation of much higher credit ratings on a large group of foreign banks falsely implies some new and special weakness at the U.S. money centers. Maybe Moody's does believe that the foreign-owned international banks are relatively that much stronger than our own. Or perhaps a Moody's apocalyptic world view is just beginning to unfold, and the foreign banks are next. In any case, the immediate damage is to the worldwide image and funding power of the U.S.-owned international banks, and this can be real.

A broader question here has to do with cross-group relative standing, always a thorny challenge to a multi-industry rating agency. Somehow all the ratings have to make sense — certainly they are willy-nilly interpreted as making sense — across all industries and within entire industries. Thus a Citicorp "A" from Moody's should be comparable in credit quality to a Federal Paper Board "A", a Merrill Lynch & Co. "A", and a Huntington Bankshares "A". An "A" must also indicate greater strength than some "Baa" chemical manufacturer, and less strength than a Credit Suisse "Aaa". Absurd as these equivalences may be, one cannot ignore their power.

In the pursuit of an elusive common standard by which to judge all industries and all companies, the rating agencies seem to have decided that the median U.S. money center bank holding company rating is "A", whereas the median foreign bank rating is "Aa". Are these differences real, or are they the product of an eccentric world view, a dogmatic analytic methodology, or some unconscious initiative rooted in other factors?

- The J.P. Morgan downgrade to "Aa" where the lead bank was reaffirmed as a "Aaa" smacks of a doctrinaire Moody's reversion to an ancient prejudice against the U.S. bank holding company. True, a bank holding company parent lacks the cash flow resources of an operating bank. In an overall weak situation, the credit rating of a bank holding company should be a good deal lower than that of an underlying bank. In Morgan's case, however, Moody's reaffirms Morgan Guaranty Trust Company of New York as "Aaa"! This must mean that the dividend to the parent is foreseeably secure. The parent, meanwhile, has deliberately avoided double leverage — which can at times strain bank dividends — and it has deliberately built a book of financial assets that constitutes a huge liquidity cushion. The Morgan parent, in fact, is as close to beatitude as any bank holding company is likely to get, so this rating is bad news to other sound holding companies — U.S.-owned, that is. In my opinion, the Moody's prejudice has always been unreasonable, and may now, since Oklahoma, be out of control.

The holding company problem, of course, is also a leading cause of the rating gap between foreign and U.S. international banks. Since the typical offshore holding company, where it exists, is usually an operating bank as well, the cash flow constraint is not

Comment: Page 12 ➞

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Today

CORPORATE FINANCE

Employee stock ownership plans, or ESOPs, borrowed about $5.5 billion in 1987, four times more than in 1986, according to the National Center for Employee Ownership. — 10

Continental Illinois has purchased $50 million in short-term trade receivables from the Mayflower Group Inc. in an unusual transaction to refinance a 1986 leveraged buyout of the moving company. — 10

American Stock Transfer and Trust Co. has received approval from New York State regulators to perform indenture trust services. The company now is preparing to sell such services through regional banks across the country. — 11

Signet Banking Corp., Richmond, Va., has established a unit to lend money to companies with annual sales of $10 million to $500 million. The so-called mezzanine funding will be used primarily to recapitalize companies, to take firms private, and to assist management in leveraged buyouts. — 11

INSIDE

Two influential members of the Senate Banking Committee plan to introduce a measure to close many of the loopholes that have permitted banks to offer insurance products. — 2

The U.S. government awarded contracts to seven banks' cash management units to participate in its expanded lockbox network for federal agencies. — 3

Rosyln B. Payne resigned from her $250,000-per-year post as president and chief operating officer of the controversial Federal Asset Disposition Association. — 3

Bankers in Delaware are monitoring the repercussions of a federal court decision that calls into question the legal status of credit card banks in South Dakota. — 5

Mexico's debt-for-bond swap may have gone better than expected, Third World debt traders and bankers said, citing speculation that the Japanese tendered up to $7 billion in Mexican debt. — 6

The weekly listing of financial services stocks features regional industry groups and price indexes. — 8

James W. Ford retires as executive vice president of the Ford Motor Co., having diversified and expanded the financial services portfolio of the nation's No. 2 automaker. — 16

KEEPING CURRENT

Executive Changes — 15
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Quote/Unquote

I am deeply committed to FADA- . . . . Yet, I feel now is the time for me to go on to other things in my own career.

Roslyn B. Payne on her resignation as president and chief operating officer of the Federal Asset Disposition Association. [Page 3]

An American Banker Survey

Citibank Maintains Its Lead As Top Bank Credit Card Issuer

By MIKE WEINSTEIN

First of a Series

For two years in a row, Citibank and Bank of America have ranked as the first and second biggest issuers of bank cards, according to the *American Banker's* second annual survey.

Among the top card-issuing banking companies, there were only minor changes from a year earlier.

Marine Midland Bank, Buffalo, and Maryland Bank, Newark, Del., picked up a little ground, while Wells Fargo Bank and Chemical Bank slipped a bit.

But three banks that had ranked high in the first survey — Chase Manhattan Bank, First National Bank of Chicago, and Bank One of Columbus, Ohio — declined to participate in this survey.

Although Maryland Bank moved up only a few notches, accounts increased almost 50%, from about 1.2 million to about 1.8 million. Bruce L. Hammonds, executive vice president at Maryland Bank, attributed the growth to "the acquiring of new accounts, primarily through affinity group marketing."

Top 5 Card Issuers

Of those responding to survey; credit card accounts on 12/31/86 (millions)

1. Citibank (South Dakota)	10.0
2. Bank of America	4.8
3. Manufacturers Hanover	3.3
4. Marine Midland	2.2
5. Wells Fargo	1.8

Source: American Banker

Citibank: Page 2 ➸

Random Thoughts

By SANFORD ROSE

Discussants of bank acquisition strategy sometimes employ rather colorful nomenclature. First Manhattan Consulting Group regaled us some years back with poultry and bird-life images. Thus players in the acquisition game were variously characterized as turkeys, vultures, dead ducks, and eagles

Now along comes the MAC Group with some fish and sea-life allusions that, it feels, more appropriately describe the current environment. Three new sets of bank competitors are said to be emerging from the cauldron of Oct. 19. These include whales, sharks, and dolphins.

Characterized by large asset size, deficient ratios of market value to book value, and profitability and LDC problems, the whales must intensify their efforts to restructure. Yet the very need to restructure may render a large number of the whales for the first time vulnerable to takeover from other market players.

The whales had weak pre-crash market-to-book ratios, and the

Random Thoughts: Page 4 ➸

Court Stalls New Powers For Banks

Securities Units on Hold For at Least 3 Months

By JED HOROWITZ

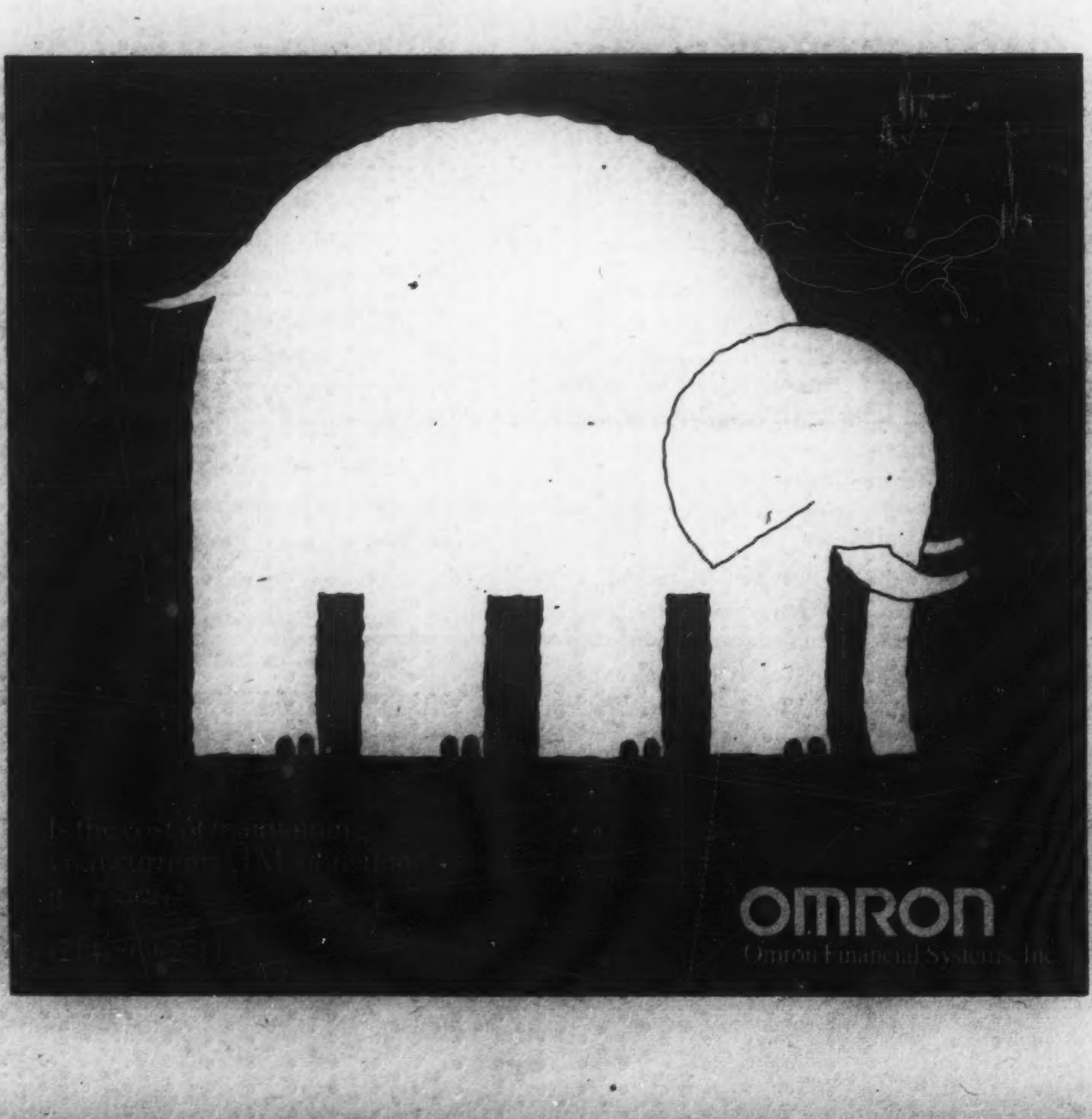
NEW YORK — An eleventh-hour ruling by an appeals court on Monday indefinitely halted plans by several banking companies to exercise new securities powers today.

The decision by the U.S. Court of Appeals for the Second Circuit in New York will delay launch of the new activities for a minimum of three months, bank attorneys said. It also could drive some banks to consider more radical approaches to investment banking, such as dropping their membership in the Federal Reserve Board in order to operate under more liberal guidelines.

The court postponed lifting a stay that would have permitted 11 bank companies to launch new securities activities through subsidiaries. These activities include underwriting and dealing in commercial paper, municipal revenue bonds, and securities backed by mortgages and consumer loans. Several of the banks were poised to launch the activities today, when a one-year congressional moratorium on new powers for banks expires.

The New York court on Feb. 8 upheld a Federal Reserve decision that authorized bank companies to conduct the new securities activities through nonbank subsidiaries. But to implement its decision, the court had to issue a "mandate" lifting a stay it imposed last May when the Securities Industry Association challenged the Fed decision. On Monday, it agreed to delay issuing the mandate until March 15, giving the securities trade group time to ask the Supreme Court to review the

Court: Page 14 ➸



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Citibank Remains No. 1 Issuer of Bank Credit Cards

➺ Continued from Page 1

Maryland Bank is a leader in affinity group marketing, which bankers expect to be the best source of new accounts in 1988, according to the *American Banker*'s survey.

An affinity group program enables a bank to market credit cards to consumers with a common bond, such as the same alma mater, professional association, or frequent-flier group. The sponsoring organization typically endorses the bank's card in return for some financial compensation from the bank based on members' acceptance or use of the card.

At other top card-issuing banks, growth was more modest, with the percentage increase in accounts ranging from single digits to the low teens.

Last June, the *American Banker* mailed 110 questionnaires to the nation's biggest financial institutions and top credit card banks. Sixty responses were received by mail or by telephone in the next several months. The data reflect results as of yearend 1986.

The proliferation of credit cards from 1983 to 1985 has made it more difficult for banks to find new, creditworthy accounts.

"You see some growth in accounts because of [home] equity lines," said Jerry D. Craft, senior vice president at First National Bank of Atlanta.

Many banks have begun offering credit cards as a way for consumers to gain access to their home equity lines of credit, which are basically second mortgages in the form of a revolving credit line.

Mr. Craft also detects a squeeze on medium-size card issuers.

"I think the bigger banks are growing faster than the industry as a whole," he said. And newcomers to the business, such as thrifts and credit unions, are pressuring the midsize banks from below.

"The big get bigger, and you also have new, smaller players," Mr. Craft said.

Next: Bankers pin their hopes on affinity-card marketing.

How the Top Issuers Fared

Changes in ranking of those responding to survey

	1987 Rank	1986 Rank
Citibank (South Dakota), Sioux Falls	1	1
Bank of America, San Francisco	2	2
Chase Manhattan Bank (USA), Wilmington, Del.	NR	3
First National Bank of Chicago	NR	4
Manufacturers Hanover Trust Co., New York	3	5
Marine Midland Bank, Buffalo	4	7
Wells Fargo Bank, San Francisco	5	6
Maryland Bank, Newark, Del.	6	10
Chemical Bank, New York	7	8
Bank One, Columbus, Ohio	NR	9
Associates National Bank, San Ramon, Calif.	8	11
Rocky Mountain BankCard System Inc., Denver	9	13
First National Bank of Atlanta	10	12

NR: No response.

Top Bank Card Issuers

Of those responding to survey

	Total Credit Card Accounts (12/31/86)
1. Citibank (South Dakota), Sioux Falls	10,000,000
2. Bank of America, San Francisco	4,801,000
3. Manufacturers Hanover Trust Co., New York	3,308,000
4. Marine Midland Bank, Buffalo	2,200,000
5. Wells Fargo Bank, San Francisco	1,800,000
6. Maryland Bank, Newark, Del.	1,800,000
7. Chemical Bank, New York	1,500,000[1]
8. Associates National Bank, Pleasanton, Calif.	1,240,000
9. Rocky Mountain BankCard System Inc., Denver	1,122,000
10. First National Bank of Atlanta	1,100,000
11. MBank USA, Wilmington, Del.	1,044,000
12. Security Pacific National Bank, Los Angeles	1,026,000
13. First City Bank - Sioux Falls, Sioux Falls, S.D.	989,000
14. Signet Bank, Richmond, Va.	912,000
15. NCNB, Greensboro, N.C.	894,000
16. Mellon Bank (Delaware), Wilmington	856,000
17. First Interstate Bank of California, Los Angeles	830,000
18. First RepublicBank Dallas	802,000
19. Seattle-First National Bank	739,000
20. Barnett Credit Services Inc., Jacksonville, Fla.	709,000
21. Sovran Bank, Richmond, Va.	706,000
22. Indiana National Bank, Indianapolis	592,000
23. First Maryland Bancorp, Millsboro, Del.	581,000
24. State Street Bank and Trust Co., Boston	570,000
25. First Interstate Bancard Co., Simi Valley, Calif.	511,000
26. BancOhio, Columbus, Ohio	487,000
27. Rainier National Bank, Seattle	469,000
28. Avco National Bank, Irvine, Calif.	438,000[2]
29. United Virginia Bank, Richmond, Va.	430,000
30. United Missouri Bank of Kansas City	387,000
31. Citizens and Southern National Bank, Atlanta	385,000
32. PNC National Bank, Wilmington, Del.	379,000
33. NBD Bancorp, Detroit	375,000
34. First Tennessee Bank, Memphis	365,000
35. First Bank of South Dakota, Sioux Falls	363,000
36. European American Bank, Uniondale, N.Y.	347,000
37. United Bank of Denver	334,000
38. Goldome FSB, Buffalo	325,000
39. Equibank (Delaware), Wilmington	316,000
40. Connecticut National Bank, Hartford	301,000
41. Colonial National Bank USA, Wilmington, Del.	291,000
42. South Carolina National Bank, Columbia	257,000
43. Wachovia Bank and Trust Co., Winston-Salem, N.C.	255,000
44. Society National Bank, Cleveland	253,000
45. Sovran Bank/Delaware, Dover	245,000
46. AmSouth Bank, Birmingham, Ala.	242,000
47. Meridian Bancorp, Reading, Pa.	210,000
48. Huntington National Bank, Columbus, Ohio	209,000
49. California First Bank, San Diego	198,000
50. Fleet National Bank, Providence, R.I.	192,000
51. Shawmut Bank, Boston	192,000
52. First Pennsylvania Bank, Philadelphia	185,000
53. Bank of Hawaii, Honolulu	148,000
54. First National Bank of Cincinnati	147,000
55. National City Bank, Cleveland	138,000
56. Midlantic National Bank/North, West Paterson, N.J.	132,000
57. Dollar Dry Dock Savings Bank, White Plains, N.Y.	131,000
58. First National Bank of Louisville, Louisville, Ky.	130,000
59. Bank of New England, Boston	110,000
55. Empire of America, Buffalo	93,000
60. First Fidelity Bank, Newark, N.J.	64,000
61. Sanwa Bank California, Los Angeles	42,000
62. Sumitomo Bank of California, San Francisco	41,000

[1] Active accounts.

[2] Avco National has since been acquired by Household Bank NA, Salinas, Calif.

Source: *American Banker*.

Dodd and Heinz Propose Bill Closing Insurance Loopholes

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Two influential Senate Banking Committee members today plan to offer a measure to close many of the loopholes that have permitted banks to offer insurance products. The measure would exempt or "grandfather" existing activities.

Committee staffers and other observers have predicted a close vote on the measure, which will be sponsored by Sen. Christopher Dodd, D-Conn., and Sen. John Heinz, R-Pa. The two senators will attempt to add it to the omnibus banking bill during votes scheduled to begin today, an aide to Mr. Dodd said.

Until now, there has been considerable speculation about Mr. Dodd's plans. Many observers have predicted he might not offer the measure.

Opponents of the Dodd-Heinz measure have called it a "killer amendment." Senate Banking Committee Chairman William Proxmire and Sen. Jake Garn, the committee's ranking Republican, are said to be willing to vote against their own bill if the amendment is attatched.

The American Bankers Association, which strongly supports the repeal of the Glass-Steagall Act, has vowed to fight any bill that includes restrictive insurance measures.

The measure Mr. Dodd and Mr. Heinz will offer this week would close the South Dakota loophole, which permits banks to market insurance nationwide through subsidiaries in that state.

It would overturn a ruling by the Comptroller of the Currency that authorized banks to market insurance statewide through offices in towns with fewer that 5,000 people. It would also forbid the transfer of grandfathered insurance rights in bank mergers.

An exemption that permits banks with less than $50 million in assets to offer some insurance products would be expanded to include banks with less than $65 million in assets.

> The measure would close the South Dakota loophole, which permits banks to market insurance nationwide through subsidiaries in that state.

Mr. Dodd may also offer a substitute for the Glass-Steagall repeal measure being pressed by Mr. Proxmire and Mr. Garn, the Dodd staffer said. The Dodd measure would permit banks to underwrite a number of new securities now, and it would mandate votes on corporate debt and equity underwriting in later years.

The measure is similar to one Sen. Donald Riegle, D-Mich., told committee Democrats he plans to push. Mr. Riegle and Mr. Dodd are still discussing which approach to back, the Dodd staffer said.

Sources are predicting a close vote on efforts to substitute a measure for Mr. Proxmire's Glass-Steagall repeal provision. Many of the same people believe that if Mr. Proxmire prevails on that key issue, the entire multititle bill will be reported out of committee by a substantial margin. ■

Correction

Consumers Union supports a measure that would prevent banks and other lenders from changing the terms of a home equity loan once a credit line is opened for a customer.

Without such a provision, said Michelle Meier, the organization's government affairs counsel, the enhanced disclosure sought in a bill pending before the House Banking Committee would become meaningless. Consumers Union's position was misrepresented in a story, "Progress Expected on Home Equity Disclosure Bill," Feb. 24, page 16. ■

RANDOM THOUGHTS

➸ Continued from Page 1

crash simply exacerbated this weakness. Those banks with the lowest pre-crash ratios suffered the largest absolute declines in market value and also the greatest slippages in value relative to the S&P 500.

Thus such well-known leviathans as Manny Hanny and Chase Manhattan, whose pre-crash ratios hovered around unity, experienced a 44% decline in market worth and a 21% slide vis a vis the S&P 500 from the end of September 1987 to yearend. By contrast, banks like First Wachovia, First Union, and PNC, which sported pre-crash ratios of 1.6 to 1.8, saw absolute market values decline by less than 20% during this period. And relative to the general market, valuation actually improved by a modest 4% to 5%.

By yearend 1987, many of the whales were sitting with stock prices that were once again only 50% to 80% of book values. Some people view these subnormal ratios as a retrenchment signal from the marketplace. After all, why expand, via new equity or retained earnings, when the process destroys value by converting dollar bills into 50-cent pieces?

While that may or may not be its signal to the whales, the marketplace clearly has a different message for a group of banks that are dubbed sharks by the MAC Group. These institutions were bruised but not battered by the events of last October. Such banks — e.g., Banc One, Wells Fargo, Fleet, SunTrust, as well as PNC, First Union, and First Wachovia — retain market-to-book ratios much in excess of unity.

They are thus apparently being encouraged to grow. And since their relative purchasing power has increased not diminished since the crash, their appetite for acquisition may actually have been whetted, though there is the ever-present danger of a feeding frenzy that could lead to self-immolation.

The sharks, in the MAC Group's taxonomy, have both superior market-to-book ratios and a market capitalization in excess of $2 billion. The third class of banks, the dolphins, have ratios in excess of unity but market capitalization of less than $2 billion. These include institutions like CoreStates, MNC, NBD, Midlantic, etc.

The dolphins face both opportunities and risk. Some will grow rapidly enough to qualify as sharks, while others will be taken over by the larger, more ambitious predators. Thus, as a group, the dolphins, ventures the MAC Group, may not long endure.

□ □ □

The whales are not only plagued by the effects of the crash but also by the new federal capital guidelines, with which they are not currently in compliance. Even before the crash, many whales would have found it difficult to raise the required equity. Post-crash, the task is much more arduous. And, as noted, some would suggest that the whales not even try, given their depressed market-to-book ratios.

Whether they should try or not depends on the reasons for the depressed ratio, which may vary from bank to bank. It may be that the market-to-book ratio is low because book value is perceived as fictitious. It may also be that the ratio is low because the marketplace is skeptical of the capacity of a bank to invest new equity in businesses that will earn the threshold rate of return — about 14% or 15% after tax.

If the former is generally the case, the whales, most of which are money center banks, should not be reluctant to try raising the necessary capital. Many banks will not raise equity at less than book value because of the dilutive effects. But if market-to-book ratios are below one because book value is overstated, the raising of new equity, while dilutive in an accounting sense, is not necessarily dilutive in a true economic sense.

If, at the margin, banking is competitively profitable — that is, new equity can be invested in businesses that will fetch rates of return of at least 14% — then the shareholder may be well served if management seeks the new financing.

Suppose, however, that bank profitability has declined so much that most of the whales cannot garner a return on equity from incremental businesses that is large enough to support a future market-to-book ratio of unity or better. Then, quite logically, the whales should retrench, downsizing perhaps to dolphin-like proportions. To attempt to raise equity in these circumstances would indeed be dilutive, in economic as well as accounting terms.

But downsizing carries another risk — that of being taken over as a result of having a lower overall market capitalization. That is why, in this new environment of interstate banking and pinched profitability, the MAC Group identifies most of the whales as potentially vulnerable to acquisition.

Many whales will attempt to downsize, and while they are rebuilding their shrunken business bases on sounder foundations will fall prey, in whole or in part, to the blandishments of the more aggressive sharks — the high-flying superregionals. If, on the other hand, the whales attempt to remain behemoths by raising equity for investment in businesses that do not meet the necessary profit objectives, they will massively dilute their equity, risking shareholder revolt. In either of these scenarios — downsizing or imprudent investment — many more takeovers and takeover attempts can be anticipated.

□ □ □

Sometimes overlooked in the current discussions is the potential impact of the federal capital guidelines and the post-crash market weakness of the whales on the status of the foreign banks. While the money center banks are capital deficient and have low market-to-book and price-earnings ratios, many foreign banks enjoy much greater market acceptance. They can raise equity (first-tier capital) at a much lower cost than can the whales. Will they not use this advantage to stake out an even greater presence in the U.S. marketplace?

Consider the contingent-liability business. Some money center banks have made most of their profits from high-grade commercial customers by selling liquidity-insurance products. This business was considered desirable only because of the absence of capital requirements. Since the proposed regulations mandate a hefty capital charge for liquidity products (including the same charge for financial standby letters of credit as for corporate loans), the business is now viewed as something less than desirable.

Some banks that will be in a substantial capital-deficient first-tier position by 1992 have probably considered brokering letters of credit to superregionals that will find themselves in a capital-surplus position. That is, the money center bank will book the business, take a small fee, and then pass the obligation to perform, should performance be required, downstream to the capital-rich superregional.

Yet one wonders whether the ultimate customer will agree to this arrangement. The superregionals, despite their manifest success and growing market power, are not terribly well known.

Would not the customer be generally more comfortable if the obligation to perform rested with a huge foreign bank rather than with a comparatively unknown regional institution? Hence there is a good likelihood that the bulk of the contingent-liability business will pass, for good or ill, from the money center institutions to foreign entities, if that has not already happened.

Additionally, faced with the requirement to lift capital-asset ratios, the money center banks should redouble their efforts to sell loans. Currently the foreign banks buy perhaps as much as 40% to 50% of the offerings of the money center institutions. In the future, they may be in the market for an even larger proportion.

The foreign banks view this activity in part as a unique opportunity to get hold of the financials of a large number of U.S. companies. Armed with data on an even broader array of borrowers, they can eventually try undercutting the loan originators in order to get first crack at the customer's business.

Thus, the unhappy confluence of post-crash market weakness and regulatory insistence on much more generous capital backing both for on-balance-sheet and off-balance-sheet commitments may work to greatly enlarge the foreign bank presence in the U.S.

If this occurs, it will underscore the problems created by trying to address the question of international capital adequacy without simultaneously eliminating the inequality of business opportunities. Can anyone doubt that it is the ability of foreign banks to participate in high-value businesses from which U.S. entities are excluded that is in no small measure responsible for their superior market acceptance and resultant access to lower-cost capital? ■

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Today

TECHNOLOGY

Automated banking will become more convenient for Chicago-area residents as the two dominant ATM networks in Illinois combine after nearly a year of delays. The Cash Station and Money Network organizations actually merged in January 1987. ______ 6

Increased efficiency in the automated clearing house may be achieved by shifting emphasis from exotic applications to proven uses, writes Bruce J. Summers, senior vice president at the Federal Reserve Bank of Richmond. ______ 8

INSIDE

Comerica Inc. said it will purchase Grand Bancshares, Dallas, in what is believed to be the first acquisition by a Midwest banking company outside the region. With its Texas addition, Comerica of Detroit is expected to emerge as the latest super-regional bank holding company in the Midwest. Grand Bancshares owns three banks, with total assets of $460 million; Comerica has assets of $9.8 billion. ______ 2

Independence Bancorp is considering legal action against Drexel Burnham Lambert Inc., claiming that $104 million in bonds purchased from the underwriter were not worth the price. The Pennsylvania bank holding company says the bonds were bought at a par value of about $104 million, which its auditors estimate is $5.2 million above the fair market value. ______ 2

Irving Bank Corp. will have to repair strained relations with some of its largest shareholders if it is to win a proxy contest with the Bank of New York Co., which has been trying to acquire Irving since last September. ______ 2

Wells Fargo Bank of California broke the silence surrounding bidding on Mexico's debt-for-bond swap by announcing it had tendered $80 million of its $604 million Mexican loan portfolio. Officials said the bank had tendered $30 million of its Mexican loans at a price of 70-to-75 cents on the dollar and $50 million of loans for 79.5 cents on the dollar. ______ 3

COMMENT

Should banks acquire healthy thrifts? The heat is on the Fed, writes John D. Hawke, a partner in the Washington law firm of Arnold & Porter. ______ 4

KEEPING CURRENT

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Quote/Unquote

I think it behooves a bank to look at the contract they are getting ready to sign and make sure there's a way to extricate themselves from a relationship if it is not working the way they expected it to.

William G. Seymour, vice chairman of Broadway & Seymour Inc., on commitments with software providers. [Page 1]

An American Banker Survey

Banks Look to Affinity Groups for Card Growth

By MICHAEL WEINSTEIN

Second of a Series

Affinity-group marketing is expected to be the best source for new credit card accounts this year, according to the *American Banker's* second annual credit card survey.

That marketing technique has already been heavily used by a number of banks for the last few years.

As the credit card market has become increasingly saturated, bankers in recent years have been looking for new ways to increase their business. Other marketing techniques cited in the survey include direct mail, cross-selling to existing customers, and advertising in bank branches, merchant locations, or newspapers.

An affinity-group program enables a bank to market credit cards to a group of consumers who have a common bond, such as the same alma mater, the same professional association, or the same frequent-flyer group. The sponsoring organization typically endorses the bank's card in return for financial compensation from the bank based on members' acceptance or use of the affinity card.

Last June, the *American Banker* mailed about 110 questionnaires to the nation's biggest financial institutions and top credit card banks. Sixty responses were received by mail or by telephone in the next several months.

When asked to pick the best source of new accounts in the upcoming year, from a list of several marketing techniques, 25 out of 60 bank — or 42% of the survey respondents — chose affini-

Banks: Page 14 ➜

New-Account Winners

Banks rank these techniques as likely to be the best for getting new accounts in 1988

Affinity-group marketing	42%
Direct mail	25
Cross-selling to customers	15
Portfolio acquisitions	8
In-branch advertising	3
Newspaper advertising	3
Ads at merchant locations	0
Through agent banks	0

Base: 60 respondents

Source: American Banker

FROM THE REGIONS

THE MIDDLE ATLANTIC

Booming Suburbs of Washington Teem With New Banks Touting Personal Touch

By BILL ATKINSON

WASHINGTON — Kenneth L. Crovo, president and chief executive officer of Bank of Loudoun, was riding high last September when his startup bank raised $5 million in a month through an initial stock offering.

"I was really amazed," said Mr. Crovo, whose bank is based in Leesburg, Va., about 35 miles west of Washington. "I think it is a real endorsement of the profitability of these small banks."

Bank of Loudoun is just one of many small business banks to pop up in the Washington metropolitan area.

In the last six years, six new banks have opened in Washington, according to the Federal Deposit Insurance Corp. During the same time, 14 banks opened in Maryland and 34 opened in Virginia.

And there is little sign of a slowdown. As of January, Bank of the Potomac, based in Herndon, Va., had raised $6.5 million in just three months. It expects to open by midyear.

According to the Office of the Comptroller of the Currency, 10 applications were filed for national bank charters in Washington and surround-

From the Regions: Page 14 ➜

Software Vendor Charges Rival 'Stole' Customer

By DAVID O. TYSON

NEW YORK — In a suit that may affect relations between banks and software vendors, one software company is charging a competitor with stealing a banking customer and gaining access to programming trade secrets.

The 14-month-old federal case, which has had no publicity, is an extreme action to cope with a problem that comes up when a new vendor installs a system in a bank: how to protect

Software Vendor: Page 7 ➜

TECHNOLOGY TODAY

AN AMERICAN BANKER WEEKLY FEATURE

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COMMENT

Should Banks Acquire Healthy Thrifts? The Heat Is on the Fed

By JOHN D. HAWKE JR.

ANYONE WHO BELIEVES that being a member of the Federal Reserve Board is good for the digestion should take a look at the responses the board has received to its request for comment on whether it should permit bank holding companies to acquire healthy thrift institutions.

The Fed's invitation precipitated submissions from more than 200 commentators, ranging from a woman in the Pacific Northwest who dismissed the idea as "extremely nauseating" and "utterly disastrous," to the chairmen of the Senate and House Banking committees, each of whom made clear they thought the issue should be left to Congress. So great was the interest in the proposal that a finance professor at Bentley College in Massachusetts assigned his financial intermediation students as homework the task of preparing and submitting their own comments.

Probably the most important comments on the proposal came from within the government. The Federal Home Loan Bank Board, concerned that if banking organizations were permitted to acquire healthy thrifts they might not become bidders on failing thrifts, urged the Fed to approve such acquisitions only where the bank holding company agreed also to acquire one or more failing S&Ls. It supported such acquisitions on a nationwide basis — that is, without regard to geographic limits on the acquisition of banks; it urged the board to eliminate the "tandem operations" restrictions imposed on holding companies that have been allowed to acquire failing thrifts; and it argued that acquired thrifts should be permitted to exercise all of the powers available to thrifts not otherwise affiliated with banks.

There is no factual or logical basis for assuming that if a bank holding company is permitted to acquire a healthy thrift, its lust will be so sated that it will not be interested in bidding on FSLIC problem cases.

—John D. Hawke Jr.

Legislative Storm?

The thunder that rolled down from Capitol Hill, however, presaged a legislative storm. House Banking Committee Chairman Fernand St Germain, D-R.I., joined by the ranking minority member of the committee, Rep. Chalmers P. Wylie, R-Ohio, lectured that the Fed's proposal "would unnecessarily hamper" the Bank Board's efforts to resolve the problems of troubled thrifts, that it "is for Congress to make fundamental decisions of this nature, and that "any action by the Federal Reserve Board at this time would be totally unwarranted." Senate Banking Committee Chairman William Proxmire, D-Wis., and Rep. Frank Annunzio, D-Ill., voiced similar objections.

Most of the major banking trade associations generally favored the proposal, although a split emerged among bankers with respect to geographic limits on expansion through thrifts. The American Bankers Association, together with state associations in Florida, Connecticut, California, Tennessee, and Virginia, urged the Fed to "Douglasize" thrift acquisitions — that is, to permit the acquisition of healthy thrifts only in states in which the bank holding company could acquire a bank, under the constraints of the Douglas Amendment. Others urged that nationwide acquisitions be permitted.

Not surprisingly, the Independent Bankers Association, a leader in the fight against geographic expansion through nonbank banks, urged the Fed to retain its D.H. Baldwin rule, under which bank holding companies have been permitted only to acquire failing thrifts.

A divergence of views also emerged in the thrift industry. The U.S. League of Savings Institutions, together with the Council of Mutual Savings Institutions and a number of state leagues, vehemently opposed any change in the D.H. Baldwin rule. In contrast, the National Council of Savings Institutions supported the proposal, on the condition that the Fed "Douglasize" thrift acquisitions. The Association of Thrift Holding Companies gave unconditional support.

Finally, there were a few comments from outside the financial institutions industry. The Independent Insurance Agents of America, who have spent the better part of two decades successfully keeping bank holding companies from expanding their insurance activities, cautioned that acquired thrifts had to be subject to the same activity limits as would otherwise be applicable to bank holding companies. The National Association of Home Builders, also expressing support for activity and geographic limits, endorsed the proposal provided that steps were taken to assure that acquired thrifts would maintain their basic character as home mortgage lenders.

Key Issues

Several key issues emerge from this cascade of opinions:

• **Should the Fed Impose Geographic Limits?** Clearly, the issue of "Douglasizing" thrift acquisitions is politically sensitive for the Fed. But the very rationale offered for doing so — to prevent bank holding companies from acquiring thrifts where they cannot acquire banks — should compel the Fed to reject geographic limits. Banking organizations are likely to be willing to pay for the opportunity to enter new markets otherwise foreclosed to them, by infusing new capital into the thrift industry.

Moreover, thrifts insured by the Federal Savings and Loan Insurance Corp. have been defined by Congress itself not to be "banks" and are therefore not covered by the Douglas Amendment. It is thus difficult to see how a sustainable legal rationale for "Douglasizing" thrift acquisitions could be fashioned.

• **Should the Fed Impose Activity Limits?** As with interstate expansion, an important part of motivation for banking organizations to acquire thrifts is the prospect of obtaining expanded powers. While the Fed has suggested that it may be compelled by law to apply the restrictions of section 4(c)(8) of the Bank Holding Company Act to the various activities of thrifts acquired by bank holding companies, it is far from clear that the law dictates such a conclusion. The board might, for example, simply define the "activity" involved as engaging in the business of operating a federally regulated thrift institution — an activity that is, after all, defined and circumscribed by a network of federal laws and regulations, and supervised by another federal agency.

As a practical matter, however, the Fed is unlikely to adopt such an approach — despite the Bank Board's urgings that it do so to enhance the marketability of thrifts. If for no other reason, the long-standing concern at the Fed about the dangers of real estate activities — activities that have contributed substantially to the depressed condition of the thrift industry — are likely to deter it.

• **Should the Fed Require "Packaging" of Healthy and Sick Thrifts?** One certainly must sympathize with the Bank Board's motivations in urging that healthy thrifts be "packaged" with basket cases, but the underlying rationale for packaging must be viewed not only as illogical and inequitable, but counterproductive.

There is no factual or logical basis for assuming that if a bank holding company is permitted to acquire a healthy thrift, its lust will be so sated that it will not be interested in bidding on FSLIC problem cases. Certainly no such assumption has worked with respect to existing savings and loan holding companies that own healthy thrifts and do not own banks. Indeed, these are precisely the companies have been the most frequent bidders on failing thrifts. The fact that they already own healthy institutions does not seem to have dampened their ardor.

Nor has such an assumption worked with respect to prospective thrift acquirers that own neither a bank or an S&L. The Bank Board has routinely permitted the formation of new thrift holding companies through the acquisition of healthy thrifts without worrying about the acquirers' motivations to participate in future auctions of failing thrifts.

One could reasonably expect that once a banking organization has a foothold in the S&L business it will have the same incentive as any other thrift owner to bid on problem takeovers. Mandatory packaging would amount to no more than a requirement that one special class of acquirers — bank holding companies — pay a governmentally dictated premium in order to acquire healthy thrifts. As such it would not only create an unfair and unreasonable distinction among thrift acquirers, but by increasing the costs of healthy thrift acquisitions would undoubtedly serve to diminish the interest of banking organizations in acquiring any thrifts.

• **Should the Fed Require Maintenance of FSLIC Insurance?** One fear voiced by many commentators on the Fed proposal is that bank holding companies acquiring healthy thrifts would be likely to convert the thrifts to banks insured by the Federal Deposit Insurance Corp. at the earliest opportunity, to escape the higher premiums assessed by the FSLIC. Such a result, it is argued, would undermine the FSLIC recapitalization plan enacted by Congress last year, which depends on a continued flow of premiums to service the recapitalization debt. Thus, it has been suggested that such acquisitions be conditioned on maintenance of FSLIC insurance for some specified period.

Because of the Douglas Amendment, of course, the Fed probably would not sanction a charter "flip" in any event if the bank holding company acquired the thrift at a location where it could not acquire a bank. More importantly, Congress signals its acquiescence to charter flips by failing to extend that moratorium, it would hardly seem appropriate for the Fed on its own to preclude such exit solely for thrifts acquired by bank holding companies.

• **Should the Fed Act at All?** There is no doubt whatsoever about the Fed's legal authority to permit the acquisition of healthy thrifts. Nor is there any question that it could make supportable findings that satisfy the standards of section 4(c)(8). The real question is whether the Fed is willing to take the political heat that will be generated if it abandons or modifies the D.H. Baldwin rule.

The Fed has always prized its independence within the government, and preservation of that independence unquestionably depends upon its prudent exercise. But Congress has entrusted the Fed with the administration of the Bank Holding Company Act. Some

Comment: Page 10 ➜

Mr. Hawke is a partner in the Washington law firm of Arnold & Porter. He served as general counsel to the Federal Reserve Board from 1975 to 1978.

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FROM THE REGIONS

THE MIDDLE ATLANTIC

New Banks Spring Up Throughout Washington Area

Continued from Page 1

ing suburban areas in 1987. Nine of the applications have been approved.

Much of this growth is centered in the rapidly growing Maryland and Virginia suburbs.

"In the past, you have had a small bank here and a small bank there, but this particular rash is unusual," said Lewis Sosnowik, a bank analyst for Koonce Securities Inc., Rockville, Md.

While the small banks don't offer as many services as larger institutions, banks like Mr. Crovo's are cherry picking customers from larger banks by touting personalized, friendly service and a quick turnaround on loans.

So far, the philosophy seems to be working.

Springfield, Va.-based Hallmark Bank & Trust Co.'s assets soared to $49.2 million at yearend, up from $28.7 million at the end of 1986. The bank posted net income for 1987 of $342,000, up from $318,000 the previous year.

Likewise, two-year-old Fairfax Bank & Trust Co., Fairfax, Va., has been growing at a steady clip. For the year that ended Dec. 31, its assets spurted to $48.5 million, up 32.2% from the date on 1986. Loans grew to $33 million, up from $17 million the previous year, and the bank had net income of $513,000, up from $224,000.

"Our goal is to serve our customer as best we can," said Charles Curtis, Fairfax Bank's president and chief executive officer. "If we can continue to do that, we will have good growth and good earnings."

Meanwhile, Security Bank Corp., Manassas, Va., is taking on larger regional powers like Sovran Bank and Signet Bank. Manassas' population is only 20,000, but Security Bank president J. William Garry saw enough room for a community bank.

The competition has not been a problem, Mr. Garry said. "Our dollar bill is as green as anybody's dollar bill."

Although the 19-month-old bank posted a $43,000 loss for the year due to startup costs, assets reached $20.4 million on Dec. 31, up from $10.3 million at the end of 1986.

Executives of some larger institutions are not threatened by the rash of small banks. The larger banks that are based in Washington or that have significant branches in the city say they process loans just as quickly and on location.

"We haven't felt the pinch from the small community banks," said David Palombi, a spokesman for Riggs National Bank of Washington. "Some of the small banks like to spread the idea that being big is bad. That is a misconception."

The dramatic growth in small banks reflects the growth in Washington's suburbs. In the area known as the Baltimore-Washington Common Market, the population is 5.9 million, ranking fourth among the nation's largest urban markets. The area's population was 5.4 million in early 1982. As the number of residents has increased, so have bank deposits and the need for more banking services.

In neighboring Montgomery County, Md., which is considered a suburb of Washington, total deposits had grown to $4.5 billion as of March 31, 1987, up from about $2.8 billion four years earlier, according to Sheshunoff & Co., an Austin, Tex.-based bank consulting firm. Similarly, in Fairfax County, Va., total deposits were $4.9 billion on March 31, 1987, up from about $3 billion in 1983.

"Economic growth in the Washington area has been steady but rapid," said Sidney A. Bailey, Virginia's commissioner of financial institutions. "Economic growth brings with it the need for financial services."

Executives of small banks also contend that customers of big banks are dissatisfied with service, which has opened the door for community banks.

The Personal Touch

"People tend to prefer banking relationships on some personal basis," Mr. Bailey said. "They like to believe they know their banker and can rely on his advice."

The smaller institutions also argue that the larger banks concentrate on big loans, leaving a gap for small banks.

"The issue is that small banks deal in loan sizes from $250,000 to $700,000. They are the nuisance type of loans to the larger banks," said Michael A. Sullivan, president of McLean, Va.-based Bank 2000.

Organized in 1985, Bank 2000 is gearing for growth. The $44 million-asset bank had net income of $256,889 in 1987, compared with a loss of $242,059 the previous year.

Meanwhile, its holding company, Bancshares 2000 Inc., has raised about $5 million to start a second independent community bank 10 miles away in Reston, Va. The Bank 2000 in Reston is expected to open in March.

In Montgomery County, the increase in the number of small new banks follows a period of consolidation, said Wilmer L. Tinley, president of Bethesda-based Montgomery National Bank, which opened in June.

At one time, there were 11 independent banks in the county, Mr. Tinley said. Now there are four. "We felt there was a viable market because of the lack of small institutions in Montgomery County," Mr. Tinley said.

Mr. Sosnowik of Koonce Securities' says the small institutions are simply nursed to profitability and then put up for sale to larger banks that want a foothold in the market.

In recent years, executives of small banks have sold their operations at three times their book value.

"These banks are not being founded over lunch at McDonald's," Mr. Sosnowik said. "People who have founded these banks 14 years ago [and have sold them] are trying to do it again."

Mr. Tinley says he is not out for a quick profit but intends to manage the Montgomery National Bank for the long term.

Appeal to Large Banks

Large banks are attracted to the community institutions because, rather than opening a new branch, they can buy the small bank and have a ready made base of deposits, assets, and loans.

One concern among executives at small institutions is that more and more small banks will continue to sprout up. If they are not acquired by larger institutions, the market will become saturated.

Bank 2000's Mr. Sullivan says the small banks will cannibalize each other's customer base.

"You will see them grow for four to six years and peak out," he said. "Then you will see a number of them just sit there." ■

An American Banker Survey

Banks Look to Affinity Groups For Credit Card Growth in '88

Continued from Page 1

ty-group marketing.

Affinity-group programs "seem to be the hot button this year and next year," said K. David Elgena, president of First City Bank-Sioux Falls, South Dakota, a subsidiary of First City Bancorporation of Texas Inc., Houston.

Maryland Bank NA, Newark, Del., a leader in affinity-group marketing, continues to get good results from that technique. The number of accounts at Maryland Bank jumped about 45% in 1986 and 50% last year, mainly because of affinity-group programs, said Bruce L. Hammonds, executive vice president at Maryland Bank.

"I think [banks] will become more sophisticated in marketing in general," said Randolph W. Wyckoff, executive vice president at Signet Bank, Richmond, Va.

But some industry observers questioned how effective affinity-group marketing will be.

"I'm concerned about the potential for affinity marketing over the next year," said Joel P. Friedman, director of strategic management at Arthur Andersen & Co., San Francisco.

Some industry observers compared the declining efficiency of affinity-group marketing to the same trend in direct-mail marketing.

Direct mail was a favorite marketing technique for several years. It was ranked as the most effective method for attracting new accounts last year, according to the survey.

But as more banks jumped on the direct-mail bandwagon, it became increasingly difficult to attract new, creditworthy accounts. "Direct mail has just not been pulling like it has in the past," Mr. Elgena said.

But at the same time, warned Mr. Friedman, "The affinity group has become extremely cluttered."

Researchers estimate that about 6% of the 250 million MasterCard and Visa cards in the United States, or 12 million to 15 million cards, have already been issued as part of affinity-group programs.

Banks: Page 16

LEGAL ADVERTISING

Legal Notice

NOTICE IS HEREBY GIVEN that an order entered by Hon. Judge John Marmarellis in the Civil Court of the City of New York, County of Queens, on the 23rd day of February, 1988, bearing Index No. N-38/88, a copy of which may be examined at the office of the Clerk, located at 120-55 Queens Boulevard in the County of Queens grants the right, effective on the 5th day of April, 1988, and authorizes me to assume the name of JOSEPH CELLA. My present address is 28 Church Street, Howard Beach, New York, the date of my birth is June 1, 1950; the place of my birth is Brooklyn, New York. My present name is Joseph Fenezia.

Foundation Notice

NOTICE

The annual report of **THE BERNARD M. TWERSKY FOUNDATION** for the fiscal year ended October 31, 1987 is available at its principal office located at c/o Kaye, Scholer, Fierman, Hays & Handler, 425 Park Avenue, New York, NY 10022, (212) 836-8000 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Julius Berman.

Auction Notices

William Cohen auctr. sells 10 AM on 3/8/88 at 131-41 Sanford Ave '81 Honda JHMSN5221BC028931 Re: J.L. or B.A. Williams et al. Published 2/24 & 3/2/88.

Ronald Zaza auctr will sell on 3/14/88 at 9 AM at 108 Glen Cove Ave, '81 Datsun #JN1HZ04S2BX402488 Re: Alan Morganstern. Published 3/2 and 3/9/88.

J.L.M. Auto will sell on 3/27/88 at 9 AM at 415 W. 54 St. NYC 1977 Mercury F7H94F508386F Re: Rubin Bolton. Published 3/2 & 9/88.

J.L.M. Auto will sell on 3/16/88 at 9 AM at 415 W. 54 St. NYC 1978 Cady 6S69B8Q460302 Re: Edgar Lopez. Published 3/2 & 9/88.

Ronald Zaza auctr sells 3/11/88 at 9 AM at 6102 69th St 1981 Audi WAUGB0437BN099299 Re: David Lotharp. Published 3/2/88 & 3/9/88.

Bank Call Notice

REPORT OF CONDITION OF

MARINE MIDLAND BANK, N.A.

Of Buffalo, New York, 14240
And Foreign and Domestic Subsidiaries

In the state of New York, at the close of business on December 31, 1987, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter number 16338Comptroller of the Currency Northeastern District

ASSETS		Dollar Amounts in Thousands
Cash and balances due from depository institutions		
Noninterest-bearing balances and currency and coin		$ 1,352,909
Interest-bearing balances		812,387
Securities		935,866
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs		50,000
Loans and lease financing receivables:		
Loans and leases, net of unearned income	17,228,417	
LESS: Allowance for loan and lease losses	828,310	
Loans and leases, net of unearned income, allowance, and reserve		16,400,107
Assets held in trading account		86,897
Premises and fixed assets (including capitalized leases)		244,609
Other real estate owned		7,044
Investments in unconsolidated subsidiaries and associated companies		3
Customers' liability to this bank on acceptances outstanding		422,540
Intangible assets		94,339
Other assets		564,827
TOTAL ASSETS		$20,971,528
LIABILITIES		
Deposits:		
In domestic offices		$13,384,453
Noninteres-bearing	3,354,577	
Interest-bearing	10,029,876	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		3,254,092
Noninterest-bearing	45,365	
Interest-bearing	3,208,727	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaires, and in IBFs		1,337,432
Demand notes issued to the U.S. Treasury		50,000
Other borrowed money		965,751
Mortgage indebtedness and obligations under capitalized leases		69,347
Bank's liability on acceptances executed and outstanding		425,584
Notes and debentures subordinated to deposits		335,000
Other liabilities		649,863
TOTAL LIABILITIES		$20,471,522
EQUITY CAPITAL		
Common stock		$ 180,000
Surplus		389,260
Undivided profits and capital reserves		(69,254)
TOTAL EQUITY CAPITAL		500,006
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL		$20,971,528

I, WALTER W. BROWN, Controller & Chief Accounting Officer, of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

WALTER W. BROWN
February 8, 1988

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

THOMAS F. DONOVAN
NORTHRUP R.KNOX
CHARLES G. BLAINE
Directors

Banks Look to the Affinity Groups for Card Growth

Continued from Page 14

Mr. Friedman said banks should devote more effort to marketing cards to their own customers and persuading existing cardholders to increase their balances.

"The banks spend very little marketing to their own customers," he said. "The cross-sell is deserving of more attention."

The *American Banker* survey found that bankers ranked cross-selling a distant third as the expected best source for new accounts in 1988.

The newspaper's survey also asked banks about their credit card enhancements. Enhancements are extra features, such as insurance products, various emergency services, or discounts at stores, that are included as part of the bank's credit card offering to make it more attractive to consumers.

Most Common Enhancements

According to the *American Banker* survey, the most common enhancements now offered with standard cards are access to the card account by check, access by automated teller machine, and insurance for injury or death while traveling.

The survey found that the most common enhancements on premium cards are those for standard cards plus credit card registration, in which the provider agrees to notify all the customers' credit card issuers if his or her cards are stolen.

Bankers ranked ATM and check access as the most effective enhancements for attracting customers to their cards.

AN **American Banker** SURVEY

"The ATM access is a very strong feature," said Henry Silver, a vice president at Wells Fargo Bank, San Francisco. He said it is especially useful with the proliferation of shared teller machine networks, which connect ATMs in different regions and around the country.

But some industry observers question the importance of enhancements.

"If everyone has the same enhancements, you don't have any differentiation," Mr. Friedman said. "What we've ended up with enhancements that are throwaways."

A truly useful enhancement is one that is unusual and brings real value to the cardholder, he said.

"American Express was very clever. They found an enhancement that no one else was offering," said Mr. Friedman, referring to the company's buyers assurance program.

Under that program, introduced in September 1986, American Express agreed to extend the warranty coverage for products purchased with the American Express card.

"Now a lot of banks have followed suit," Mr. Friedman said. "And American Express has gone one step further," referring to a program announced in November that insures items purchased with the American Express card against theft, fire, accidental damage, or loss.

Donald J. Auriemma, a Garden City, N.Y., consultant, said that a high credit line and a reasonable interest rate are more important considerations than enhancements.

"If you don't have one of those two things, you've got a loser," he said.

Mr. Silver of Wells Fargo argued that enhancements are "important in that they permit you to be competitive," but he acknowledged that "pricing is probably more important."

According to the *American Banker* survey, the most popular enhancements planned for 1988 are legal services, discounts on travel services, and emergency medical service while traveling.

Next: One half of surveyed banks expect higher profits from the merchant side of the credit card business.

New-Account Winners

Banks rank the following techniques as the best for getting new accounts in 1987

Direct mail	43%
In-branch advertising	15
Cross-selling to customers	13
Affinty-group marketing	13
Portfolio acquisitions	6
Newspaper advertising	3
Ads at merchant locations	2
Through agent banks	2

Base: 60 respondents

Source: American Banker

Most Successful Enhancements

Percentage of banks surveyed ranking the following enhancements as best in attracting consumers to their credit cards

ATM access to card account	25%
Check access to card account	25%
Credit card registration	25%
Insurance for death/injury while traveling	6%
Shopping discounts	5%
Travel discounts	5%
Cash rebates	5%
Discounts at restaurants	2%
Discounts for car rental	2%

Base: 60 respondents

Source: American Banker

Premium Card Enhancements

Percentage of banks surveyed offering special features with premium credit cards

Services banks offer	Total	Free	For a fee
Insurance for injury/death while traveling	80%	78%	0%
ATM access to card account	72	63	5
Check access to card account	70	65	5
Credit card registration	68	58	10
Discounts for car rental	55	52	2
Insurance to cover card balance in case of death or injury	45	3	42
Message service while traveling	33	33	0
Travel discounts	33	25	7
Lost luggage insurance	32	32	0
Insurance to cover card balance in case of unemployment	32	3	27
Term life insurance	20	7	13
Shopping discounts	17	8	8
Emergency medical service while traveling	12	10	0
Discounts at restaurants	7	3	3
Extra warranty coverage for purchases	5	2	3
Emergency tickets/cash	5	3	0
Cash rebates	2	2	0
Emergency road service	2	2	0
Services banks plan to offer			
Travel discounts	20%	12%	5%
Legal services	17	2	12
Emergency medical service while traveling	15	10	2
Insurance to cover card balance in case of unemployment	13	21	10
Message service while traveling	13	8	2
Insurance to cover card balance in case of death or injury	12	3	7
Extra warranty coverage for purchases	12	0	10
ATM access to card account	10	7	2
Shopping discounts	10	2	7
Discounts for car rental	10	5	3
Check access to card account	8	8	0
Lost luggage insurance	8	5	2
Term life insurance	8	0	7
Credit card registration	7	3	2
Insurance for injury/death while traveling	5	5	0
Discounts at restaurants	5	2	2
Cash rebates	5	5	0
Telephone shopping	2	0	2

Sums of "free" columns and "for an extra charge" columns may not equal "total" columns because of incomplete answers by respondents.
Base: 60 responses.

Source: American Banker

Standard Card Enhancements

Percentage of banks surveyed offering special features with standard credit cards

	Total	Free	For an extra charge
Services banks now offer			
ATM access to card account	78%	68%	7%
Check access to card account	75	67	8
Insurance for injury/death while traveling	72	67	3
Insurance to cover card balance in case of death or injury	62	2	60
Credit card registration	52	13	35
Insurance to cover card balance in case of unemployment	45	2	43
Discounts for car rental	43	35	8
Term life insurance	27	5	22
Travel discounts	22	7	15
Shopping discounts	13	3	10
Lost luggage insurance	10	5	5
Message service while traveling	8	5	3
Discounts at restaurants	5	2	3
Extra warranty coverage for purchases	3	0	3
Emergency medical service while traveling	2	2	0
Cash rebates	2	2	0
Emergency tickets/cash	2	0	2
Services banks plan to offer			
Travel discounts	18%	5%	13%
Legal services	17	0	15
Extra warranty coverage for purchases	13	0	13
Insurance to cover card balance in case of unemployment	13	0	12
ATM access to card account	10	7	3
Credit card registration	10	0	10
Insurance to cover card balance in case of death or injury	10	0	8
Shopping discounts	10	0	7
Lost luggage insurance	8	2	5
Discounts for car rental	8	2	7
Emergency medical service while traveling	7	2	5
Message service while traveling	7	2	5
Check access to card account	5	3	2
Term life insurance	5	0	5
Discounts at restaurants	5	2	3
Insurance for injury/death while traveling	2	2	0
Cash rebates	2	2	0
Telephone shopping	2	0	2
Emergency road service	2	0	2

Sums of "free" columns and "for an extra charge" columns may not equal "total" columns because of incomplete answers by respondents.
Base: 60 respondents.

Source: American Banker

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American Banker

The Daily Financial Services Ne

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Today

Thrift trade groups are bracing for another collapse of the FSLIC and the congressional fallout that would follow. A plan from the National Council of Savings Institutions calls for a taxpayer bailout plus a merger of the FSLIC and the FDIC. — 2

The State Department is preparing to notify U.S. banks in which the Panamanian government has deposits not to engage in any transactions with the new regime that has seized power, said a lawyer for a Panamanian opposition group. — 2

A new securities processing technology reads the paper fiber arrangements of documents, each of which is as unique as a fingerprint or a snowflake. The system is being touted as a far better way for banks and brokers to identify counterfeit and stolen certificates. — 2

Deposits at U.S. commercial banks grew at an annual rate of 12% in the fourth quarter — stimulated by the October stock market crash. Bank deposit growth for the year, however, was a dismal 2.2%, the FDIC reported. — 3

R. Crosby Kemper, the outspoken chairman of United Missouri Bancshares, said he remains interested in a merger with cross-state rival Centerre Bancorp. The St. Louis company would "fit like a glove" with United Missouri of Kansas City, he told analysts in a rare meeting. — 12

Former Chemical Bank executive Alan H. Fishman has joined Neuberger & Berman, an investment bank, to set up a fund that buys loans made to companies near bankruptcy. — 14

Executive Changes — 14
Flashbacks — 4
In the News — 3

CONSUMER FINANCIAL SERVICES

The IRA market is in a slump, and financial marketers are responding. Some institutions are emphasizing rollover accounts; others are offering high rates to stimulate demand. — 7

Banks that shy away from aggressive marketing of IRAs are missing out on profit-making growth opportunities, according to Jerry L. Fitzwater, vice president of Union Bank. — 6

The American Bankers Association is considering certification for trust officials as a way to improve the image and prestige of bank trust departments. — 8

Artificial intelligence and expert systems are expected to be used for decision making in marketing departments of financial institutions by the early 1990s, writes Michael P. Sullivan in Marketing Management. — 4

Quote

A merger would require Congress to make major changes in this country's banking laws.

John T. Morgan, chairman of the National Council of Savings Institutions, on a possible merger of the FDIC and FSLIC. [Page 2]

Top Five Merchant Banks For Credit Cards

Of those responding to survey, ranked by merchant sites (12/86)

	Merchant Sites	Merchants
1. MBank USA, Wilmington, Del.	84,500	38,800
2. Bank of America, San Francisco	NA	44,100
3. Rocky Mountain BankCard System Inc., Denver	NA	40,000
4. Security Pacific National Bank, Los Angeles	41,000	25,000
5. First National Bank of Louisville, Kentucky	37,700	3,600

Source: American Banker

An American Banker Survey

Merchant Units Hold Their Own

By MICHAEL WEINSTEIN

Third of a Series

Despite increasing competition in the merchant side of the credit card business, half of the banks responding to the *American Banker's* second annual credit card survey said they expect higher profits during 1988.

As more banks focus on the merchant operation as a stand-alone business, they will manage it better, which should improve profitability, bankers said in interviews. Some bankers also think that new technology will enable banks to boost profits in this business.

Twenty-two of 44 banks that track merchant profitability said they expect higher profits in 1988.

Last June, the *American Banker* mailed 110 questionnaires to the nation's biggest financial institutions and top credit card banks. Sixty responses were received by mail or by telephone in the next several months. Fifty of the respondents had merchant operations and served as the base for this part of the survey.

The merchant operation accounts for a small portion of overall credit card profits. Banks make most of their money on the card-issuing side by extending credit to consumers.

About one-half of the banks polled in

Half: Page 16 ➔

Fleet/Norstar to Pool Operations

New England Bureau

BOSTON — Fleet/Norstar Financial Group Inc. will consolidate back-office operations this year to cut costs.

During 1988, Fleet/Norstar will combine 11 operations centers into four and reduce its 11 data processing centers to one, according to J. Terrence Murray, president.

Fleet/Norstar was formed on Jan. 1, when Fleet Financial Group, Providence, R.I., merged with Norstar Bancorp, Albany, N.Y. Each company had about $12 billion in assets.

A spokesman at Fleet/Norstar's Providence office declined to elaborate on Mr. Murray's remarks, which were made at a seminar in Newport Beach, Calif., sponsored by Montgomery Securities, San Francisco.

As bank mergers have swept the country, many banks have been consolidating their back offices. This may reduce operating expenses but often causes layoffs, and it can be technically difficult because of incompatible com-

Fleet: Page 14 ➔

Visa Becomes Soviet Union's 1st Credit Card

Membership of Nonbank Is Unusual Feature of Deal

By YVETTE D. KANTROW

NEW YORK — Visa will become the first international payment card to be issued in the Soviet Union, thanks to an agreement signed with the Soviet state tourist organization.

The deal is unusual because it allows a nonbank organization to join Visa International as a card-issuing member.

Vao Intourist, a government agency responsible for all tourist facilities in the Soviet Union, plans to issue Visa cards both to foreign nationals who live in the Soviet Union and to Soviet citizens who travel abroad.

While Visa, American Express, and MasterCard are all accepted in areas surrounding Soviet tourist attractions, this is the first time payment cards will be available to the country's citizens, according to Fiona Wilkinson, head of marketing services for Visa International's European operations.

In applying for membership in Visa, Vao Intourist took advantage of *perestroika* — the recent relaxation in Soviet economic policy. The country is now permitting organizations that can profit from international dealings to strike agreements with nonsocialist trade partners.

Vao has established a separate division, Intourcreditcard, to manage the Soviet Visa program and help develop the computer systems necessary to process credit card transactions. It is part of the U.S.S.R. state committee for foreign travel, a government unit that owns and operates all hotels and other tourist-related establishments in the Soviet Union, Ms. Wilkinson said.

All cards issued by Vao will be guaranteed by Gosudarstvenny Bank SSSR

Visa: Page 12 ➔

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IN THE NEWS

Volcker Joins Investment Firm

NEW YORK — Months of speculation about what Paul A. Volcker's next job would be came to an end Wednesday when Mr. Volcker said he would become chairman of the New York investment banking firm James D. Wolfensohn Inc. And earlier in the day, Princeton University had announced that the former Federal Reserve Board chairman and Princeton alumni had joined its faculty as a part-time professor of international and public affairs.

St Germain Blasts Drug Efforts

WASHINGTON — Fernand J. St Germain, chairman of the House Banking Committee, on Wednesday accused the Reagan administration of failing to conduct a comprehensive war against money laundering and drug trafficking. The Rhode Island Democrat said he was particularly distressed that the Treasury Department, without informing Congress, decided against holding an international conference on money laundering that had been mentioned to the committee in June 1987.

"I am gratified to hear the administration inveigh against money laundering and drug trafficking," Mr. St Germain said in a letter to Treasury Secretary James A. Baker 3d. "Now it is time your deeds matched your words." In a separate letter to Federal Reserve Board Chairman Alan Greenspan, Mr. St Germain wrote that the Fed "did not approach the issue of money laundering quite as seriously as the committee would have hoped and expected."

Treasury Drops Reporting Rule

WASHINGTON — The Treasury Department said it is dropping a proposal that would have forced financial institutions to record and report certain cash transactions of less than $10,000. In a Feb. 29 notice in the *Federal Register*, the Treasury Department said it received an "overwhelming" number of critical comments on the plan to detect money laundering.

Customers buying more than $3,000 worth of cashier's checks, money orders, travelers checks, or bank checks would have been required to file a report with the financial institution indicating whether more than $10,000 of such instruments had been bought in one day. The institution, in turn, would have had to submit reports based on the customer reports. Critics argued the benefits of catching possible fraud did not outweigh the tracking costs.

Hanover Trims London Staff

LONDON — Manufacturers Hanover Corp. said Wednesday that it is cutting 40 jobs in its London operation, or roughly 3.5% of its British work force. According to British press reports, the company has also halted renovations on its new London headquarters, where staff from several sites were expected to be relocated this year.

Fannie Mae Prices Remics

WASHINGTON — The Federal National Mortgage Association on Wednesday priced $425 million in real estate mortgage investment conduit securities backed by mortgages owned by American Savings and Loan Association, Stockton, Calif. American has been ordered by the Federal Home Loan Bank Board to liquidate $2.5 billion in mortgage securities in order to raise cash to pay off short-term liabilities.

— **Compiled by Dennis P. O'Connell**

Seidman: '87 Was a 'Forgettable Year' for Banks

FDIC Reports Annual Deposit Growth of 2.2%, Despite Surge in Fourth Quarter

By BARBARA A. REHM
Washington Bureau

WASHINGTON — The October stock market crash caused deposits at commercial banks to grow at an annual rate of 12% in the fourth quarter, but that growth was a dismal 2.2% over the full year, the Federal Deposit Insurance Corp. reported Wednesday.

In 1986, bank deposits rose 7.8%.

Asset growth was less than 2%, the smallest annual increase since 1948. But bank assets topped $3 trillion for the first time at yearend.

"Overall, banks had a very forgettable year," FDIC Chairman L. William Seidman told reporters, with income down nearly 80%. But barring an economic downturn, he said, 1988 bank industry profits should return to 1986 levels of about $17.5 billion. In 1987, the industry posted total earnings of $3.7 billion.

Banks' loan volume increased 4% last year. Commercial loans were down 2%, the first such decrease, while real estate and consumer lending rose. In fact, real estate loans exceeded banks' commercial loans by $10 billion last year, the FDIC said, mostly due to an increase in home equity loans.

The aggregate ratio of primary capital to assets stands at 7.69%, the FDIC reported.

The figures, published in the FDIC's *Quarterly Bank Profile*, also show that 17 of the 25 largest U.S. banks lost money in 1987. The FDIC attributed the problems of the big banks to huge reserves they made against Third World loans last year.

The FDIC report also highlighted a rebound by small banks, particularly in the Midwest.

Net operating income for U.S. banks with less than $100 million in assets jumped 51% in 1987. But in the Midwest, the increase was 77.6%. Banks with $100 million to $300 million in assets had a 28.5% increase in net operating income last year.

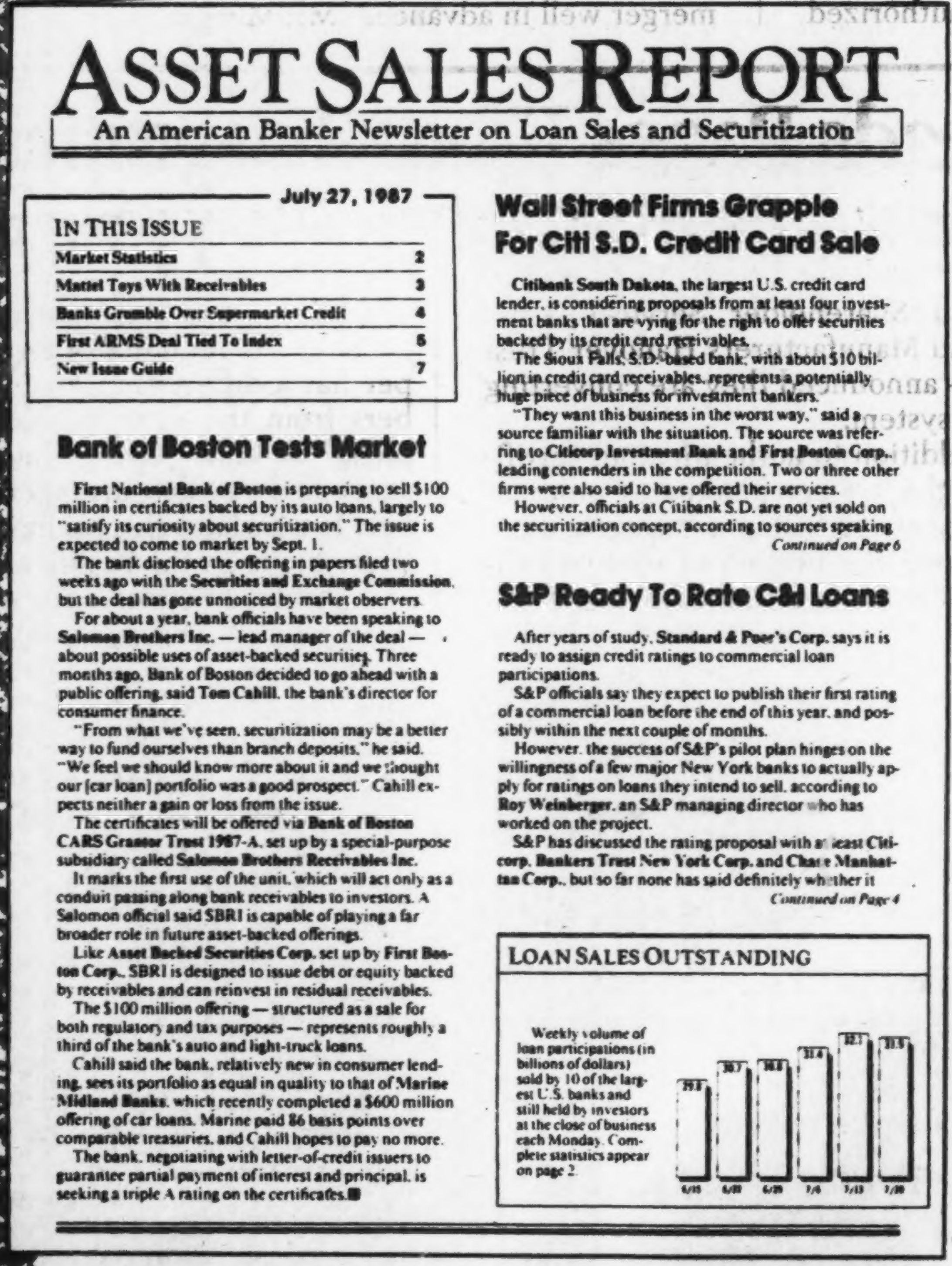
Recovery in the Farm Belt also has led to slower growth in the FDIC list of problem banks. There are 1,515 banks on the list, down from a high of 1,640 in mid-1987. "The problem bank list has turned around for the first time since 1981," Mr. Seidman said.

Some paring of the list is due to bank failures, but banks also have been removed from the list, said John C.

Seidman: Page 15 ➜

New!

Are the assets on your balance sheet turning into liabilities?



ASSET SALES REPORT
An American Banker Newsletter on Loan Sales and Securitization

July 27, 1987

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Bank of Boston Tests Market

First National Bank of Boston is preparing to sell $100 million in certificates backed by its auto loans, largely to "satisfy its curiosity about securitization." The issue is expected to come to market by Sept. 1.

The bank disclosed the offering in papers filed two weeks ago with the Securities and Exchange Commission, but the deal has gone unnoticed by market observers.

For about a year, bank officials have been speaking to Salomon Brothers Inc. — lead manager of the deal — about possible uses of asset-backed securities. Three months ago, Bank of Boston decided to go ahead with a public offering, said Tom Cahill, the bank's director for consumer finance.

"From what we've seen, securitization may be a better way to fund ourselves than branch deposits," he said. "We feel we should know more about it and we thought our [car loan] portfolio was a good prospect." Cahill expects neither a gain or loss from the issue.

The certificates will be offered via Bank of Boston CARS Grantor Trust 1987-A, set up by a special-purpose subsidiary called Salomon Brothers Receivables Inc.

It marks the first use of the unit, which will act only as a conduit passing along bank receivables to investors. A Salomon official said SBRI is capable of playing a far broader role in future asset-backed offerings.

Like Asset Backed Securities Corp. set up by First Boston Corp., SBRI is designed to issue debt or equity backed by receivables and can reinvest in residual receivables.

The $100 million offering — structured as a sale for both regulatory and tax purposes — represents roughly a third of the bank's auto and light-truck loans.

Cahill said the bank, relatively new in consumer lending, sees its portfolio as equal in quality to that of Marine Midland Banks, which recently completed a $600 million offering of car loans. Marine paid 86 basis points over comparable treasuries, and Cahill hopes to pay no more.

The bank, negotiating with letter-of-credit issuers to guarantee partial payment of interest and principal, is seeking a triple A rating on the certificates.

Wall Street Firms Grapple For Citi S.D. Credit Card Sale

Citibank South Dakota, the largest U.S. credit card lender, is considering proposals from at least four investment banks that are vying for the right to offer securities backed by its credit card receivables.

The Sioux Falls, S.D.-based bank, with about $10 billion in credit card receivables, represents a potentially huge piece of business for investment bankers.

"They want this business in the worst way," said a source familiar with the situation. The source was referring to Citicorp Investment Bank and First Boston Corp., leading contenders in the competition. Two or three other firms were also said to have offered their services.

However, officials at Citibank S.D. are not yet sold on the securitization concept, according to sources speaking

Continued on Page 6

S&P Ready To Rate C&I Loans

After years of study, Standard & Poor's Corp. says it is ready to assign credit ratings to commercial loan participations.

S&P officials say they expect to publish their first rating of a commercial loan before the end of this year, and possibly within the next couple of months.

However, the success of S&P's pilot plan hinges on the willingness of a few major New York banks to actually apply for ratings on loans they intend to sell, according to Roy Weinberger, an S&P managing director who has worked on the project.

S&P has discussed the rating proposal with at least Citicorp, Bankers Trust New York Corp. and Chase Manhattan Corp., but so far none has said definitely whether it

Continued on Page 4

LOAN SALES OUTSTANDING

Weekly volume of loan participations (in billions of dollars) sold by 10 of the largest U.S. banks and still held by investors at the close of business each Monday. Complete statistics appear on page 2.

Banks can no longer compete by letting loans lie idle on their balance sheet. Selling and securitizing loans are today's powerful new strategies for freeing up precious capital.

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MARKETING MANAGEMENT

Expert Marketers Put Expert Systems to Use

By MICHAEL P. SULLIVAN

ARTIFICIAL INTELLIGENCE and expert systems are becoming part of the technological menu of the largest financial services companies. While those institutions are finding the greatest need in diagnosis and production decisions, technology experts see the marketing function as an area in which most decision-making will have expert and advisory diagnostic systems as early as 1990.

Marketing in financial services has been driving in recent years toward use of more technology in the planning and execution of marketing plans. AI and expert systems tools will provide marketing management with greater confidence in decision-making and a growing feeling that technology will help the company increase the odds in favor of success.

For example, with the advent of publicly available computerized data bases, the retail marketing executive can purchase demographic and psychographic information on almost 90% of all the households in the United States. Financial services marketers are prime prospects for information and data base suppliers. Witness the amount of advertising in financial service publications, and the exhibitors at financial marketing conferences.

Sullivan Says:

> **The survey suggested the** use of artificial intelligence and expert systems technology was not so much a coordinated strategic effort but more of a guerrilla movement.

One cooperative venture between a major national business information supplier and a media-oriented firm provides names, addresses, and telephone numbers for all U.S. households with a telephone or a registered automobile. With this plethora of information available, expert systems programs can be used to optimize direct response marketing strategies.

By no means have financial services executives completely bought into the technology. A 1985 Cooper & Lybrand's study, conducted by Lou Harris, asked large companies about the future of technology in the financial services industry. Findings concluded that only one in five of the financial services institutions studied had applied expert systems and artificial intelligence on a pilot or full-scale basis.

However, over 50% of those surveyed have already applied expert systems or will likely do so by 1990. As a result of the optimism over the technology, the company estimates that the market for AI technology will surpass $4 billion in 1990, an event they equate with the microcomputer boom of the 1970s.

The survey concluded that few financial services executives are familiar with the technology. Most doubt it will revolutionize their business. However, many feel they cannot afford "not to get involved."

The biggest financial services advocates of artificial intelligence and expert systems are those in the insurance sector, particularly property-casualty and multiline insurers.

Mutual Life Offers Clues

Many of the larger companies have developed systems in underwriting and claims settlements. The Feb. 10 edition of the *American Banker* reported that the Mutual Life Insurance Company of New York is the first to put artificial intelligence onto a mainframe computer system for underwriting and issuing policies. The program, called Clues, automates 5,000 steps in the underwriting process.

Software providers like Syntelligence Inc., Sunnyvale, Calif., have developed programs such as its Underwriting Advisor for insurance companies and Lending Advisor for commercial banks lending to the middle market.

A later survey sheds more light on the use of artificial intelligence and expert systems. A mid-1987 study by the Bank Administration Institute of the 100 largest banks, holding companies, and savings and loans about use of artificial intelligence and expert systems shows an increasing interest in the technology. Forty-five percent said they were exploring, developing, or using artificial intelligence. Twenty-seven percent said their AI systems had reached the utilization stage.

The Bank Administration Institute survey suggested the use of artificial intelligence and expert systems technology was not so much a coordinated strategic effort but more of a guerrilla movement, used occasionally as an alternative to solving specific problems.

This underlies one of the early lessons about this technology: It should not be forced on the problems, but rather the proper application for the use of the technology should be found.

The strategic use of technology is best typified by the work that Citicorp is doing. It is reportedly working with expert systems to reduce customer service representative transaction time while increasing cross selling and improving service. Other expert systems include platform officer automation and improving information support services.

American Express is using expert systems to identify abnormal purchase attempts and reduce card fraud. John Hancock is using expert systems to help its agents identify the appropriate financial products to meet a client's specific needs. The marketing of personal financial planning, which at this point has not proven commercially feasible, may get its greatest impetus from artificial intelligence and expert systems.

If the technology is already showing these capabilities, then it may have a major impact on the marketing of financial services by the early 1990s. Marketing executives will need to become aware of the opportunity and conversant in the technology.

Understanding artificial intelligence and expert systems begins with a definition of terms. Former McKinsey executive David Bendel Hertz, in his recently published book, "The Expert Executive," (John Wiley & Sons) provides the following definitions for artificial intelligence and expert systems:

- "Artificial intelligence" is a computer-science-related study or discipline that is built around computer-based simulation of intelligent behavior. The discipline includes computer science, programming and technology, psychology, cognitive science, neuroscience, brain science, and logic as well as some philosophy.
- "Expert systems" are defined as computer programs that provide advice and diagnoses for advisory programs ordinarily dealt with by human experts. Building such expert systems has been made possible by the results of artificial intelligence research and computer science.

Understanding expert systems also means understanding its limitations. In order to have expert systems, Mr. Hertz concludes, expert knowledge must exist relative to the problem to be solved. The system is only as good as the factual and procedural knowledge it is given. The problems used in testing the expert system should independent of the ones used in developing the system. Users must be involved in the development, especially the guidelines. The system must be maintained.

As part of a marketer's education in artificial intelligence and expert systems, he or she should attend a seminar on the subject.

Artificial intelligence and expert systems offer the financial services industry marketer a new technology that will certainly differentiate the company from its competition. It depends on how soon one gets up on the technology. ■

Mr. Sullivan is a communications consultant based in Charlotte, N.C.

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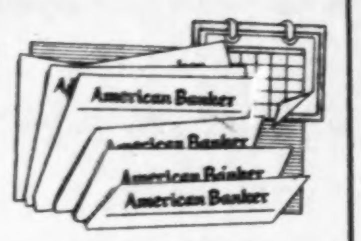
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- A U.S. District Court jury awarded a former Chicago auto dealer $1.2 million in his suit against General Motors Corp. The dealer, Fred Emich, charged that the company revoked his franchise because he refused to use its financing subsidiary, the General Motors Acceptance Corp. The company maintained that it revoked the dealership because of bad business practices. General Motors charged that Mr. Emich kept unreliable books, was unable to meet competition, failed to sell his quota of cars, and used "his dealership as a front for his own finance company."
- Gordon S. Rentschler, chairman of National City Bank of New York, died of a heart attack in Havana while on vacation. He was 62.
- An Iowa banker, Daniel J. Monen, was quoted in the Congressional Record in opposition to universal military training. He said, "Conscription of youth in peacetime will, through interruption of study in science and engineering and democratic processes, do more damage than good."

20 Years Ago

- The Supreme Court sent the antitrust suit against Third National Bank, Nashville, back to a lower court, with instructions to apply tough new standards under the Bank Merger Act of 1966.
- President Johnson proposed programs to provide insurance against riot damage in the nation's cities. The administration cited the "major problem" of limited availability of coverage for fire, vandalism, malicious mischief, burglary, and theft in inner cities.
- Rep. Wilbur Mills, D-Ark., warned that a substantial hike in military spending "could force Congress to support" an income tax increase. He said there would be pressure to reduce domestic spending if taxes were raised.

10 Years Ago

- Officials of Textron Inc. told the Senate Banking Committee that G. William Miller, who was the company's chairman and a nominee for the chairmanship of the Federal Reserve Board, did not know that a payment the company made to a representative of an Iranian sales company might have benefited the commander in chief of the Imperial Iranian Air Force.

5 Years Ago

- In the first such move by the Reagan administration, the Justice Department filed an antitrust lawsuit to block the merger of First State Bank of Wise, Va., into Virginia National Bank, Norfolk.
- A coalition of banking and housing industry groups — including the American Bankers Association — urged Congress and the President to stop bickering and start slashing the size of the projected budget deficit. In a full-page advertisement in The Washington Post, the coalition warned that failure to cut the deficit raised the "specter of an overwhelming volume of deficit financing which haunts housing and financial markets and poses the threat of economic and financial conditions not seen since the 1930s."
- The National Credit Union Administration proposed allowing credit unions to set for themselves all terms for savings accounts, including interest rates.

1 Year Ago

- The Securities Industry Association asked the Supreme Court to review a decision allowing Bankers Trust Co. to place commercial paper.
- Texas thrifts, buffeted by the state's decline in real estate values, reported total losses of nearly $3.3 billion for 1986 and ended the year with nonperforming loans at nearly 17% of assets, according to the Federal Home Loan Bank Board.
- The financing subsidiary of General Motors Corp. announced it would begin a direct-mail campaign offering $25 billion in preapproved credit to two million preferred customers nationwide. The move was the latest in a series of actions by GMAC Financial Services to take a larger piece of the auto-financing pie.

— Domenica Trevor

DAILY FINANCIALS

Wednesday March 2, 1988

Money Market

Federal funds range	$6\frac{9}{16}$%-6⅝%
Prime rate (2/4/88)	8.50%
Discount rate FRB of New York (9/4/87)	6.00%
Call loans on securities, to brokers on stock exchange collateral	8.00%

Bankers acceptances offering rate, discount (3/2)
30 days: 6.42 60 days: 6.42 90 days: 6.42
120 days: 6.42 180 days: 6.42

Certificates of deposit, highest offering rate, at New York City banks (3/2)
14 days: 6.30 30 days: 6.45 60 days: 6.45
90 days: 6.50 120 days: 6.50 150 days: 6.55
180 days: 6.60 270 days: 6.75 360 days: 6.85

Commercial paper, dealer Aaa, discount (3/2)
30 days: 6.35 60 days: 6.35 90 days: 6.35

Commercial paper, directly placed, discount (3/2)
5-14 days: N.A.-N.A. 15-29 days: N.A.-N.A.
30-59 days: N.A.-N.A. 60-89 days: N.A.-N.A.
90-179 days: N.A.-N.A. 180-270 days: N.A.-N.A.

Treasury-bill rates, secondary market, bid (3/2)
90 days: 5.59 180 days: 5.83 1 year: 6.15

Eurodollar deposits, London bid (3/2)
Overnight: 6½ 7 days: 6½ 1 month: 6⅝
3 mos.: $6\frac{11}{16}$ 6 mos.: 6¾ 1 year: $7\frac{1}{16}$

NIBOR: 6⅞¾ **LIBOR:** 6⅞

Futures Markets

The Bond Buyer Municipal Bond Index

	3/2/88	3/1/88	2/24/88
Index	97.24	97.24	97.28
Yield to Par Call	7.96	7.96	7.96
Yield to Maturity	7.85	7.84	7.84

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Mar. '88	94.37	94.34	94.35	+ 2	5.65
June '88	94.40	94.35	94.37	+ 2	5.63
Sept.'88	94.18	94.14	94.17	+ 2	5.83
Dec. '88	93.90	93.87	93.89	+ 2	6.11
Mar. '89	93.65	93.60	93.64	+ 2	6.36
Jun. '89	93.44	93.41	93.43	+ 2	6.57

As of the previous day's close; Total no. of contracts traded: 9,094 total open interest: 24,392 and change in open interest: +1239

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Mar. 2:	265.6	1988:	261.3	227.7	265.6
Mar. 1:	262.7	1987:	401.7	212.0	234.6
Feb. 29:	257.6	1986:	388.7	331.2	331.3
Feb. 26:	256.9	1985:	344.2	242.7	344.2
Feb. 25:	261.3	1984:	269.6	178.4	246.3

* Based on midday prices.

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First Republic's Lead Bank Sees Deposits Drop

By DAVID LaGESSE
Southwest Bureau

DALLAS — Deposits fell about 8% at First RepublicBank Dallas, the lead bank of First RepublicBank Corp. during the third week of February, a drop the company attributed to rumors of a pending bailout.

First Republic's denials of those rumors, and efforts to reassure depositors, subsequently slowed the deposit outflow, said Gerald W. Fronterhouse, the company's chairman.

"By the middle of last week, the sources of funds for the Dallas bank and for the corporation as a whole appeared to be stabilizing," he said in a prepared statement.

For the week ended Feb. 24, First Republic lost about $600 million in deposits, its daily average falling to $6.8 billion.

Mr. Fronterhouse said the deposit decline "reflects mainly the impact of earlier false rumors and extensive adverse publicity." In mid-February, the bank was the subject of numerous rumors, which picked up momentum after *The Wall Street Journal* reported that federal regulators were closely watching First Republic.

Some institutional investors had already withdrawn their uninsured deposits after a key rating of First Republic's creditworthiness — prepared by Keefe Bruyette & Woods Inc. — fell to its lowest level last month.

A number of banks also withdrew their check-clearing business from First Republic, fearing losses or service disruptions if the bailout rumors proved true.

Meanwhile, the ratings of two other Texas banks fell to the same level at the same time as First Republic's, though without the accompanying rumors and publicity. Both Texas American Bancshares Inc., Fort Worth, and National Bancshares Corp., San Antonio, reported stable or even rising deposits during the same period in which First Republic had an outflow.

"We get most of our deposits through our retail branches, and they just aren't likely to be affected by the ratings," said Gene Jones, treasurer of National Bancshares.

According to figures released by the Federal Reserve Bank of Dallas, a number of Dallas and Fort Worth banks reported a rise in deposits, apparently because of the reported problems at First Republic. For example, deposits at the Fort Worth-based lead bank of Texas American increased slightly, from $2.042 billion to $2.072 billion during the week ended Feb. 24.

That rise reflected a pickup in two categories of deposits that a problem bank is most likely to lose: certificates for more than the limit on federal insurance and foreign deposits. ■

Strategic Dates
Sept. 1, 1990

STRICT CHECK RULES: Starting today, banks and thrifts must abide by strict check-hold rules, including one that breaks up a consumer's deposit according to availability. Under the law, institutions must make the first $100 of any deposit available for cash withdrawal at the opening of business the day following deposit; the next $400 of the deposit must be available no later than 5 p.m. the next day, and the balance has to be ready for withdrawal at the start of the third day.

Preliminary 1987 Industry Data

FDIC's Report on Commercial Banking Performance

	Asset Size Distribution						
	All Banks	Less than $100 mil.	$100-$300 million	$300-$1,000 million	$1-5 billion	Greater than $5 billion	Ten largest banks
Number of banks reporting	13,654	10,891	1,876	535	268	74	10
Number of unprofitable banks	2,366	2,070	174	62	33	18	9
Number of failed/assisted banks	201	186	12	3	0	0	0
Performance ratios							
Yield on earning assets	9.53%	9.65%	9.59%	9.66%	9.62%	9.55%	9.99%
Cost of funding earning assets	5.64	5.22	5.17	5.23	5.34	5.73	6.82
Net interest margin	3.89	4.43	4.41	4.43	4.28	3.82	3.17
Net nonint. exp./earning assets	2.16	2.86	2.66	2.63	2.37	1.98	1.51
Net operating income to assets	0.07	0.53	0.75	0.62	0.53	-0.05	-0.89
Return on assets	0.13	0.58	0.81	0.67	0.57	-0.00	-0.81
Return on equity	2.56	6.70	10.61	9.59	8.77	-0.01	-18.29
Net charge-offs to loans, leases	0.89	1.14	0.81	0.95	0.92	1.04	0.67
Growth Rates (year-to-year)							
Net charge-offs	-3.9%	-21.2%	-10.8%	16.1%	24.4%	40.6%	-26.9%
Interest income	2.9	-1.2	3.3	6.0	11.3	11.6	3.8
Interest expense	1.4	-5.7	-1.3	1.6	7.4	11.2	6.3
Net interest income	5.2	4.9	9.3	11.6	16.6	12.1	-1.1
Loan loss expense	67.5	-23.8	-16.1	5.3	35.7	141.5	173.8
Noninterest income	15.6	10.5	11.5	13.0	22.9	18.7	23.6
Noninterest expense	7.4	6.2	9.0	10.7	15.5	15.9	9.1
Net operating income	-84.5	51.0	28.5	13.6	-3.7	N/M	N/M
Net income	-78.8	12.6	11.3	-0.9	-12.1	N/M	N/M

Source: Federal Deposit Insurance Corp.

Seidman: '87 Was a 'Forgettable Year' for Banks

➞ Continued from Page 3

Quinn, a financial economist in the FDIC's research and planning department. "That's something we haven't seen in while," he said. Mr. Quinn pointed out that the problem bank list grew in 1986 despite a record number of bank failures.

Mr. Seidman said banks in the Southwest will continue to struggle this year, but he said the regional economy is not expected to worsen. More than a third of the banks in the Southwest are unprofitable, with return on equity at a negative 11.81%.

Industry consolidation continued, according to FDIC figures. There are now 13,700 commercial banks, the lowest number since 1971. The number of banks peaked in 1984 at 14,500.

The FDIC itself reported 1.1 cents of deposit insurance to cover every dollar of insured deposits, an all-time low. ■

Digital Equipment to Place VAX in AmeriTrust Units

CLEVELAND — Digital Equipment Corp. will install a VAX minicomputer to drive the present Ericsson terminals in each AmeriTrust branch in Ohio and Indiana under a $10 million joint program.

The Cleveland-based bank has 210 branches in the two states. Installation of the system will start late in 1989 and run over five years.

The VAX equipment will replace the Ericsson minicomputers that now drive some 800 teller stations in the branches and will connect to an IBM host computer. The Ericsson teller workstations will be retained.

AmeriTrust said the VAX will permit others besides tellers, such as customer service officers, to access account information. ■

MONDAY in American Banker

NEWS MONDAY

AMERICAN BANKER WEEKLY REVIEW

A four-page section reviewing some of the top stories of the week and focusing on developments in Washington. The features in this section include:

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An American Banker Survey

Half of Respondents Expect Merchant Units to Profit

➸ Continued from Page 1

the *American Banker* survey said merchant profits account for less than 10% of overall credit card profits.

Last year, Keefe, Bruyette & Woods Inc. estimated that credit card operations at the biggest issuers were yielding a pretax profit of 4.75% on assets in the first half of the year, making credit cards among the most profitable of bank products.

For a bank, the merchant business in a credit card operation is basically providing the retailer access to the Visa and MasterCard networks. This means that the bank, or a third-party acting for the bank, authorizes credit card transactions for the merchant, credits the merchant's bank account when it deposits credit card receipts, and submits these receipts to Visa and MasterCard for settlement.

For these services, the bank charges the merchant a so-called discount fee on each credit card transaction. This fee is negotiated separately with each retailer and generally ranges from 1.5% to 4% of the transaction amount.

Make Money or Get Out

"When you make [the merchant business] a stand-alone product, you either make money or you get out of it," said Stephen R. Hooper, assistant vice president at Mellon Bank in Pittsburgh. "We've got our expenses more under control."

Manufacturers Hanover Trust Co., New York, got out of the merchant processing business when it sold its operations to First Financial Management Corp., Atlanta, in January. The bank said it wanted to concentrate on its "much higher return, nationwide consumer cardholder business," said Manufacturers vice president John Meyers.

Also in January, Chemical Bank sold its Chicago-based merchant credit card business to Electro Data of Denver. Chemical announced in November that it planned to discontinue the unprofitable Chicago business as part of a streamlining effort. Its New York-based merchant operation was not affected by the sale.

"People are paying a little more attention to it," said another banker, who requested anonymity. "We in this whole group could do a lot better if we'd just run it for profit."

The *American Banker* survey found that a large majority of banks — 44 of 50 with merchant operations — track the profitability of their merchant operations.

But George Norris, senior vice president at Rocky Mountain Bank Card System Inc., Denver, said: "It would amaze me if it's that high."

And bankers think gauging profits is easier said than done. "I think the allocation of merchant and cardholder revenues is murky at most banks," said Cynthia A. Graham, senior vice president at Barnett Banks Inc., Jacksonville, Fla.

Some bankers expect help in another area. "I'd say technology is going to give us the edge," said Dennis R. Babcock, vice president at Shawmut Bank in Boston. He was referring to so-called data capture programs, which use an electronic terminal at the merchant location to handle the credit card transactions. This is cheaper than the old-fashioned method, which requires a phone call by the store clerk to check if the card is valid and a deposit of paper sales slips at the merchant's bank to credit the sale.

> Keefe, Bruyette & Woods estimated that credit card operations at the biggest issuers were yielding a pretax profit of 4.75% on assets, making credit cards among the most profitable products.

Data capture also saves banks money because use of that technology entitles the merchant bank to pay a lower "interchange fee" to the card-issuing bank. For every bank card transaction, the merchant bank pays an interchange fee to the bank that issued the card.

Since the interchange fee is built into the discount fee that the merchant bank charges the retailer, a lower interchange fee means extra money for the bank.

Some See Little Benefit

But some bankers see little financial benefit from data capture.

The biggest merchants have a keen understanding of bank card operations and know that data capture cuts costs for banks. These merchants usually force banks to give up most of the savings from lower interchange fees in the form of a lower discount rate.

"The major merchants know the card business better than the banks do," Mr. Babcock said.

On the other hand, in many cases banks have been more successful in keeping for themselves the savings from data capture when dealing with smaller, less sophisticated merchants.

"The regional banks have been able to price the product in the middle range and make a pretty good profit because they can render a really good service," said Steve Glaser, a vice president at California First Bank, San Diego.

Rocky Mountain Bank Card offers data capture, but Mr. Norris said the technology's potential gains through lower costs depend on the merchant.

"We've tended to pass on our savings to the merchant," Mr. Norris said.

Mr. Glaser said the biggest retailers choose credit card service based strictly on the cheapest discount rate, but medium-size merchants will pay a premium for a superior service.

But Mr. Norris was skeptical about future profitability.

"Pricing is getting more competitive," he said. "I feel we're getting lots of pressure."

Mr. Norris said banks are hiring aggressive nonbank marketing companies to sign up merchants for the banks' credit card services. These third-party marketers are penetrating the ranks of regional merchants, Mr. Norris said.

"There are third-party marketers coming into the area trying to undercut you," he said. ■

Merchant Profitability

Do you track the profitability of the merchant side of your credit card business?

Yes	44
No	4
Unsure	2

Base: 50 respondents with merchant operations.

Would you say the profitability of this business is higher, lower, or unchanged in the past year or so?

Higher	18
Lower	12
Unchanged	13
Unsure	1

Do you expect the profitability of this business to be higher, lower, or unchanged during the next year?

Higher	22
Lower	7
Unchanged	12
Unsure	3

Estimate the percentage of your overall credit card profits that can be attributed to this business.

Loss	1
0 - 4	14
5 - 9	7
10 - 14	7
15 - 19	5
20 - 24	5
25 - 29	1
30 - 34	1
35 - 39	0
40 - 44	0
45 - 49	0
50 +	1

Base: 44 respondents who track merchant profitability

Source: American Banker

Top Merchant Banks For Credit Cards

Of those responding to survey, ranked by merchant sites (12/86)

	Merchant Sites	Merchants
1. MBank USA, Wilmington, Del.	84,500	38,800
2. Bank of America, San Francisco	NA	44,100
3. Rocky Mountain BankCard System, Denver	NA	40,000
4. Security Pacific National Bank, Los Angeles	41,000	25,000
5. First National Bank of Louisville, Kentucky	37,700	3,600
6. Chemical Bank, New York	37,000	32,500
7. First National Bank of Atlanta	26,000	10,400
8. NBD Bancorp, Detroit	21,200	19,700
9. Sovran Bank, Richmond, Va.	20,300	16,800
10. Marine Midland Bank, Buffalo	18,000	15,000
11. Barnett Credit Services Inc., Jacksonville, Fla.	17,600	NA
12. Manufacturers Hanover Trust Co., New York	NA	15,800[1]
13. First Bank of South Dakota NA, Sioux Falls	15,000	9,200
14. First Interstate Bank, Los Angeles	14,100	12,700
15. United Virginia Bank, Richmond	11,800	9,700
16. Rainier National Bank, Seattle	11,700	NA
17. First Tennessee Bank, Memphis	10,100	8,000
18. AmSouth Bank NA, Birmingham, Ala.	9,800	9,000
19. Wachovia Bank and Trust Co.	9,300	6,600
20. Fleet National Bank, Providence, R.I.	9,100	8,100
21. United Missouri Bank of Kansas City	8,700	1,000
22. NCNB, Greensboro, N.C.	8,700	8,300
23. Shawmut Bank, Boston	NA	7,400
24. Meridian Bancorp Inc., Reading, Pa.	7,800	NA
25. First Fidelity Bank NA, Newark, N.J.	7,600	6,600
26. First Maryland Bancorp, Millsboro, Del.	7,400	5,600
27. California First Bank, San Diego	7,400	7,200
28. Signet Bank, Richmond, Va.	7,000	4,500
29. Huntington National Bank, Columbus, Ohio	6,700	6,400
30. Maryland Bank NA, Newark, Del.	6,500	5,500
31. Midlantic National Bank/North	6,200	5,900
32. South Carolina National Bank,	5,800	4,500
33. Bank of New England, Boston	5,200	5,300
34. Connecticut National Bank, Hartford	NA	5,000
35. Citizens and Southern National Bank, Atlanta	4,800	4,500
36. Society National Bank, Cleveland	4,300	2,200
37. National City Bank, Cleveland	4,200	2,900
38. Sanwa Bank of California, Los Angeles	NA	3,200
39. Sumitomo Bank of California, San Francisco	NA	2,200
40. Sovran Bank/Delaware, Dover	2,600	2,000
41. Equibank (Delaware) NA, Wilmington	2,600	2,600
42. State Street Bank and Trust Co., Boston	2,500	1,300
43. First RepublicBank Dallas	2,100	900
44. First Pennsylvania Bank NA, Philadelphia	1,800	1,000
45. First National Bank of Cincinnati	1,700	1,500
46. Bank One, Columbus	NA	1,200
47. Bank of Hawaii, Honolulu	500	NA

[1] Manufacturers Hanover has since sold its merchant business to First Financial Management Corp., Atlanta.

Source: American Banker

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our credit card survey meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

____

____

____

(2.) What do you like **best** about the survey?

____

____

____

Name (optional)____________________
Title____________________________
Company________________________
Address_________________________

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Phone__________________________

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Today

The Continental Illinois case goes to trial on Tuesday four years after the first indictments. Some believe legal entanglements that have delayed the trial could weaken the memories of witnesses and prove a serious liability for the government's case. Among the central questions is did the three defendants intend to defraud Continental and scheme to violate its lending policies. ______ 2

Foreign banks are getting stronger in currency dealing in Japan since government restrictions have largely driven Japanese banks out of the business. Citicorp, First Chicago Corp., and J.P. Morgan & Co. are considered the major beneficiaries. ______ 3

Disgruntled stockholder Fredrick J. Erck is expected to withhold his support for the recapitalization plan of First City Bancorporation of Texas. A. Robert Abboud and other new owners, he says, could reap extraordinary benefits under the plan. ______ 16

Executive Changes ______ 10
Global People ______ 10
In the News ______ 3

COMMENT

Suspending stock dividend payments may help banks — particularly the money centers — to conserve precious capital, writes Christopher C. Ohman. He argues that it is futile for banks to pay dearly to raise capital, and then promptly give it away in the form of dividends. The opposing view, from an article in *First Boston Equity Research*, maintains that dividend cuts could undermine investor confidence in the financial system. ______ 4

THRIFTS & MORTGAGES

Some Wall Street dealers are refusing to sell asset-backed securities and other obligations to bank traders at a traditional discount, according to Ralph Horn, head of trading at First Tennessee Bank, Memphis. ______ 3

Leading suitors for Georgia's largest thrift are Barnett Banks Inc., Jacksonville, Fla.; Houston Industries Inc.; and Commercial Credit Co., Baltimore. All have informed Fuqua Industries Inc. of their interest in acquiring its subsidiary, Georgia Federal Bank, which has $3.8 billion in assets. ______ 6

Freddie Mac's budget for seven convention theme parties this year is $339,316. Unlike most federal agencies, the congressionally chartered corporation has aggressively promoted itself through such parties since 1984. ______ 6

Thrift mergers in Massachusetts are expected to pick up, particularly on Boston's South Shore, thanks to lower stock prices and lower expectations from potential sellers. ______ 7

If thrifts adopt the relatively simple calculation known as net interest margin, investors will find thrifts more appealing, writes Jerome I. Baron of Prudential-Bache Securities. ______ 8

Quote

I'm not the troublemaker sort.

Fredrick J. Erck, the stockholder who has objected to the proposed recapitalization of First City Bancorporation of Texas Inc. [Page 16]

Senate Panel Backs New Powers for Banks

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — The banking industry rolled up a huge victory Wednesday night when a Senate panel overwhelmingly approved a bill that could lead to full repeal of the Depression-era Glass-Steagall Act. But bankers already are casting a wary eye at the House, where they face sterner tests.

The bill permits banks to underwrite any type of security, except corporate equities, within six months of enactment. It also requires a vote on corporate stock underwriting no later than 1991.

Committee staffers say the bill could go to the Senate floor as early as next week. It is expected to pass by a wide margin.

In the House, the measure must go through two committees — Banking, and Energy and Commerce — neither considered friendly to expanded bank powers. Observers predict that the House will water down the securities powers authorized by the Senate and tighten some of the restrictions.

"We have gone one-third the way up Mt. Everest," said J. Denis O'Toole, chief congressional lobbyist for the American Bankers Association.

Moreover, he said, if the House committees take too much time drafting and reporting out legislation, the bill will begin to run up against the timing complications of a presidential election year.

Securities: Page 15 ➔

Banking Bill Highlights
Page 15

Who's the Fairest of Them All?

Banks were asked to rate Visa and MasterCard in each of the following categories as very poor, poor, satisfactory, good, or excellent

	Satisfactory		Good		Excellent	
	Visa	MC	Visa	MC	Visa	MC
Advertising to consumers	7	16	27	25	22	9
Technical and back office support	13	19	30	28	11	3
Product development	24	20	25	27	5	8
Responsiveness to members	14	16	24	23	14	13

Base: 55 respondents who have been members of both Visa and MasterCard for at least one year.
Source: American Banker

AN AMERICAN BANKER SURVEY

2 Bank Cards Rate Evenly on Service

By MICHAEL WEINSTEIN
Fourth of a Series

Bankers give Visa higher marks than MasterCard for consumer advertising and operations expertise, but they gave MasterCard a slight edge over its rival for product development, according to the *American Banker's* second annual credit card survey.

The two organizations were rated about even for responsiveness to members, the survey found.

Last June, the *American Banker* mailed 110 questionnaires to the nation's biggest financial institutions and top credit card banks. Sixty responses were received by mail or by telephone in the next several months. Fifty-five banks had been members of both Visa and MasterCard for at least one year, and that group served as the base for

Survey: Page 10 ➔

Hanover Puts Consumer Unit Up for Sale

By JED HOROWITZ

NEW YORK — Manufacturers Hanover Corp. has put its $3 billion consumer finance company on the auction block and is asking for more than $600 million, according to Wall Street sources.

Manufacturers Hanover Consumer Services, a 542-office network based in Huntingdon Valley, Pa., earned from $55 million to $60 million in 1987 and has a book value of about $315 million, said sources who have studied the company. Goldman, Sachs & Co. has been retained to help sell the finance unit, they added.

The decision to sell the profitable business reflects Manufacturers Hanover's scramble to raise equity following a $1.1 billion loss in 1987.

Consumer finance companies have been selling at more than two times book value or ten times earnings, according to one banker. Several bank

Hanover: Page 14 ➔

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Dividends: To Cut or Not to Cut

High Cost of Capital May Mean Lost Income for Bank Shareholders

By CHRISTOPHER C. OHMAN

WITH THE august J.P. Morgan & Co. losing its coveted AAA bond rating this month, the post-depression era of bedrock stability for banks has formally come to a close.

Events of the past 10 years — including deregulation, the Latin American debt crisis and the Federal Reserve's new risk-based capital requirements — have created an urgent need for banks to raise substantial new capital.

However, bank securities have fallen from their former gilt-edged status to become increasingly volatile and risky. And, for the immediate future, the Oct. 19 stock market crash has prevented most banks from looking to the equity market for new capital.

Citicorp surely counts its blessings that it went to the market last September, before the crash, with its $1 billion stock issue. Still, that issue cost Citicorp's shareholders 14.4% in dilution. If, after the crash, Citicorp wanted to raise the same amount of equity, its shareholders would have suffered dilution of about 23%.

If Citicorp must dilute its equity base by nearly one-fourth to raise substantial new capital, what choices do the weaker banks have? Bank of America paid dearly for the $350 million in new debt it raised last fall from the Japanese. Imagine what it would pay today for new equity.

Still, other banks might follow the example of Bank of America by adopting a simple measure to raise much-needed equity at no expense: Stop paying a dividend.

Indeed, the timing is excellent for such a radical step as cutting out dividends. With stock prices too low to allow most banks to issue new stock, the market would have sufficient time to absorb the bad news before banks would need to raise new equity from the market.

The banks might as well take another blow now, while reeling from the other blows they have taken. Indeed, one could argue that Bank of America's stock price suffered little as a result of canceling its dividend. This is because concerns about its underlying business were the driving force in the decline of BofA's stock price.

While waiting for the market to recover, banks would accumulate the dividends not paid, making their stocks more attractive to potential new shareholders.

A less painful alternative could be replacing a cash dividend with a stock dividend, though a stock dividend can be costly in terms of dilution.

Now that they are in this pickle, bank management needs to respond with new capital strategies as radical as the changes in their operating strategies.

Finally, raising new capital seems futile when combined with a generous dividend policy. Banks simply give back the expensive new capital in a remarkably short period.

Citicorp, for example, paid out over $300 million in common dividends in 1987, and will thus give back the $1 billion it raised last fall in just over three years. Adding insult to injury, Citicorp paid Merrill Lynch another $29 million to raise the new equity.

Little wonder that First Boston, in a January 1988 report on money-center banks, specifically recommended that banks continue to pay a dividend. Changing a dividend policy doesn't cost a penny.

Concern about shareholders is well placed, particularly the human impact on pensioners who rely on dividends — and this group would be very difficult to abandon.

Still, bank management teams cannot be faulted by their shareholders for the rapid convergence of several major events that undermined the foundations of the entire financial services industry.

Now that it is in this pickle, bank management needs to respond with new capital strategies that are as radical as the changes in their operating strategies.

Otherwise, bank shareholders will be replaced by new owners, such as foreign banks flush with cheap dollars. Several securities houses are now owned in whole or in part by such foreign institutions.

A host of pressures have combined to force banks to raise capital. With most banks presently frozen out of the market for new equity, they should stop paying a dividend. ■

Mr. Ohman is a vice president in the San Francisco office of a New York money center bank.

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Loss of Investor Confidence Could Cost Even More

The following is excerpted from an article that appeared in the Jan. 15, 1988, edition of First Boston Equity Research.

□

AS A RESULT of events in December, investors have finally become fully aware of the equity need of most money center banks, a need that in many cases is massive.

While a portion of the necessary equity can be generated by retained earnings, utilization of tax-loss benefits and special gains, a major portion still has to be achieved through the sale of stock.

Offerings will be more difficult in the present environment than in the fall of 1987, and the potential per-share earnings dilution will be significantly greater because of sharply lower market prices.

We believe money center bank stocks will remain in a trading range with the low side being the lows reached in December. The upside potential however, is limited because of investor concern about how the recapitalization of the banks will be achieved and concern about the ability to maintain dividends.

In our view, the money center banks must maintain their dividends if they hope to be able to raise additional equity.

Payment of dividends is ultimately the decision of the respective boards of directors, but the decision is also affected by regulators. Under Federal Reserve policy guidelines, a bank must ask permission to pay dividends if certain earnings and net worth tests are not satisfied.

Under the earnings test, the current year's adjusted net income plus two years of retained earnings must exceed the dividend. Earnings are adjusted to reflect actual loan losses — not provisions for loan losses — and should not reflect an undue reliance on nonrecurring gains.

While a dividend reduction would act immediately to increase retained earnings, it might cause a negative response from the investment community.

The net worth test requires that the sum of retained earnings plus the reserve for loan losses less "bad debts" (those loans six months or more past due) must exceed the dividend payment. An important issue still being debated is whether loans to Brazil, where interest is more than six months past due, is included in the bad-debt deduction.

The board of directors' decision to maintain dividends is somewhat more difficult. This is especially true when considered in relation to core operating earnings and, possibly, placing loans to lesser-developed countries on nonaccrual status.

Given the banks' need for capital, the first reaction of a board is likely to be to reduce, if not eliminate, the dividend. From a financial sense even the elimination of a dividend is not enough to really solve the equity need.

While a dividend reduction would act immediately to increase the amount of retained earnings, it might cause a negative response from the investment community. It could result in the bank's having great difficulty in securing access to the equity market.

Confidence factors must also be considered because banking is a business that depends on confidence. A dividend cut, especially one for a money center bank, could significantly impair confidence — not only in a single bank but for the financial system in general. ■

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

We would like our pages to reflect as wide a range of views and opinions as possible — no matter how provocative or controversial. The key goal is to factor your views into our own thinking so that both our newspaper and the executives who read us can do a better job running our organizations.

In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, Banking Week, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number.

Remember, we need your views to be a true community newspaper.

EXECUTIVE CHANGES

Fidelity Names Morgan Chairman

Bernard J. Morgan has been named chairman and chief executive of **Fidelity Bank,** Philadelphia's largest commercial bank. Mr. Morgan also has been named president and chief executive officer of Fidelcor Inc., parent company of Fidelity Bank and of Merchants Bancorp, which includes Merchants Bank NA, Allentown, Pa., and Merchants Bank, North, Wilkes-Barre, Pa. He succeeds **Harold W. Pote,** who has become president and chief executive officer of First Fidelity Bancorp., Fidelcor's new parent company. Mr. Morgan is vice chairman of First Fidelity. **Rosemarie R. Greco** continues as president of Fidelity Bank and **Carl J. Feichtel** continues as chairman and chief executive officer of Merchants Bancorp and Merchants Bank NA. Prior to assuming his new posts, Mr. Morgan served as deputy chairman of Fidelcor and Fidelity.

AURORA NATIONAL BANK, Aurora, Ill., has named **James E. Schwarz** controller, and **Earl J. Weincek** has joined the bank as director of business development. Mr. Schwarz, previously assistant vice president in accounting, will be responsible for the financial planning and reporting for the bank's operations. Mr. Weincek is responsible for customer calling and new business development. He spent five years at the Northern Trust Co. and was a vice president at Unibanctrust Co., Chicago.

FIRST CONSTITUTION BANK, New Haven, said **Edward M. Hall** had joined as senior vice president of product management and marketing. He has held various posts at Wells Fargo Bank, Bank of America, and, most recently, with First Interstate Bank, all based in California.

MERCANTILE BANK NA, St. Louis, has elected **Russell L. Whites** and **Thomas E. Wilcox** vice presidents. **Charles T. Franckle** has been elected senior vice president and asset-liability manager of Mercantile Bancorp., the bank's parent company. Mr. Franckle joined Mercantile last month from First City Bancorporation of Texas Inc., Houston.

SOVRAN FINANCIAL CORP., Norfolk, Va., has named senior executive vice president **Albert B. Gornto Jr.** president and designated him to succeed **C.A. Cutchins 3d** as chairman and chief executive officer as of April 1989. Mr. Gornto will continue to direct all staff functions for the holding company, including corporate finance. **Dennis C. Bottorff,** currently a vice chairman, has been named to the additional post of chief operating officer and will be responsible for the operation of the company's banking subsidiaries, including the newly created Sovran Financial Services. **Doyle E. Hull,** senior executive vice president and chief financial officer, has been named president of Sovran Financial Services, with responsibility for the operation of the company's financial services affiliates, investments, and for the coordinated delivery of various of the company's corporate products. **C. Coleman McGehee,** formerly president and chief operating officer, will continue as chairman of the holding company's executive committee. The new assignments will take effect on April 1 of this year. At the request of the board of directors, Mr. Cutchins, who will be 65 in July, will continue his active service with the company until its annual shareholders' meeting in April 1989.

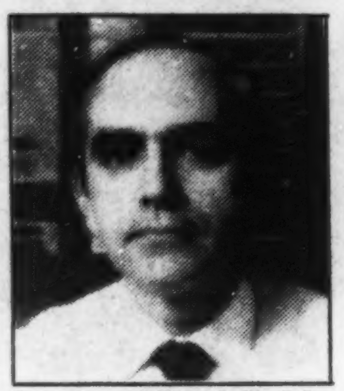
FIRST REPUBLICBANK DALLAS has named Thad Holt a senior vice president and director of finance and banking administration.

— Franklin Smith

GLOBAL PEOPLE

Rushfield Named to American Express Unit

NEW YORK — **Leonard H. Rushfield,** an international banker based in California for 15 years, has been named executive vice president and a director of American Express Bank International. He will direct the Western regional operations of the international banking subsidiary of American Express Bank Ltd. Mr. Rushfield will be based in Beverly Hills.



Leonard Rushfield

The international banking unit provides comprehensive, U.S.-based private banking service to international clients.

The new director joined American Express Bank International from Republic International Bank of New York (California), where he was president.

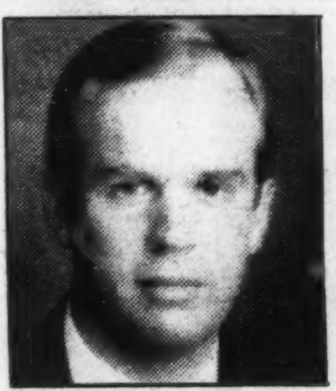
NEW MANAGING DIRECTOR: Barclays Bank PLC, London, said **John Quinton** will become managing director May 1. He will succeed **Peter Leslie,** who retains his position as deputy chairman.

MIDLAND APPOINTS DIRECTOR: Midland Bank PLC, London, has appointed **T. Jefferson Cunningham 3d** to its board of directors, bringing the total number of Midland directors to 21. Based in New York, Mr. Cunningham has been advising the British financial institution on its international strategy.

HELLER'S INTERNATIONAL ARM: Dennis P. Lockhart has been named president of Heller Overseas Corp., the international operating company of Heller International Corp., Chicago. Mr. Lockhart will be responsible for directing the company's network of wholly owned operating companies, affiliates, and joint ventures with leading financial institutions in 17 major European and Pacific Basin countries. He is the former vice president and head of Citicorp's debt-to-equity conversion program in the bank's Caribbean, Central American, and South American operations. Mr. Lockhart had been with Citicorp for 16 years.

INVESTMENT BANKING UNITS: Credit Lyonnais, Paris, and Commerzbank Aktiengesellschaft, Frankfurt, West Germany, have reorganized their jointly held EuroPartners Securities investment banking subsidiary into two independently owned units: CL Global-Partners and Commerzbank Capital Markets Corp. Both are located in New York. **Karl Oellinger** and **C. Peter Tillmanns** are managing directors of Commerzbank Capital Markets. At CL Global-Partners, **Thierry Magon de la Villehuchet** is chairman, **Austin J. Jones** is chief financial officer, and **Steven Resnick** is managing director.

BRAZIL REP: Norwest Corp., Minneapolis, has named **Christopher Greer** as its representative in Brazil, a new post. He will be based in Sao Paulo. Mr. Greer was with Chemical Bank in Brazil as its representative for corporate relationships and a director of its investment bank, Banco Noroeste. **Darin Narayana,** Norwest executive vice president, international, said Mr. Greer's primary responsibilities will be to help the international staff further reduce Norwest's total exposure in Brazil, manage remaining exposure, and increase nonasset-related fee income.



Christopher Greer

TREASURY HEAD: Bank Leumi Trust Co., New York, said **Robert Giordano,** vice president, has been appointed head of its treasury trading department. His responsibilities include foreign exchange trading, asset liability management, and management of the bank's portfolio.

— Franklin Smith

AN AMERICAN BANKER SURVEY

MasterCard, Visa Rate Evenly On Customer Responsiveness

➻ Continued from Page 1

this part of the survey.

Industry observers were not surprised by Visa's edge in advertising.

"Visa's ads are just much more effective," said one consultant, who requested anonymity.

In interviews, bankers praised two of Visa's ads, both part of the campaign called "It's Everywhere You Want to Be."

One ad shows the Visa card being accepted at restaurants and travel spots that do not honor American Express. The other ad links Visa, which was one of only a few corporate sponsors of the Olympics, to the Games and concludes by reminding viewers that the Olympics "don't take American Express."

"People really liked the ads that struck out at American Express," said K. David Elgena, president of First City Bank-Sioux Falls in South Dakota, a subsidiary of First City Bancorporation of Texas Inc., Houston.

In contrast, industry observers said that MasterCard's recent ad campaigns have offered a fuzzy vision of its products.

A recent campaign — "Master the Possibilities" — featured celebrities discussing their ability to do what they want to when they want to.

In its newest campaign, "Choose To Make a Difference," MasterCard offers to make donations to six charities based on MasterCard sales volume. The amounts apportioned to each charity will depend on ballots submitted by consumers.

"The whole message here is charity dollars" rather than MasterCard's product, said a consultant with close ties to Visa, who requested anonymity.

MasterCard said its new campaign has "so much bank support" that it expects 80% of its cardholders to get statement stuffers about it. Member banks are responsible for sending out statements to cardholders.

MasterCard outspends Visa on advertising, according to *Advertising Age.* In 1986, Visa spent $35 million on U.S. advertising; MasterCard's budget was $52 million, according to the trade publication.

Although Visa and MasterCard run worldwide telecommunications networks, Visa scored higher for technical and back-office support.

"Visa has always paid more attention to detail and the planning of systems," said one consultant.

Another consultant with ties to Visa observed that Visa's perceived edge in operations may be a function of the powerful personality of Dee W. Hock, who served as Visa's chief executive officer from the card's inception in 1970 until 1984. Strong leadership promotes greater efficiency, the consultant said.

But such strong leadership may have worked against Visa when it comes to product development. Industry observers credit MasterCard's perceived advantage in that area in part to its willingness to discuss plans with members.

"MasterCard will call members periodically," said Mr. Elgena of First City Bank. "They like to bounce ideas off members. That might be why they came out ahead in product development."

MasterCard introduced a premium card before Visa, and of the two, only MasterCard offers a corporate credit card.

That the two associations scored about the same in their responsiveness to members surprised even Visa supporters.

"I'm surprised it came out a wash," said the consultant with ties to Visa. "Historically, Visa was viewed as tyrannical."

Visa declined to comment on the survey results.

He said Visa's apparent arrogance stems from the days when Mr. Hock was top man.

Next: Some banks are downplaying American Express products since the introduction of the Optima card.

DAILY FINANCIALS

Thursday March 3, 1988

Money Market

Federal funds range 6½%-6⁹/₁₆%
Prime rate (2/4/88) 8.50%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral 7.50%

Bankers acceptances offering rate, discount (3/3)
30 days: 6.42 60 days: 6.41 90 days: 6.41
120 days: 6.41 180 days: 6.40

Certificates of deposit, highest offering rate, at New York City banks (3/3)
14 days: 6.30 30 days: 6.45 60 days: 6.45
90 days: 6.50 120 days: 6.50 150 days: 6.55
180 days: 6.55 270 days: 6.75 360 days: 6.85

Commercial paper, dealer Aaa, discount (3/3)
30 days: 6.35 60 days: 6.48 90 days: 6.48

Commercial paper, directly placed, discount (3/3)
5-14 days: 6.25-6.25 15-29 days: 6.40-6.43
30-59 days: 6.40-6.45 60-89 days: 6.13-6.40
90-179 days: 6.13-6.38 180-270 days: 6.13-6.13

Treasury-bill rates, secondary market, bid (3/3)
90 days: 5.60 180 days: 5.85 1 year: 6.16

Eurodollar deposits, London bid (3/3)
Overnight: 6½ 7 days: 6⁹/₁₆ 1 month: 6⅝
3 mos.: 6⅝ 6 mos.: 6¾ 1 year:7

NIBOR: 6⅞ **LIBOR:** 6⁹/₁₆

Futures Markets

The Bond Buyer Municipal Bond Index

	3/3/88	3/2/88	2/25/88
Index	91.17	91.17	91.10
Yield to Par Call	7.96	7.96	7.99
Yield to Maturity	7.85	7.85	7.87

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Mar. '88	94.37	94.35	94.37	+ 2	5.63
June '88	94.38	94.33	94.35	– 2	5.65
Sept.'88	94.18	94.16	94.16	– 1	5.84
Dec. '88	93.90	......	93.89	unch	6.11
Mar. '89	93.65	......	93.64	unch	6.36
Jun. '89	93.46	93.44	93.42	– 1	6.58

As of the previous day's close; Total no. of contracts traded: 5,303 total open interest: 24,795 and change in open interest: + 403

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Mar. 3:	265.3	1988:	265.6	227.7	265.3
Mar. 2:	265.6	1987:	401.7	212.0	234.6
Mar. 1:	262.7	1986:	388.7	331.2	331.3
Feb. 29:	257.6	1985:	344.2	242.7	344.2
Feb. 26:	256.9	1984:	269.6	178.4	246.3

* Based on midday prices.

3/7/88 C0175-1 A

American Banker

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VOL. CLIII NO. 45 Monday, March 7, 1988 153rd Year

'87 Annual Reports Sport a Few New Features

By JOHN P. FORDE

NEW YORK

WHO reads these things, anyway?The question is a common one this time of year, as the annual reports start to roll in. And it is asked by just about everyone in a position to receive the annuals of major banking and industrial companies — equity and debt analysts, major investors, special interest groups, and financial journalists.

The 1987 annual reports of major regional and money center banking companies will reflect the demands of some very significant readers, primarily regulators and representatives of investors. They've made their voices heard and prevailed on companies to provide increased information on areas like income taxes, loan fees, and Third World debt.

As in prior years, the 1987 annual reports will be part regulatory disclosure, part financial explanation, part fashion show, and part high school yearbook. They can also be part apology and, some bankers say, part information too technical for the average reader to understand.

SOME bankers last year used this line of reasoning to criticize a Financial Accounting Standards Board proposal on disclosure of financial instruments. The bankers said the panel that sets accounting rules overstated the financial knowledge of the average annual report reader.

Subjects such as offsetting foreign exchange interest rate swaps and various types of off-balance-sheet liabilities may be too intricate for the average reader to comprehend, they claimed.

Consultants are devising ways to give the right amount of information to investors who need it. For example, a new type of annual report, called the summary annual, is being prepared by at least one regional banking company. The report is shorter and contains less financial information than standard annuals. It's being touted by its developer,

Tom Bloom

Annual: Page 6 ➸

Optima Causes Some Backlash Among Banks

Angry Institutions Drop American Express Line

By MICHAEL WEINSTEIN
Last of a Series

Some banks have stopped marketing American Express products since the company unveiled its Optima credit card, according to the *American Banker's* second annual credit card survey.

Eight out of 60 financial institutions said they have stopped offering American Express travelers checks or American Express gold cards since the announcement of Optima, a card that offers a revolving line of credit and that is similar to the MasterCard and Visa bank cards.

Top Premium Card Issuers
Page 22

The traditional green American Express card is a charge card, so cardholders must generally pay off outstanding balances by the end of each billing cycle.

Last June, the *American Banker* mailed about 110 questionnaires to the nation's biggest financial institutions and top credit card banks. Sixty responses were received by mail or by telephone in the following months.

The survey's results, while not statistically significant, highlight a trend some bankers said they have noticed among their peers. For its part, American Express said it has seen no bank flight from its products.

For years, banks and American Express have teamed up to deliver financial products to consumers and make money in the process.

Many banks sell American Express travelers checks, and the company

Banks Drop: Page 22 ➸

Today

The Tax Reform Act of 1986 is making it less profitable for U.S. banks to conduct business abroad. Accountants say the full effects may not be felt until banks submit 1988 returns. _____ 2

Robert C. DiGennaro, the former president and chief executive officer of Suffield Savings Bank, has been indicted by federal grand juries on charges related to insider trading. He allegedly disclosed confidential information about the merger of the Suffield, Conn., thrift with Coastal Bancorp of Portland, Maine, before it was made public. _____ 3

The Connecticut Banking Department has filed suit to force the First National Bank of Stamford to curtail its 18-month-old courier service used to pick up customers' deposits. _____ 3

MNC Financial has shown that most experts were wrong when they predicted it would take many years to make up the earnings dilution caused by its merger with American Security Corp. _____ 24

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COMMENT

A walk with Paul Volcker reveals a hard-nosed glimpse of the future, writes Dr. Paul S. Nadler. _____ 4

NEWS MONDAY

Sen. Christopher Dodd won a good deal of what he sought in the Glass-Steagall repeal that emerged from the Senate Banking Committee. The package, which calls for banks to phase in securities activities and restricts their insurance powers, largely reflects that nobody on the committee wanted to vote in this election year. _____ 3

The first lesson in lobbying is to always make an appointment with a lawmaker before you arrive, as a group of trust bankers learned on a recent tour of Capitol Hill. _____ 15

A VIEW FROM OUTSIDE

MARTIN MAYER

Panama and the Banks

GEORGE D. MOFFETT 3d, who was assistant to the chief of staff in the Carter White House, describes the banking laws of Panama in his book, "The Limits of Victory," about the campaign to ratify the Panama Canal Treaties. "The legal environment," he writes, ". . . provided total freedom to carry on intermediary business in foreign currencies with no central bank regulations, no controls on the movement of capital, no bookkeeping requirements, no access to records for foreign authorities, no reserve or liquidity requirements, and, best of all, no taxes."

This total exemption from the slings and arrows of outrageous fortune was set up in 1969 by Nicholas Ardito Barletta, who was then planning minister and later the first of two presidents of Panama dismissed by Gen. Manuel Antonio Noriega. Mr. Barletta saw easy bank licensing and supervision as a source of income for Panamanians and, not least, for the government of Panama.

And, of course, as a source of loans. Mr. Moffett's book cites an unnamed "American banking official in Panama" who noted, among the benefits the host country derived from this arrangement, that "the banks lend freely to the government of Panama."

View: Page 23 ➸

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BANKING TRENDS

A Walk in the Economic Woods with Volcker

By DR. PAUL S. NADLER

WALKING DOWN THE street with Paul Volcker makes you feel important. It reminds me of the time someone was said to have asked J.P. Morgan for a loan, to which he replied: "I won't lend you money, but for a fee, I'll walk down Wall Street with my arm around you."

Mr. Volcker and I were in Orlando speaking at a users conference sponsored by the Kirchman Corp., the Florida software company. Walking with him afterward, I felt more significant than at any time since I went to a men's room with Henry Kissinger, where we had a bodyguard at each corner while we were inside.

Everyone recognizes the 6 foot 9 inch former chairman of the Fed — many come up and ask to have a picture taken with him. Mr. Volcker is so charming and kind it is hard to remember that until recently he was the second most important person in America in the mind of this observer and many others.

Of course fame dies quickly. Another attendee at the Kirchman conference reportedly went up to Mr. Volcker and queried, "Didn't you used to be Paul Volcker?"

But talk to him, and his thinking continues to show the impact of his years as a central banker.

- He was asked whether the regulations weren't crazy that require a bank to raise more capital if it realizes bond losses and marks the portfolio to market, while a bank is considered adequately capitalized if it does not take this step of realizing losses. His reply: "Anything that can force banks to raise more capital is all to the good."

Nadler Says:

Volcker gave a message that needs repeating, again and again: We are living beyond our means and will have to pay for it through a lower standard of living sooner or later.

- He was asked whether unfriendly takeovers of banks are good or bad for the nation. His negative response is couched in terms of fear for the strength of the bank rather than any other consideration.
- He was told that an employee of Bankers Trust Co. quit when his bonus was only $3 million after he had made a fortune for the bank in the foreign exchange market. Mr. Volcker's response was that no bank should allow the type of exposure that could lead to such foreign exchange profits, because it could lead to equal-size losses and thereby seriously damage the bank.
- And he was asked about the possibility that Black Monday might force the Congress and the President to do something about the budget deficit. He responded that for three days it appeared these governmental groups were scared and "got religion." But after that, it was back to business as usual. He added during his question and answer period at the convention that we may have to see another Black Monday before we truly do the job on the deficit that needs to be done.

A Mexican Reflection

While it was fun to walk and talk with the former head of the Fed, it was in his remarks to the convention that he was truly marvelous. Mr. Volcker gave a message that needs repeating, again and again: We are living beyond our means and will have to pay for it through a lower standard of living sooner or later.

To this listener at his breakfast talk, the most interesting comment he made was to compare us with Mexico seven or so years back.

The Mexican financial officials went to their president and complained that the nation needed fiscal discipline. But at that time Mexico was able to borrow all the money it wanted from U.S. banks, so the president dismissed the financial aides and continued with business as usual.

Later, when those banks stopped lending new sums to Mexico, the nation's finances went to pieces, and the peso dropped from about 12½ to the dollar to about 2,500 to the dollar.

Similarly, while foreigners still will lend us enough to cover our budget deficits, no presidential candidate is willing to talk about the economy without pledging to be against any tax increases or spending cuts. In Mr. Volcker's opinion, we may well suffer the same economic decline as Mexico when our ability to borrow abroad halts.

Already we have seen a cutoff of private investment in the United States, so the basic financing of our deficits must now come from central banks and governments, Mr. Volcker said.

With interest cost on the debt rising steadily as the deficit continues to burgeon, with more older people in the nation pressuring for more entitlement spending, and with limits to military cutbacks, he continued, we are in for trouble, because we do not have the productive capacity to grow out of our debt problems.

What about productive capacity? The dollar has dropped enough, and U.S. labor costs are now competitive in world markets, being lower than those in Europe and equal to those in Japan.

(Go to Epcot Center, as this writer did before the meeting. See the robot at the General Motors Corp. exhibit that can do all the dirty work that formerly required high-cost manual labor, and you can verify the success of United States in cutting labor costs sharply in the recent past.)

So the outlook, according to Mr. Volcker, is likely to be a lower dollar, higher interest rates, recession here and abroad, and stagflation, unless we do something soon.

Consumption Tax to the Rescue

What should we do? Mr. Volcker said the solution must come largely on the revenue side. As indicated above, spending cannot be cut much further, but there are real possibilities in consumption taxes.

Sure, we must do something about entitlements, like taxing Social Security benefits, modifying eligibility, and reducing cost of living adjustments.

But to Mr. Volcker the most important way we can work on the deficit is to pass a gas tax increase that brings in $50 billion to $60 billion a year, to raise cigarette and liquor taxes, and otherwise tax consumption.

"Democracy always waits for crises to take necessary steps, but this time the risk is too great," he concluded.

Changing the income tax again is not in Mr. Volcker's proposed agenda, but some changes in government's role and revenue sources are necessary.

He said that we are likely to have a new energy crisis within a few years; therefore we must curb our deficits $30 billion to $40 billion a year to keep foreign owned funds willing to finance it. If nothing else works, he said, the market will force change eventually through another Black Monday, at great risk to the nation.

"We always felt that our economy would continue to grow and our children would always be richer than we are," he said. "This is no longer true unless we do something to build productivity and halt the policy of consumption that vastly exceeds production."

In sum, Mr. Volcker has a major warning for the future because of our unwillingness to face economic reality today, and his warning is not pleasant.

Walking with him and thinking of the responsibility of the Federal Reserve in such an environment. I had to feel that at times he is pretty happy that he has given up the mantle of Fed — and that people now come up and ask him, "Didn't you used to be Paul Volcker?" ■

Dr. Nadler is professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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OVERVIEW

Why Do They Want to Be President?

By H. ERICH HEINEMANN

BY TOMORROW evening, the nation should finally get a clear picture of who the serious contenders will be for the White House in November. Voters in 20 states — mostly Southern, but also in the Northeast and West — will select roughly one-third of the delegates to the national party conventions this summer.

For practical purposes, the race should narrow to Vice President George Bush and Senate Minority Leader Robert Dole for the Republicans and Massachusetts Gov. Michael Dukakis and Missouri Rep. Richard Gephardt for the Democrats. While the contest won't be over by a long shot, the candidates now must start to shift their priorities to the painful issues that will confront the next administration, no matter who is elected.

The 1980s have brought radical changes to America. An enormous federal deficit (bigger than those of all previous administrations combined) has spawned a host of toxic side effects.

These include an unprecedented shortfall in international trade, the emergence of the U.S. as the world's largest debtor nation, the takeover of America by foreign investors, and, not least, the prospect of a significant curtailment of U.S. living standards in the 1990s. It makes you wonder why such a group of vigorous, otherwise intelligent men would even want to work at the White House, let alone be President.

Debt May Overshadow All

These developments will all pose major challenges to the next administration. Over the long run, they may pale in comparison with the fallout from the U.S. debt buildup and the concurrent erosion in credit quality. While the economy is growing, serious problems will be postponed.

However, a day of reckoning will come. The worst case would be a credit implosion — widespread, destructive defaults analogous to the collapse in the 1930s. While possible in theory, that outcome is very improbable. It is much more likely that the next President will have to present U.S. taxpayers with a humongous invoice for the cost of repairing the financial system.

A large part of the problem is the sheer size of the debt. Total nonfinancial debt (consumers, businesses, governments) was $3.6 trillion in 1980; it is $8.3 trillion today. More important, debt has grown much faster than the economy.

The debt-GNP ratio was about 1.3 to 1 at the beginning of the decade. It is now almost 1.8 to 1. Put differently, if the debt ratio today were the same as in 1980, total debt would almost $2.5 trillion lower than it actually is.

The party line at the White House is that these debt levels (and particularly the foreign debt) really don't matter much. As the President's Council of Economic Advisers put it in its annual report, "Even at $400 billion, net foreign claims on the United States are not large relative to the income that can be used to service them."

In an absolute sense, that statement is true at present. However, a dynamic process is under way. U.S. foreign debt is growing at a rate of more than $3 billion per week. In effect, the U.S. must go overseas to borrow the interest and dividends it owes its foreign creditors. Compound interest is a great concept if

Overview: Page 8 ➔

Banks Drop American Express After Optima's Introduction

Continued from Page 1

shares with banks the revenues generated by the sales. Traditionally, when a consumer signed up for an American Express gold card, a bank extended the line of credit that came with the card.

But in recent years, American Express has begun offering a wide array of financial products to consumers, and some bankers think an erstwhile teammate has become a threatening competitor. These bankers feel they are welcoming a Trojan horse into their branches by selling American Express products to their own customers.

American Express declined to say how many Optima cards have been issued.

When American Express announced its Optima credit card during March of last year, some bankers were outraged that the company would be competing directly with bank credit cards. Charles T. Russell, president of Visa U.S.A. Inc., sent a letter to the nation's bankers urging them to stop marketing American Express products.

Downplaying Travelers Checks

Since then, several banks have been downplaying American Express travelers checks, said Joel P. Friedman, director of strategic management at Arthur Andersen & Co. in San Francisco. "They might hide a stack of American Express travelers checks under the counter if someone comes in on their knees begging."

American Express is a venerable name in the travelers check business, but in recent years MasterCard and Visa have introduced their own travelers check products.

"I think Optima was the straw that broke the camel's back," said K. David Elgena, president of First City Bank-Sioux Falls NA in South Dakota, a credit card subsidiary of First City Bancorporation of Texas Inc., Houston.

Signet Bank, Richmond, Va., stopped selling American Express travelers checks in May 1987. "We felt that American Express was more of a direct competitor," said S. Joseph Ward, vice president at Signet.

Signet now sells MasterCard travelers checks in U.S. dollars and Thomas Cook checks, which are endorsed by MasterCard, in foreign currencies.

"We haven't seen any decline in the sale of travelers checks," Mr. Ward said.

Wells Fargo Bank stopped offering credit lines for American Express gold cards last spring, but Henry Silver, a vice president at the San Francisco bank, said that the company's move was coincidental with the Optima announcement.

> Signet Bank, Richmond, Va., now sells MasterCard travelers checks in U.S. dollars and Thomas Cook checks, which are endorsed by MasterCard, in foreign currencies.

"It just wasn't a significant piece of our business," Mr. Silver said.

There is no apparent alarm at American Express.

"We've seen no negative impact as a result of Optima," said Tom Cash, senior vice president at American Express Travel Related Services Co.

He claimed that American Express has boosted its market share of the travelers check business in the last year. The company historically refuses to disclose specific market share data for travelers checks.

American Express travelers checks are sold at about 150,000 outlets, mainly branches of financial institutions.

"Gold card is going along extremely well," Mr. Cash added. American Express has seen no decline in bank participation in the program, which now includes about 2,300 banks.

Recently, American Express has begun using a Delaware bank subsidiary to extend credit to gold cardholders, but Mr. Cash said commercial banks remain an important part of the program. "We're anxious to increase participation by banks," he said. ■

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Maryland Bank Leads in Premium Cards

Maryland Bank, Newark, Del., is the nation's biggest issuer of premium bank cards, according to the *American Banker's* second annual survey.

Maryland Bank has concentrated on attracting premium cardholders, and they represent about 31% of the bank's total credit card accounts.

Nationally, 4.6% of all Visa cardholders have premier Visa cards, according to Visa U.S.A. Inc., San Mateo, Calif.

Premium card accounts are generally more profitable for banks than standard credit cards because premium cardholders maintain higher balances.

Like Maryland Bank, other top premium card-issuing banks have an unusually high level of premium cards.

According to the newspaper's survey, premium card accounts represent 54% of total accounts at Colonial National Bank USA, Wilmington, Del., a subsidiary of TSO Financial Corp., Horsham, Pa.; 25% of total accounts at State Street Bank and Trust Co., Boston; and 10% of total accounts at NCNB, Greensboro, N.C.

Premium card accounts amount to about 5% of credit card accounts at Bank of America, according to the survey.

— **Michael Weinstein**

Top Premium Card Issuers

Of those responding to the American Banker survey

	Total accounts 12/31/86
1. **Maryland Bank NA, Newark, Del.**	562,800
2. **Bank of America, San Francisco**	288,000
3. **Colonial National Bank USA, Wilmington, Del.**	158,000
4. **State Street Bank and Trust Co., Boston**	140,000
5. **NCNB, Greensboro, N.C.**	88,200
6. **Wells Fargo Bank, San Francisco**	77,300
7. **Signet Bank, Richmond, Va.**	62,200
8. **Equibank (Delaware) NA, Wilmington, Del.**	45,500
9. **MBank USA, Wilmington, Del.**	44,200
10. **Security Pacific National Bank, Los Angeles**	40,000
11. **BancOhio, Columbus, Ohio**	37,000
12. **Bank of New England, Boston**	34,000
13. **Dollar Dry Dock Savings Bank, White Plains, N.Y.**	31,300
14. **NBD Bancorp, Detroit**	28,000
15. **Indiana National Bank, Indianapolis**	27,000
16. **Citizens and Southern National Bank, Atlanta**	25,000
17. **Rocky Mountain BankCard System Inc., Denver**	22,000
18. **United Missouri Bank of Kansas City**	22,000
19. **United Virginia Bank, Richmond**	20,000
20. **Barnett Credit Services Inc., Jacksonville, Fla.**	15,500
21. **First Bank of South Dakota NA, Sioux Falls**	13,300
22. **First RepublicBank Dallas**	12,900
23. **AmSouth Bank NA, Birmingham, Ala.**	12,400
24. **Society National Bank, Cleveland**	11,000
25. **PNC National Bank, Wilmington, Del.**	10,400
26. **Connecticut National Bank, Hartford**	10,000
27. **First Maryland Bancorp, Millsboro, Del.**	9,900
28. **First Interstate Bancard Co., Simi Valley, Calif.**	9,200
29. **Meridian Bancorp, Reading, Pa.**	9,200
30. **Seattle First National Bank**	8,600
31. **Rainier Bank, Seattle,**	6,900
32. **California First Bank, San Diego**	5,100
33. **First Tennessee Bank, Memphis**	5,000
34. **Wachovia Bank & Trust Co., Winston-Salem, N.C.**	5,000
35. **Shawmut Bank, Boston**	5,000
36. **Bank of Hawaii, Honolulu**	4,800
37. **Sovran Bank/Delaware, Dover**	4,500
38. **Goldome FSB, Buffalo**	4,500
39. **First City Bank - Sioux Falls, S.D.**	4,000
40. **National City Bank, Cleveland**	2,500
41. **Fleet National Bank, Providence, R.I.**	2,300
42. **Empire of America, Buffalo**	2,100
43. **Sovran Bank NA, Richmond, Va.**	2,000
44. **Mellon Bank (Delaware), Wilmington**	1,800
45. **Midlantic National Bank/North, West Paterson, N.J.**	1,500
46. **European American Bank, Uniondale, N.Y.**	1,200
47. **South Carolina National Bank, Columbia**	1,000
48. **United Bank of Denver**	1,000
49. **Huntington National Bank, Columbus, Ohio**	700
50. **First Pennsylvania Bank NA, Philadelphia**	500

Source: American Banker

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Tom Bloom

Community Banking: Filling a Niche Profitably

After Winning with Service, Small Banks Want New Powers

By JAMES R. KRAUS

CONTRARY to forecasts that shrinking profit margins, interstate banking, and mergers and acquisitions would drastically reduce their number by the end of the decade, community banks are alive and kicking.

But as new local banks are chartered and existing ones take stock of the developments, community bankers say the question is, "Where do we go from here?" Specifically, they are trying to determine what businesses to pursue and what powers they will need.

The question takes on added importance because of the large number of institutions involved. Although it is easy to quibble over what constitutes a community bank, small, locally oriented institutions constitute the vast majority of commercial banks in the United States. And industry officials say that while consolidation is continuing, it is unlikely to pose a threat to community banking.

"We've gone through seven years of aggressive deregulation, and community banks will be digesting this for another seven years," says Kenneth Guenther, executive vice president of the Independent Bankers Association of America. One of the worst downturns in certain sectors of the American economy in many years — agriculture and energy in particular — has made it even harder to adjust to deregulation, he says.

The Federal Deposit Insurance Corp. listed 11,582 commercial banks with assets of less than $100 million as of Dec. 31, 1986. The agency insured a total of 14,689 commercial banks, trust companies, and savings banks as of that date. The banks with less than $100 million in assets accounted for $423.14

Service: Page 6 ➸

AN American Banker SPECIAL FEATURE

More Community Banking Stories
Pages 9,11

Heeding Fundamentals Is Key To Health of Community Banks

By JAMES R. KRAUS

RETURN on assets among the nation's most profitable community banks improved broadly during the first nine months of last year, according to the *American Banker's* most recent survey.

Bankers credit the improvement to conservative investment strategies, a decline in nonearning assets, low overheads, stable employment practices, and the exploitation of market niches.

Tables listing the nation's top 100 community banks begin on page 17.

Executives at some of the top-earning community banks insist they haven't done anything revolutionary.

"The bank itself hasn't changed any policies," says Gary E. Sherwood, president of the National Bank of Stamford, N.Y. The National Bank of Stamford came in first in profitability among independently owned, federally insured commercial banks with assets between $50 million and $175 million.

But despite the bank's high ranking, it was one of the few to show a significant drop in return on assets. The bank's ROA fell to 3.61% for the nine-month period ended Sept. 30, 1987, compared with 4.11% for the previous year, mainly as a result of changes in tax allowances for loan losses under the 1986 tax reform act, according to Mr. Sherwood.

He maintains that basic, bread-and-butter banking works for his institution. "We try to keep things simple.

Fundamentals: Page 8 ➸

Top Five Community Banks

National Bank of Stamford, NY	3.61%
Putnam Cty. Nat'l Bank, Carmel, NY	3.47%
McDowell Cty. Nat'l Bank, Welch, WV	3.46%
Bank of Horton, KS	3.41%
Citizens Bank, Delavan, WI	3.00%

Based on return on average assets using annualized net income from first nine months of 1987.
Source: ADP Data Services, New York

Today

The merger of Electronic Data Systems Corp. and MTech Corp. is expected to be completed by the end of the month, forming the biggest provider of data processing services to the financial community. ______ 2

Chemical Bank filed the first bank-led underwriting of asset-backed securities since the moratorium on new powers ended March 1. The bank plans to underwrite $200 million of securities backed by its automobile and truck loans and hopes to complete the deal by early May. ______ 3

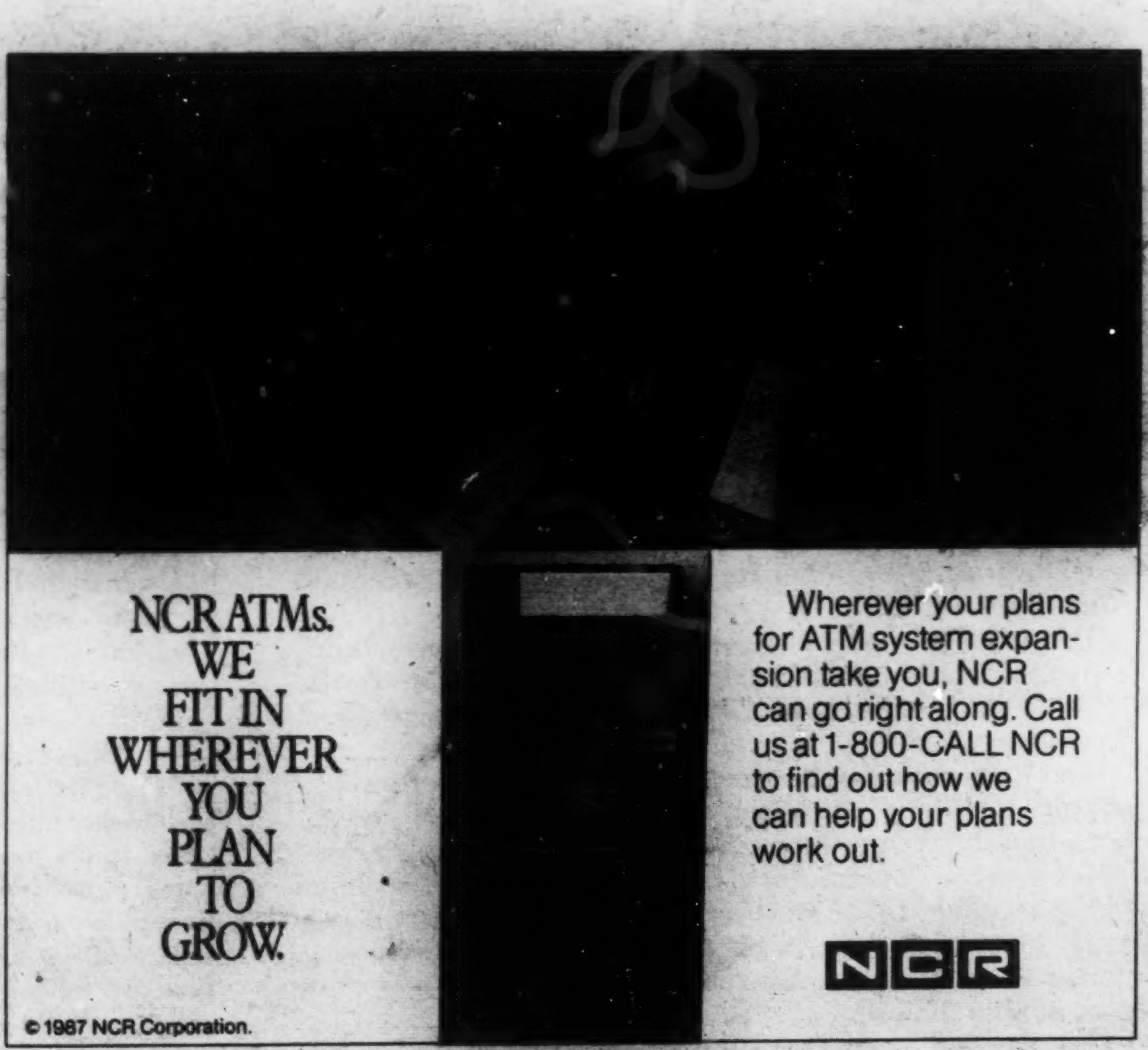
NEWS MONDAY

J.R. Nunn embarks on a yearlong term as president of the Independent Bankers Association of America. 12

Many officials oppose a merger of the federal insurance funds — but still the talk continues, in Washington Briefing. ______ 14

COMMENT

Banking has regained its luster following the market crash, writes Dr. Paul S. Nadler. ______ 4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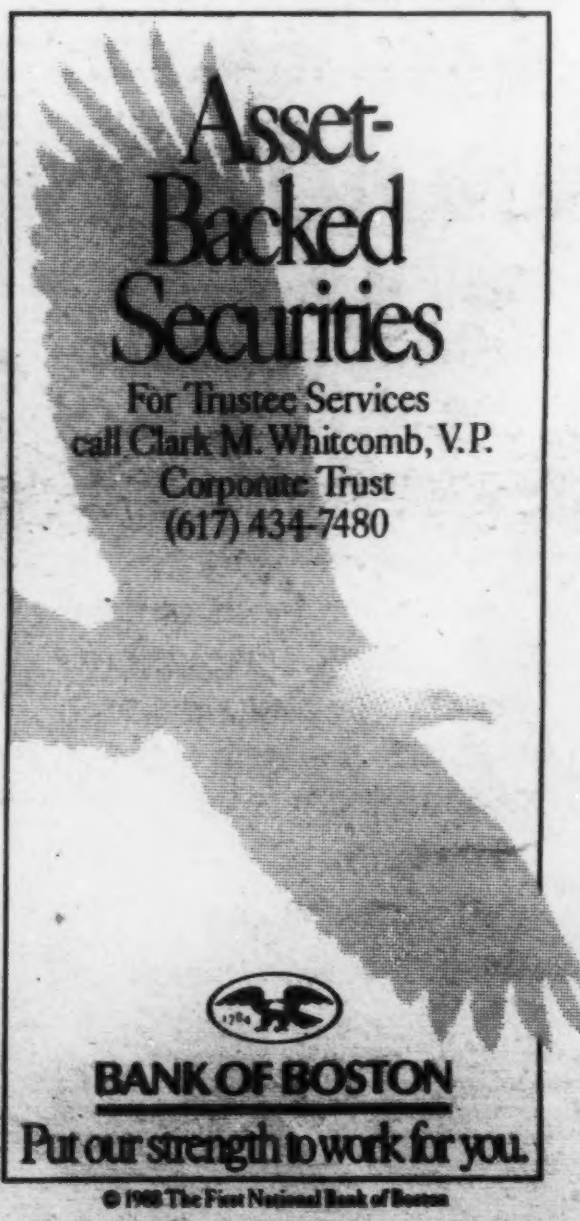
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BANKING TRENDS

Banks' Luster Reviving as Wall Street's Allure Fades

By DR. PAUL S. NADLER

BLACK MONDAY has changed a lot of our lives and a lot of our attitudes. The image of the Wall Street tiger with his red suspenders making corporate executives cringe before his utterances — even though the exec might be two decades older than the investment banker — has withered away.

Some of the Wall Street houses that only recently looked omnipotent and impenetrable have been shown to have weaknesses. And many of the people who had come to expect that they would always be in the privileged class have found that this was not to be.

In typical style, the press has summed it all up in the simple statement that "the yuppie has become the couch potato" — watching TV and wondering where all the glory went.

But as we reevaluate Wall Street and its role in society, several major ideas come to mind that are important for the rest of society.

Nadler Says:

Sure, brokerage and investment banking take skill, nerves, and a willingness to risk capital. But it is hard to believe that the skills of Wall Street people were so much better than those of people doing similar jobs in banks.

And we have to reevaluate how we got into a situation in which a small group of people have been paid so much more than the rest of us for doing a day's work.

Sure, brokerage and investment banking takes skill, nerves, and a willingness to risk capital. But it is hard to believe that the skills of Wall Street people were so much better than those of people doing similar jobs in banks and that these Wall Street people were entitled to salaries four to five times higher than what bankers were paid for their work.

Yet this was the case. And not everyone has gotten the word yet that these days are over.

A good friend of mine, president of a regional investment house, advertised for bank stock traders. He was amazed to find that even after Black Monday, applicants would come into his office and say, in all seriousness, "All I need is $500,000 a year to start work here."

And what is beginning to be revealed is that these high salaries in retail brokerage operations came out of the hides of the unsuspecting, trusting customers.

Everyone has his stories of how Wall Street worked before Black Monday. Some of mine include the following:

- A widow reported she had planned to raise her daughter using $140,000 from an insurance policy. Her broker, with a major firm of national stature, placed $80,000 in a tax shelter land deal that turned sour. She lost the $80,000.
- Another woman was placed into such an illiquid position that all of her

Banking Trends: Page 19 ➡

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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OVERVIEW

Official Signs of Economic Boom Are as Real as a Three-Dollar Bill

By H. ERICH HEINEMANN

AN UGLY RUMOR is floating around, probably fostered by a disaffected Democratic presidential candidate, that the American economy is on the verge of a boom. Employment is supposed to be surging. The shock of the October stock market crash has allegedly worn off.

If this were true, consumers would come streaming back to the stores. Some sectors in heavy industry are in fact running flat out, and a few companies are turning down export opportunities to accommodate long-standing domestic customers.

Doesn't that sound like a forecast of nice Republican weather? Well, it isn't. The U.S. economy is running close to the limit of its effective capacity at present. Should business activity turn out to be anywhere near as strong as the bulls believe, the Federal Reserve would be forced to hit the brakes just in time for the presidential campaign. Interest rates would soar, and if history is any guide, there would be a few new faces wandering around the White House.

Vice President George Bush can relax, at least as far as the economy is concerned. If Mr. Bush walks away with the Republican nomination, as now appears probable, he can look forward to remarkably sunny economic skies next fall.

Mr. Bush can count on his good friend Alan Greenspan, chairman of the Federal Reserve, to keep on pumping money into the economy right up through Election Day. Mr. Greenspan's prickly proclamation of Federal Reserve independence the other day was good camouflage for a typical election-year round of easy money.

The risk that the crunch in the stock market was a harbinger of a really serious economic downturn has always been minuscule. Business activity has certainly slowed down (consumer spending is already in hibernation). However, it is now an open question whether this adjustment will be officially classified as a recession.

Heinemann Says:

Most of the half million new jobs that the economy was reputed to have created in February were a statistical fiction.

Recent economic reports on employment and consumer borrowing appeared to suggest that a new boom is already under way. In fact, these statistics were about as genuine as a three-dollar bill. Most of the half million new jobs that the economy was reputed to have created in February were a statistical fiction — a flight of fancy, if such is possible, at the Bureau of Labor Statistics.

The New York Times, a leading journal of economic disinformation, reported in a large headline that consumer credit soared 36% during January. In the real world, by contrast, consum-

Overview: Page 22 ➡

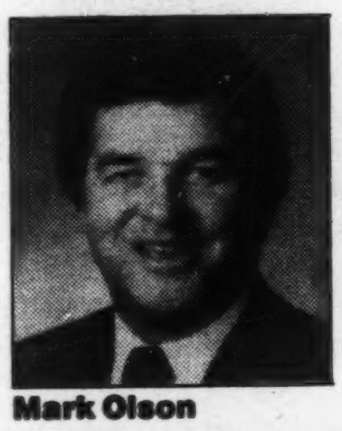
Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., an investment banking firm in New York.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 22.

1. The Connecticut Department of Banking has filed suit in federal court against the First National Bank of Stamford and the Office of the Comptroller of the Currency. On what grounds does the state regulator hope to force the bank to give up its 18-month-old courier service that picks up customers' deposits?

2. Mark W. Olson, former president of the American Bankers Association, will soon leave his post as president and chief executive officer at Security State Bank of Fergus Falls, Minn., for a new position in Washington. Where will the 14-year banking veteran hang his hat after May 1?



Mark Olson

3. As the battle for control of Federated Department Stores continues between R.H. Macy & Co. and Campeau Corp., Macy's has named Citibank as third agent in a loan to finance its bid. What bank might finance Campeau's rival bid?

4. A 1975 suit brought by the state of California accused the Bank of America of violating the state's unclaimed property law. The suit claimed the bank withheld interest from inactive accounts and made little effort to locate account holders. Along with payments of $35.7 million, how did the bank finally settle the 13-year-old lawsuit?

Litigation

5. Analysts at Bear, Stearns & Co. have identified 15 banking companies that may be vulnerable to hostile takeover bids because of cheap stock prices and other attractions such as healthy fee income. Name the largest bank, which is also the only money center institution, on the Bear Stearns list.

6. The BuzzardCard, a recent entry in the affinity bank card markets, is a joint effort of AmeriTrust Corp., Cleveland, and a local FM radio station. What shared interest of consumers does this card hope to tap? (Hint: The card has neither wattles nor a beak.)

7. The $10.8 billion recapitalization for the Federal Savings and Loan Insurance Corp. falls short of even the most conservative estimate of the cost of putting the thrift industry back on its feet. Yet industry trade groups claim that the interest on that amount in bonds is all that member thrifts can support. How does Eugene Sherman, chief economist of the Federal Home Loan Bank of New York, respond to this claim?

8. Last year, South Africa was the dominant theme of socially motivated shareholder proxy resolutions at annual meetings of big banks. What issue is expected to take top billing this year, according to the Interfaith Center on Corporate Responsibility, the Council on Economic Priorities, and the Investor Responsibility Research Center Inc.?

9. The National Association of Realtors surveyed 3,200 households to determine whether the most important component of the good life is a happy marriage, owning a home, a car, a color TV set, or having a good job. Which factor came out on top?

— Robert Paul Molay

Community Banking: Filling a Niche Profitably

Fundamentals

➸ Continued from Page 1

We don't get wound up in a lot of fees," Mr. Sherwood says.

Approximately $17 million to $18 million of the bank's nearly $61.6 million in assets at the end of September were invested in tax-free municipal bonds, around $18 million in Government National Mortgage Association securities, and the balance in mortgages and some commercial and consumer loans, he says. Like many small, profitable community banks, the Stamford bank maintains a high capital level — 20% of assets.

At another top earner, the $174.5 million-asset Pioneer Trust Bank NA in Salem, Ore., "a compact, efficient operation" contributes to success, explains chairman Stuart Compton. "We've never been overambitious, and we're very conservative in lending.

"We don't take risks unless we know them. And we cross-train people so we can maintain extreme flexibility among personnel."

Pioneer, the sixth most profitable bank among the top 100 community banks according to the latest *American Banker* survey, posted a 2.95% ROA over the first nine months of last year, up from 2.3% for the full year in 1986.

About one-third of the bank's total assets are in loans, roughly $40 million in U.S. Treasury notes with maturities spread between one and four years, and the balance in tax-exempt instruments. "Our method of operations is that we don't fiddle around with securities. We will trade in that area, but no further," Mr. Compton says.

Caution in lending is important at another bank surveyed. "We're very careful about loans," says S.D. Hardin, president of McDowell County National Bank in Welch, W.Va. McDowell is the nation's third-ranked community bank, with a 3.46% return on assets. "I guess you'd have to call us conservative."

McDowell County, located in the heart of an economically depressed former coal-mining region, had little loan demand last year and did not extend any loans of more than $20,000. The bank keeps about half of its $101.6 million in assets in tax-free municipals and the other half mostly in government securities. Last year, Mr. Hardin said, McDowell paid out more than $1 million in dividends and plowed some $2 million back into capital, boosting its capital-to-asset ratio to nearly 25%.

One of the star performers among community banks turned out to be Bank of Horton, Kan. Horton went from a 0.89% return on assets in 1986 to 3.41% in 1987, with the rise largely driven by guaranteed student loan originations.

At one point last year, says Vance B. Norris, chairman and president of the bank, assets climbed to $150 million before dipping by some $80 million through sales of the loans in the secondary market.

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The loans carry the current three-month Treasury bill rate plus 3.25% interest. "We had to turn business away. It became the tail that wagged the dog," Mr. Norris says. The bank has added 112 employees to the 39 it formerly employed, and this year plans to cope with rising volume by separating its regular fixed-rate residential real estate loan business from student loan originations.

According to "Bank Performance Report 1988," a recently released survey by Olson Research Associates of Greenbelt, Md., banks with more than $1 billion in assets suffered a slight decline in their average return on assets, to 0.81% in 1987 from 0.83% in 1986. Banks with less than $100 million in assets, on the other hand, boosted their ROA to an average 0.81% in 1987 from 0.69% in 1986, mainly as a result of improved credit quality.

"In terms of profitability, 1987 does represent a turnaround," says Kyle Duckers, regional representative with the consulting group. But he also noted that return on assets for small banks is still well below the 1981 levels of 1.14% and 1.13% in 1982.

Mr. Duckers cited three other developments that point to a healthier situation among small banks:

- The provision for loan losses as a percentage of total income fell to 5.5% last year from 7.3% the year before.
- Loan-loss reserves reached about two-thirds of nonperforming assets, compared with less than one-half in 1983 and one-third in 1982.
- Overhead in proportion to earning assets fell to 2.59%, the lowest level in 10 years. The percentage is based on noninterest expense minus noninterest income, divided by total earning assets and excluding provisions for loan losses.

In a separate study conducted last year by First Manhattan Consulting Group Inc., on behalf of the American Bankers Association, overall performance among community banks in no way differs significantly from other banking organizations with more assets. Roughly 25% of community banks showed a return on equity of 15% or better, while 75% were below that figure.

According to the Federal Deposit Insurance Corp., however, return on yearend assets for banks with $100 million or less in assets has slid steadily, from a high of 1.15% in 1980 to 0.51% in 1986.

"There's been lots of hooting and shouting about the farm and energy belts," said Hoyt E. Wilkinson, managing vice president and partner in First Manhattan's Santa Monica office.

"What we found was that there were banks in the Farm Belt that were doing neither better nor worse than banks elsewhere. Good management was the key.

"We've got an awful lot of banks, and we don't have an awful lot of good bankers. Community banks have had the same share of winners and losers as other banks."

Mr. Wilkinson said the figures also show "that banking is becoming a fairly freely competitive business where economies of scale are not significant. What is significant is skill. Some very large banks have proved vulnerable, while some small banks are thriving."■

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The Top 100 US Community Banks

Based on the Return on Average Assets for the First Nine Months of 1987

Rank 9/87		Return On Avg. Assets 9/87	Return On Avg. Assets 1986	Return On Avg. Equity 9/87	Return On Avg. Equity 1986	Efficiency Ratio 9/87	Total Assets ($000) 9/87	Total Deposits ($000) 9/87	Deposit Gr. Rate 1982-87	Net Income ($000) 9/87	Net Income ($000) 1986	Full-time Empl. 9/87	Net Inc. Per Empl. ($000) 9/87	Net Inc. Per Empl. ($000) 1986
1	**National Bank of Stamford, NY**	3.61	4.11	18.62	22.20	6.57	61,694	44,043	82.2	1,639	2,215	21	104	96
2	**Putnam County National Bank, Carmel, NY**	3.47	3.22	20.42	18.96	25.77	87,221	71,444	111.0	2,113	2,226	49	57	45
3	**McDowell County National Bank, Welch, WV**	3.46	3.32	14.97	14.94	18.71	101,592	76,588	17.9	2,608	3,139	37	94	77
4	**Bank of Horton, KS★**	3.41	0.89	75.35	14.20	31.12	110,860	49,537	223.1	1,739	304	112	21	7
5	**Citizens Bank, Delavan, WI**	3.00	2.67	16.65	15.46	13.54	55,152	41,976	44.8	1,233	1,370	12	137	114
6	**Pioneer Trust Bank NA, Salem, OR**	2.95	2.30	23.27	21.08	-4.56	76,736	64,900	93.5	1,689	1,748	39	58	45
7	**Peoples State Bank, Hamtramck, MI**	2.93	1.98	15.48	11.14	20.60	120,172	95,685	22.6	2,638	2,285	41	86	54
8	**Key Biscayne Bank & Trust Co., FL**	2.89	3.46	20.93	25.20	17.58	104,968	88,907	76.4	2,264	3,248	43	70	81
9	**Cecilian Bank, Cecilia, KY**	2.83	1.19	17.30	7.57	25.67	54,282	44,524	53.5	1,109	576	28	53	21
10	**Kentucky Farms Bank, Catlettsburg, KY**	2.83	2.99	13.23	15.32	30.89	89,899	68,883	14.9	1,894	2,631	65	39	39
11	**Fairburn Banking Co., GA★**	2.79	2.40	29.17	25.17	33.24	62,113	54,053	125.0	1,210	1,182	47	34	26
12	**Continental Bank of New Jersey, Laurel Springs, NJ**	2.79	0.67	58.39	28.50	108.10	58,252	53,785	10.7	1,251	417	55	30	9
13	**First National Bank, Palmerton, PA★**	2.78	1.89	20.77	14.82	33.07	151,445	127,485	66.6	2,989	2,464	75	53	34
14	**Barnes Banking Co., Kaysville, UT**	2.77	2.94	17.29	18.91	22.31	71,096	58,604	68.2	1,395	1,780	30	62	54
15	**Harlan National Bank, KY★**	2.74	3.09	15.36	18.53	23.77	77,441	62,605	39.9	1,592	2,315	27	78	80
16	**Peoples Bank of Bullitt County, Shepherdsville, KY**	2.70	2.26	18.01	15.34	32.73	69,175	57,729	92.7	1,356	1,341	52	35	30
17	**Citizens Bank, Fayette, AL**	2.70	2.66	15.43	15.59	15.92	82,628	66,633	67.3	1,658	1,978	25	88	79
18	**Hinesville Bank, GA★**	2.63	2.32	21.18	20.35	28.39	63,711	53,479	59.7	1,274	1,424	58	29	22
19	**Kislak National Bank, North Miami, FL**	2.60	2.49	29.89	34.17	44.25	138,014	124,847	235.1	2,618	3,124	31	112	95
20	**First Bank of Boaz, AL★**	2.59	2.03	24.03	20.58	31.10	50,991	44,712	26.1	990	1,024	31	42	33
21	**Wauchula State Bank, FL★**	2.56	2.23	22.71	19.94	27.97	122,099	106,578	73.3	2,331	2,492	71	44	37
22	**National Bank of Coxsackie, NY**	2.56	2.62	21.80	23.99	27.62	63,502	55,119	116.5	1,142	1,435	33	46	42
23	**First National Bank, Staunton, IL**	2.53	2.09	16.36	14.27	24.72	79,298	62,875	46.6	1,445	1,482	35	55	41
24	**First National Bank, Sylacauga, AL★**	2.51	2.59	15.22	17.37	40.29	52,276	43,086	24.6	970	1,340	48	27	31
25	**First National Bank, Pryor, OK**	2.50	2.28	15.72	15.08	25.76	66,545	54,739	37.4	1,228	1,409	29	56	47
26	**Kilbourn State Bank, Milwaukee, WI**	2.47	2.21	16.13	14.49	23.10	71,717	54,078	68.8	1,274	1,387	24	71	69
27	**Arp State Bank, TX**	2.46	1.38	22.13	14.23	28.63	53,742	46,429	80.7	972	713	28	46	27
28	**De Witt Bank & Trust Co., AR★**	2.45	1.60	15.50	10.71	32.43	58,082	47,833	35.8	1,088	929	27	54	36
29	**Citizens Bank, Carthage, TN**	2.44	2.07	17.28	15.81	16.91	127,138	106,427	38.7	2,296	2,464	44	69	57
30	**Bank of Alton, IL★**	2.44	3.07	27.30	41.95	37.18	91,587	80,527	69.9	1,643	2,481	44	50	56
31	**Union Bank of Mena, AR★**	2.43	1.98	17.83	15.42	38.63	61,525	52,486	28.3	1,127	1,195	48	31	25
32	**New Tripoli National Bank, PA★**	2.42	2.10	16.32	14.03	27.80	59,341	50,126	81.0	1,029	1,062	22	62	62
33	**Old Forge Bank, PA**	2.41	1.83	22.61	19.27	40.43	85,496	75,274	2.1	1,508	1,503	38	53	40
34	**Enterprise Bank of South Carolina, Ehrhardt, SC**	2.39	2.04	19.36	16.08	31.90	50,581	43,376	142.9	878	833	37	32	26
35	**First Bank of Oak Park, IL★**	2.36	2.59	26.11	30.90	32.52	106,047	92,382	20.8	1,915	2,903	71	36	39
36	**First State Bank, Athens, TX**	2.36	2.03	21.74	19.21	28.01	75,209	65,634	70.1	1,329	1,395	33	54	45
37	**Union Bank & Trust Co., Lincoln, NE★**	2.34	1.32	30.97	19.21	-14.19	155,293	134,435	141.2	2,640	1,812	531	7	11
38	**Industrial State Bank, Kansas City, KS**	2.34	-0.31	28.57	-3.60	26.75	163,838	144,522	16.8	2,981	-548	60	66	-7
39	**Snyder National Bank, TX**	2.32	1.13	15.67	8.96	32.13	93,401	77,008	18.7	1,686	1,130	39	57	28
40	**National Grand Bank, Marblehead, MA★**	2.31	2.25	23.26	23.55	19.09	113,568	100,706	188.3	1,908	2,160	47	54	51
41	**Neffs National Bank, PA★**	2.31	1.96	21.17	18.64	23.48	50,125	43,545	92.9	837	839	14	80	60
42	**Farmers Bank, Greenwood, AR**	2.30	2.13	19.15	19.07	27.47	51,529	44,757	50.6	854	974	20	57	49
43	**Citizens Bank & TC of Grainger County, Rutledge, TN★**	2.30	2.24	23.06	23.62	31.95	57,425	50,666	52.0	964	1,198	32	40	40
44	**First National Bank, West Point, GA★**	2.29	2.20	17.91	18.29	38.47	79,937	65,439	63.5	1,302	1,576	49	35	32
45	**Sabine State Bank & Trust Co., Many, LA★**	2.28	-3.19	30.73	-35.61	36.38	73,384	66,893	37.7	1,286	-2,455	78	22	-28
46	**Great American Bank, Los Angeles, CA★**	2.28	-3.93	25.53	-41.14	40.42	77,225	66,642	-29.9	1,493	-3,661	41	48	-72
47	**Plaza Bank, Norridge, IL★**	2.28	1.90	31.17	25.62	43.67	59,951	53,131	59.0	1,027	1,006	41	33	22
48	**Merchants National Bank, Bangor, PA**	2.28	2.16	18.12	18.58	23.94	88,215	75,863	32.7	1,494	1,795	25	79	72
49	**Bank of La Grange Park, IL★**	2.27	2.76	29.85	37.95	35.20	72,628	64,305	3.3	1,211	2,058	29	56	71
50	**State Bank of Caledonia, MI**	2.27	2.74	19.37	24.08	25.06	51,686	45,292	68.2	848	1,255	19	59	70
51	**First Western Bank State, State Louis Park, MN★**	2.26	2.06	25.83	25.21	22.97	93,646	83,481	93.9	1,592	1,851	42	50	44
52	**Farmers State Bank, Conrad, MT★**	2.26	2.26	12.43	13.72	24.85	68,974	55,308	16.8	1,190	1,566	24	66	68
53	**First Enterprise Bank, Oklahoma City, OK**	2.25	0.37	21.09	3.88	32.24	54,643	48,229	5.2	927	212	40	31	5
54	**Bank of Southside Virginia, Carson, VA★**	2.25	2.10	18.64	17.82	30.87	123,293	106,034	58.7	2,013	2,274	56	48	39
55	**First State Bank, Bourbon, IN**	2.25	1.06	15.26	7.89	24.01	53,357	44,352	38.2	887	519	13	91	40
56	**First National Bank of Michigan, East Lansing, MI★**	2.24	2.09	27.43	26.10	33.66	68,843	61,570	81.5	1,166	1,325	31	50	43
57	**National Bank of Sallisaw, OK**	2.24	1.11	17.79	9.37	30.74	61,422	52,884	36.8	1,010	646	35	38	18
58	**Commercial State Bank, Wagner, SD★**	2.23	1.86	16.88	14.59	27.72	56,186	47,444	25.1	922	980	18	68	54
59	**First National Bank, Dryden, NY**	2.23	1.89	20.39	17.78	32.29	53,734	45,882	44.8	869	908	25	46	36
60	**Bank of La Fayette, GA★**	2.22	1.81	17.79	14.86	39.23	78,378	66,348	62.2	1,290	1,297	51	34	26
61	**Bank of Hiawassee, GA**	2.22	2.11	21.04	21.29	31,86	55,246	48,702	68.9	892	1,023	33	36	34
62	**First State Bank, Newcastle, WY★**	2.22	1.51	19.32	13.27	34.83	54,324	47,288	29.9	888	735	24	49	29
63	**Citizens Bank, Rusk, TX**	2.21	2.33	17.31	16.98	31.57	56,365	47,357	77.4	896	1,011	15	79	63
64	**Iuka Guaranty Bank, MS**	2.20	2.15	20.90	21.24	28.18	67,867	59,606	56.6	1,086	1,249	36	40	38
65	**West Texas State Bank, Snyder, TX**	2.20	-5.10	40.27	-75.92	69.47	79,799	73,225	8.3	1,422	-4,896	53	36	-89
66	**First National Bank, Avoca, PA**	2.20	2.33	17.53	19.44	37.12	50,779	43,909	66.4	809	1,059	22	49	46
67	**Bank of Canton, GA★**	2.19	2.09	22.83	21.63	35.94	132,715	118,386	99.7	2,101	2,345	99	28	26
68	**Brand Banking Co., Lawrenceville, GA**	2.18	2.05	22.14	21.66	27.03	139,107	116,748	214.3	2,112	2,275	78	36	30
69	**Centreville National Bank, MD**	2.18	1.88	22.43	19.49	25.77	95,018	84,941	112.7	1,491	1,473	34	58	46
70	**Franklin County National Bank, Brookville, IN★**	2.17	2.10	20.00	19.74	30.18	65,991	57,292	33.6	1,079	1,293	34	42	39
71	**First State Bank, Three Rivers, TX**	2.17	2.22	13.60	15.33	36.30	51,968	42,411	29.7	841	1,121	26	43	43
72	**Etowah Bank, Canton, GA**	2.17	2.02	23.19	22.86	35.19	127,496	113,837	122.1	1,939	2,244	87	30	26
73	**St Henry Bank, OH**	2.17	1.51	18.10	13.41	24.12	65,410	56,353	65.3	1,042	907	10	139	53
74	**Lincoln National Bank, Hamlin, WV**	2.14	2.18	13.25	14.56	31.84	60,716	49,901	18.7	966	1,283	30	43	41
75	**Byron Center State Bank, MI**	2.14	2.37	17.04	19.76	33.33	90,134	77,633	94.9	1,361	1,815	47	39	39
76	**Citizens Bank of Macclenny, FL**	2.13	1.67	19.37	16.05	42.71	50,807	44,324	77.2	816	787	53	20	16
77	**Home Trust & Savings Bank, Osage, IA**	2.13	1.56	19.62	15.24	23.79	62,329	53,651	55.3	959	857	17	75	50
78	**First National Bank, McMinnville, TN★**	2.13	2.02	16.79	16.54	28.77	114,597	97,497	57.8	1,811	2,137	54	45	38
79	**Bank of Prairie du Sac, WI**	2.13	1.57	18.26	14.46	27.77	59,476	50,893	56.2	930	861	25	49	33
80	**Citizens National Bank, Downers Grove, IL★**	2.13	3.98	20.74	39.28	86.81	97,493	85,938	-3.4	1,608	3,701	43	50	84
81	**Citizens & Farmers Bank, West Point, VA**	2.12	1.96	19.34	17.99	35.72	125,751	107,980	82.0	1,952	2,142	72	36	31
82	**Middleburg National Bank, VA**	2.12	1.84	24.58	22.39	30.33	87,176	78,069	132.7	1,426	1,477	30	63	49
83	**Denver National Bank, PA**	2.11	2.00	14.89	14.36	21.56	133,833	111,516	65.5	2,088	2,413	33	84	75
84	**First National Bank, Pontotoc, MS**	2.11	2.02	15.42	15.78	21.52	83,790	71,085	49.2	1,294	1,554	42	41	41
85	**Ozark Bank, MO**	2.11	1.73	18.68	15.84	38.59	60,609	51,290	70.9	934	924	47	26	20
86	**United American Bank, Memphis, TN★**	2.09	1.98	28.02	29.70	55.48	148,725	133,177	15.9	2,398	3,035	116	27	27
87	**Farmers State Bank, Sturgis, KY★**	2.09	1.30	20.63	13.82	32.50	55,804	49,267	43.7	822	638	25	44	26
88	**Peoples Bank of Unity, Plum Boro, PA**	2.09	2.30	13.20	15.11	37.55	119,848	99,711	59.4	1,798	2,453	83	29	27
89	**First National Bank & Trust Co., North Platte, NE★**	2.09	0.84	20.39	9.00	25.76	86,011	74,988	-11.7	1,410	735	59	32	12
90	**First National Bank, Jeffersonville, NY★**	2.09	1.82	27.19	24.31	39.51	94,468	86,135	97.1	1,417	1,420	67	28	24
91	**Business Bank, Vienna, VA★**	2.09	1.40	21.72	17.56	23.96	60,326	50,625	342.4	1,096	963	38	38	28
92	**Citizens Bank & Trust Co., Palmerton, PA**	2.08	1.71	18.24	15.62	32.59	79,955	70,172	67.1	1,188	1,193	42	38	41
93	**Bank of O'Fallon, IL**	2.07	1.86	21.49	20.96	17.96	128,621	114,230	95.7	1,957	2,130	34	77	65
94	**First National Bank, Albany, TX**	2.07	1.84	14.80	13.35	28.95	53,029	44,860	89.3	804	871	22	49	40
95	**First Security Bank, Searcy, AR★**	2.07	2.04	20.10	21.37	25.39	113,110	98,626	33.5	1,758	2,258	61	38	37
96	**George Mason Bank, Fairfax, VA★**	2.07	2.05	26.19	27.88	32.32	129,731	111,554	249.1	1,946	2,194	58	45	44
97	**Golden Valley Bank, A United Bank, MN**	2.07	2.10	19.95	23.41	31.41	91,596	76,314	45.0	1,430	1,851	47	40	36
98	**Community First Bank, Clearfield, UT**	2.07	1.53	14.03	11.02	44.84	52,512	43,819	28.8	802	755	48	22	15
99	**American National Bank, Schiller Park, IL★**	2.06	2.09	25.85	29.80	33.24	70,817	63,622	114.9	1,069	1,324	31	46	40
100	**Peoples Nat'l Bank of Susquehanna Cty., Hallstead, PA★**	2.06	1.77	18.13	15.97	32.87	80,890	70,692	74.4	1,165	1,204	41	38	29

Source of data: ADP Data Services, New York, from its database of the federal regulatory reports of condition and income. **Community Bank:** As defined by American Banker, a community bank is an bank with Federal Deposit Insurance Corp. insurance that is independently owned, or owned by a one-bank holding company, and has assets between $50 million and $175 million on Sept. 30, 1987. **Returns on Average Assets and Average Equity Capital:** For 9/87, these ratios are calculated by annualizing net income for the first nine months of 1987 and dividing by average assets and average equity, respectively. The returns on average assets were calculated to three decimal places and then rounded to two decimal places. **The Efficiency Ratio** is net noninterest expense as a percentage of adjusted net interest income. It tells how much it costs the bank — in cents — to generate $1 of net interest income. **Deposit Growth Rate** shows the percentage change in deposits over the period Dec. 31, 1982, to Sept. 30, 1987. **Net Income Per Employee** is net income divided by the number of employees at the end of the period. To calculate net income per employee for 9/97, net income for the first 9 months of 1987 was annualized by multiplying it by 1.33. **(★)** — The bank is owned by a one-bank holding company.

COMMUNITY BANKS

Regional Breakdown of Top Community Banks

Listed Geographically by Region, with Return on Assets for the First Nine Months of 1987

New England Region

		ROA 9/87
40	National Grand Bank, Marblehead, MA★	2.31

Midwest Region

		ROA 9/87
4	Bank of Horton, KS★	3.41
5	Citizens Bank, Delavan, WI	3.00
7	Peoples State Bank, Hamtramck, MI	2.93
9	Cecilian Bank, Cecilia, KY	2.83
10	Kentucky Farms Bank, Catlettsburg, KY	2.83
15	Harlan National Bank, KY★	2.74
16	Peoples Bank of Bullitt County, Shepherdsville, KY	2.70
23	First National Bank, Staunton, IL	2.53
26	Kilbourn State Bank, Milwaukee, WI	2.47
30	Bank of Alton, IL★	2.44
35	First Bank of Oak Park, IL★	2.36
37	Union Bank & Trust Co., Lincoln, NE★	2.34
38	Industrial State Bank, Kansas City, KS	2.34
47	Plaza Bank, Norridge, IL★	2.28
49	Bank of La Grange Park, IL★	2.27
50	State Bank of Caledonia, MI	2.27
51	First Western Bank State, State Louis Park, MN★	2.26
55	First State Bank, Bourbon, IN	2.25
56	First National Bank of Michigan, East Lansing, MI★	2.24
58	Commercial State Bank, Wagner, SD★	2.23
70	Franklin County National Bank, Brookville, IN★	2.17
73	St Henry Bank, OH	2.17
75	Byron Center State Bank, MI	2.14
77	Home Trust & Savings Bank, Osage, IA	2.13
79	Bank of Prairie du Sac, WI	2.13
80	Citizens National Bank, Downers Grove, IL★	2.13
85	Ozark Bank, MO	2.11
87	Farmers State Bank, Sturgis, KY★	2.09
89	First National Bank & Trust Co., North Platte, NE★	2.09
93	Bank of O'Fallon, IL	2.07
97	Golden Valley Bank, A United Bank, MN	2.07
99	American National Bank, Schiller Park, L★	2.06

Mid-Atlantic Region

		ROA 9/87
1	National Bank of Stamford, NY	3.61
2	Putnam County National Bank, Carmel, NY	3.47
12	Continental Bank of New Jersey, Laurel Springs, NJ	2.79
13	First National Bank, Palmerton, PA★	2.78
22	National Bank of Coxsackie, NY	2.56
32	New Tripoli National Bank, PA★	2.42
33	Old Forge Bank, PA	2.41
41	Neffs National Bank, PA★	2.31
48	Merchants National Bank, Bangor, PA	2.28
59	First National Bank, Dryden, NY	2.23
66	First National Bank, Avoca, PA	2.20
69	Centreville National Bank, MD	2.18
83	Denver National Bank, PA	2.11
88	Peoples Bank of Unity, Plum Boro, PA	2.09
90	First National Bank, Jeffersonville, NY★	2.09
92	Citizens Bank & Trust Co., Palmerton, PA	2.08
100	Peoples Nat'l Bank of Susquehanna Cty., Hallstead, PA★	2.06

Southeast Region

		ROA 9/87
3	McDowell County National Bank, Welch, WV	3.46
8	Key Biscayne Bank & Trust Co., FL	2.89
11	Fairburn Banking Co., GA★	2.79
17	Citizens Bank, Fayette, AL	2.70
18	Hinesville Bank, GA★	2.63
19	Kislak National Bank, North Miami, FL	2.60
20	First Bank of Boaz, AL★	2.59
21	Wauchula State Bank, FL★	2.56
24	First National Bank, Sylacauga, AL★	2.51
28	De Witt Bank & Trust Co., AR★	2.45
29	Citizens Bank, Carthage, TN	2.44
31	Union Bank of Mena, AR★	2.43
34	Enterprise Bank of South Carolina, Ehrhardt, SC	2.39
42	Farmers Bank, Greenwood, AR	2.30
43	Citizens Bank & Trust Co. of Grainger County, Rutledge, TN★	2.30
44	First National Bank, West Point, GA★	2.29
54	Bank of Southside Virginia, Carson, VA★	2.25
60	Bank of La Fayette, GA★	2.22
61	Bank of Hiawassee, GA	2.22
64	Iuka Guaranty Bank, MS	2.20
67	Bank of Canton, GA★	2.19
68	Brand Banking Co., Lawrenceville, GA	2.18
72	Etowah Bank, Canton, GA	2.17
74	Lincoln National Bank, Hamlin, WV	2.14
76	Citizens Bank of Macclenny, FL	2.13
78	First National Bank, McMinnville, TN★	2.13
81	Citizens & Farmers Bank, West Point, VA	2.12
82	Middleburg National Bank, VA	2.12
84	First National Bank, Pontotoc, MS	2.11
86	United American Bank, Memphis, TN★	2.09
91	Business Bank, Vienna, VA★	2.09
95	First Security Bank, Searcy, AR★	2.07
96	George Mason Bank, Fairfax, VA★	2.07

Southwest Region

		ROA 9/87
14	Barnes Banking Co., Kaysville, UT	2.77
25	First National Bank, Pryor, OK	2.50
27	Arp State Bank, TX	2.46
36	First State Bank, Athens, TX	2.36
39	Snyder National Bank, TX	2.32
45	Sabine State Bank & Trust Co., Many, LA★	2.28
53	First Enterprise Bank, Oklahoma City, OK	2.25
57	National Bank of Sallisaw, OK	2.24
63	Citizens Bank, Rusk, TX	2.21
65	West Texas State Bank, Snyder, TX	2.20
71	First State Bank, Three Rivers, TX	2.17
94	First National Bank, Albany, TX	2.07
98	Community First Bank, Clearfield, UT	2.07

Western Region

		ROA 9/87
6	Pioneer Trust Bank NA, Salem, OR	2.95
46	Great American Bank, Los Angeles, CA★	2.28
52	Farmers State Bank, Conrad, MT★	2.26
62	First State Bank, Newcastle, WY★	2.22

The New England Region consists of the following six states: Connecticut (CT), Massachusetts (MA), Maine (ME), New Hampshire (NH), Rhode Island (RI), and Vermont (VT). **The Midwest Region** consists of 13 states: Illinois (IL), Indiana (IN), Iowa (IA), Kansas (KS), Kentucky (KY), Michigan (MI), Minnesota (MN), Missouri (MO), Nebraska (NE), North Dakota (ND), Ohio (OH), South Dakota (SD), and Wisconsin (WI). **The Mid-Atlantic Region** comprises Washington, D.C. (DC), Puerto Rico (PR), and the following five states: Delaware (DE), Maryland (MD), New Jersey (NJ), New York (NY), and Pennsylvania (PA). **The Southeast Region** comprises 10 states: Alabama (AL), Arkansas (AR), Florida (FL), Georgia (GA), Mississippi (MS), North Carolina (NC), South Carolina (SC), Tennessee (TN), Virginia (VA), and West Virginia (WV). **The Southwest Region** consists of the following six states: Colorado (CO), Louisiana (LA), New Mexico (NM), Oklahoma (OK), Texas (TX), and Utah (UT). **The Western Region** comprises 10 states: Alaska (AK), Arizona (AZ), California (CA), Hawaii (HI), Idaho (ID), Montana (MT), Nevada (NV), Oregon (OR), Washington (WA), and Wyoming (WY). **(★)** — The bank is a member of a one-bank holding company.

COMMUNITY BANKS

Summary of Survey Findings

Top 25 in Deposit Growth

		Deposit Growth 9/87	ROA Rank 9/87
1	Business Bank, Vienna, VA★	342.4	91
2	George Mason Bank, Fairfax, VA★	249.1	96
3	Kislak National Bank, North Miami, FL	235.1	19
4	Bank of Horton, KS★	223.1	4
5	Brand Banking Co., Lawrenceville, GA	214.3	68
6	National Grand Bank, Marblehead, MA★	188.3	40
7	Enterprise Bank of South Carolina, Ehrhardt, SC	142.9	34
8	Union Bank & Trust Co., Lincoln, NE★	141.2	37
9	Middleburg National Bank, VA	132.7	82
10	Fairburn Banking Co., GA★	125.0	11
11	Etowah Bank, Canton, GA	122.1	72
12	National Bank of Coxsackie, NY	116.5	22
13	American National Bank, Schiller Park, IL★	114.9	99
14	Centreville National Bank, MD	112.7	69
15	Putnam County National Bank, Carmel, NY	111.0	2
16	Bank of Canton, GA★	99.7	67
17	First National Bank, Jeffersonville, NY★	97.1	90
18	Bank of O'Fallon, IL	95.7	93
19	Byron Center State Bank, MI	94.9	75
20	First Western Bank State, State Louis Park, MN★	93.9	51
21	Pioneer Trust Bank NA, Salem, OR	93.5	6
22	Neffs National Bank, PA★	92.9	41
23	Peoples Bank of Bullitt County, Shepherdsville, KY	92.7	16
24	First National Bank, Albany, TX	89.3	94
25	National Bank of Stamford, NY	82.2	1

Top 25 in Net Income per Employee

		Net Inc. Per Empl. 9/87	ROA Rank 9/87
1	St Henry Bank, OH	139	73
2	Citizens Bank, Delavan, WI	137	5
3	Kislak National Bank, North Miami, FL	112	19
4	National Bank of Stamford, NY	104	1
5	McDowell County National Bank, Welch, WV	94	3
6	First State Bank, Bourbon, IN	91	55
7	Citizens Bank, Fayette, AL	88	17
8	Peoples State Bank, Hamtramck, MI	86	7
9	Denver National Bank, PA	84	83
10	Neffs National Bank, PA★	80	41
11	Merchants National Bank, Bangor, PA	79	48
12	Citizens Bank, Rusk, TX	79	63
13	Harlan National Bank, KY★	78	15
14	Bank of O'Fallon, IL	77	93
15	Home Trust & Savings Bank, Osage, IA	75	77
16	Kilbourn State Bank, Milwaukee, WI	71	26
17	Key Biscayne Bank & Trust Co., FL	70	8
18	Citizens Bank, Carthage, TN	69	29
19	Commercial State Bank, Wagner, SD★	68	58
20	Farmers State Bank, Conrad, MT★	66	52
21	Industrial State Bank, Kansas City, KS	66	38
22	Middleburg National Bank, VA	63	82
23	New Tripoli National Bank, PA★	62	32
24	Barnes Banking Co., Kaysville, UT	62	14
25	State Bank of Caledonia, MI	59	50

Deposit Growth Rate shows the percentage change in deposits over the period Dec. 31, 1982, to Sept. 30, 1987. **Net Income per Employee** is net income divided by the number of employees at the end of the period. To calculate net income per employee for 9/97, net income for the first 9 months of 1987 was annualized by multiplying it by 1.33. **(★)** — The bank is owned by a one-bank holding company.

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VOL. CLIII NO. 55 Monday, March 21, 1988

Today

The hunt for investors to buy into troubled First RepublicBank Corp. is under way. The FDIC is looking for private investors who will take the company as is, while the Fed is looking for foreign investors. ________2

The precarious position of First Republic may convince regulators that merging troubled institutions into healthy ones is not a wise strategy. The case may be a warning to Texas thrift executives and regulators who have been championing a series of megamergers between strong and weak savings and loans. ________2

The psychological blow of First Republic's collapse is greater than its financial impact, some say. But the troubles at Texas financial institutions have reemphasized the continued weakness of the state's economy.__2

The complexity of trust accounting is leading many trust departments to license systems from outsiders or use service bureaus. A trio of vendors dominate the market for software and services — SEI Corp., Wayne, Pa.; National Computer Systems Inc., Minneapolis; and SunGard Trust Systems, Charlotte, N.C. ________3

IBJ Schroder Bank & Trust Co. is selling its venerable stock-transfer business to the Bank of New York. No official price was given, but industry sources said the business is being sold for well below $5 million, reflecting the high cost of operations, the low profits, and the inability to guarantee that customers will remain with the new transfer agent. ________5

Smith Breeden Associates dropped Franklin Savings Association as a client, despite the key role the consultant played in the thrift's spectacular rise. The consulting firm asserted that the Ottawa, Kan.-based thrift was gearing up to offer competing services through its subsidiaries. ____8

A hundred western thrifts are unduly exposed to interest rate risk, according to federal thrift regulators. They have been advised to use the current stable interest rate environment to reduce their use of short-term funds to invest in long-term assets.____ 24

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COMMENT

Laws designed to protect companies from outside raiders more often allow mediocre or poor managements to maintain control and diminish the already meager power of stockholders, writes Dr. Paul S. Nadler. ____4

NEWS MONDAY

A number of community reinvestment measures are being discussed in Washington this week as congressional hearings focus on regulators' responsibilities. ________ 17

Worth Repeating

It's certainly a negative for the image of banking in Texas.

Ben F. Love, chairman of Texas Commerce Bancshares, Houston, commenting on the impact of the state's troubled financial institutions. [Page 2]

Chase Leads in Clearing House Business

94 Banks Generate at Least 1 Million Transactions in 1987

By JEFFREY KUTLER

NEW YORK — Competition is hotter than ever in the automated clearing house business, but it has not prevented Chase Manhattan Bank from maintaining its perennial lead in market share.

According to the *American Banker*'s third annual survey of automated clearing house activity, Chase was responsible for 68.2 million transactions last year. That equaled 13% of the 529 million items originated by financial institutions in the private sector.

Chase's closest rivals, Norwest Bank Minneapolis and Bank of America, each had private sector market shares of 3.3%.

Private sector volume accounted for 56.5% of the year's 936 million automated clearing house payments. The remaining 34.5% were federal government payments such as direct deposits of Social Security benefits into recipients' bank accounts.

Chase increased its originations by 23%, which did not keep pace with the overall market's expansion. The New York bank thus lost a point from its 1986 market share of 14%, indicating that more banks are becoming successful at selling direct deposit and payment services to their commercial and retail customers.

The number of banks that originated at least one million automated clearing house payments rose to 94 in 1987 from 81 in 1986. A minimum of 928,000 transactions were needed in 1987 to qualify for the *American Banker* listing of the top 100 originating banks, up 24% from 746,000 in 1986.

These figures, supplied in most cases by regional automated clearing houses, reflect interbank transactions only. By not including "on us" payments, such as direct payroll deposits into consumer accounts held by a paying company's bank, these statistics tend to understate actual payment volume.

Despite the wider and more crowded market, Chase's transaction total exceeded those of Norwest Bank Minneapolis and Bank of America by a factor of four, the same margin Chase enjoyed over Bank of America in 1986.

But there was an air of disappointment at the nation's third largest bank. "If anything, we would have liked to

Clearing House: Page 19 ➻

ACH Leaders

Transactions originated in 1987

	(Millions)
1. Chase Manhattan Bank	68.2
2. Norwest Bank Minneapolis	17.5
3. Bank of America	17.3
4. Mellon Bank	12.7
5. Northern Trust Co.	11.9

Source: American Banker

Payment System Gains Ground, Tables Pages 22-23

Banks Take Big Share of Private Financing Market

By DAVID NEUSTADT

NEW YORK — Commercial banks grabbed 26% of the $135 billion private placement market in 1987, a significant improvement over previous years, according to data provided by IDD Information Services. Banks had an 18.6% market share in 1986 and a 9.5% share in 1985.

Commercial banks are aggressively pursuing private placement business as part of their push into investment banking.

Investment banks still dominate the fast-growing private placement business, which is the sale of securities not registered with the Securities and Ex-

Commercial Banks: Page 10 ➻

Top Bank Firms in Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Salomon Brothers	1	$14,945	244
1. Bankers Trust New York Corp.	7	9,028	210
2. J.P. Morgan & Co.	10	6,834	83
3. Citicorp	11	5,954	147
4. Chemical New York Corp.	14	3,408	132
5. First Chicago Corp.	15	3,287	81
6. Chase Manhattan Corp.	17	2,437	82
7. Security Pacific Corp.	18	1,809	17
8. BankAmerica Corp.	19	1,368	85
9. Manufacturers Hanover Corp.	22	869	41
10. Bank of Boston Corp.	29	203	7

Source: IDD Information Services

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BANKING TRENDS

Outlawing Raiders Is a Slap to Stockholders

By DR. PAUL S. NADLER

ONE DISTURBING TREND in the United States today is the rapid-fire ratification of state laws protecting management from corporate takeovers by outside raiders.

Basically, what these laws all say is that the corporation must be protected from someone coming in and buying out ownership, unless present management and a large number of shareholders agree that they like the idea.

What these laws are telling us in effect is that a corporation exists by itself and is the property of present management. We talk about corporate democracy and the right of people who have enough money to buy out a public venture. But in the states that have passed antitakeover laws, the purchase of a company's majority stock does not give the buyer the right to run the company, in most instances, unless present management wants it.

We are saying, then, that present management has the rights of a feudal lord. There is no way that it can be deposed — no matter how poorly the company is being run or how much better off the shareholders would be with new ownership and new blood — if present management does not want to relinquish its power.

Pretty Harsh? Not Really

At first, this view may appear pretty harsh. How could this possibly be even close to the truth in a democracy where the antitakeover laws have to be approved by elected officials? One would think that they would not like such legislation. But the exact opposite is the case.

Lawmakers go along with these bills almost to a person. And the amount of money raised to lobby for this type of legislation is tremendous. There are several reasons for this:

First, the stock buyers who attempt unfriendly takeovers are pictured as corporate raiders who are eager to move in, gut the corporation, fire its people, and sell the assets for far more than they paid for the company as a whole.

Look at the image of the corporate investors who buy the airline in the movie "Wall Street." The fact that they expect to make decent money by splitting the airline into its components and make it more efficient is scorned. The key is that the so-called good guys want to keep things as they are, with job levels as they are and management as it is.

Power Sways to Antitakeover Side

There's something even more important than the bad image we give to buyers of a company in a unfriendly takeover: The power structure in many states is heavily on the side of antitakeover measures as their lawmakers debate this type of legislation.

The governor of one state that recently passed an antitakeover law privately put it this way:

"Look at this bill. Sure it is hard on corporate democracy. But it is one of the rare times when both management and labor are on the same side. For both feel that if new management comes in they will lose jobs and power.

"Management fears being thrown out, and labor fears the dismantling of the company. On top of this, if we veto such legislation, management will simply move the headquarters of the corporation to another state with a friendlier legislative environment."

Now that Indiana's law on takeovers has been declared constitutional by the Supreme Court, it appears that nothing will stop the further development of state antitakeover laws. With the popularity of such legislation in each state, and each state's jealousy of its powers, it is highly unlikely that the Congress will pass a federal law that is less favorable to management.

Accountable to No One

The result is that in most instances where antitakeover laws have been passed, management is accountable to no one.

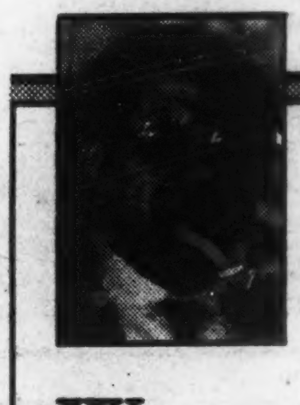
As one head of a major pension fund told me:

"If I have no rights and no assurance that I can help make this company better by changing its management, then why should I buy stock? If I want a junk investment, the least I will do is buy a junk bond, so that I am paid for the risk I am taking with my investment."

Will American institutional investors try to solve the problem by going overseas? Probably not, because the laws there are similar to ours or worse. And American insurance companies and pension funds are loyal citizens even if they are angry.

"When the Japanese call and ask if we want to invest in Japan," says the head of one major multibillion-dollar fund, "we answer that we will do so as soon as Japanese farmers riot in favor of having California fruits and vegetables brought into their country."

American investors still may turn away from equities as they see their powerlessness and the ability of mediocre management to keep control, no matter how low the stock price drops as a result of their managerial policies. If this happens, we are likely to see a dangerous long-term trend that will make us pay — and pay dearly — for the robbing of shareholders of their rights to buy a company and replace management with a better staff.



Nadler Says:

We are saying, then, that present management has the rights of a feudal lord. There is no way that it can be deposed — no matter how poorly the company is being run.

Corporations have been run by a triumvirate — government, management, and the shareholders. Of these three, the shareholders have been the test of the market mechanism — the people who decided if management was doing a good job.

'The Public Be Damned'

Little by little, this shareholder group is losing whatever power it did have, and it never was too much. So corporations will either become like those of the 1890s, in which the chief executive officer could say "the public be damned," and there was little anyone could do about it. Or else they will face more and more governmental intervention.

This will involve the government making more decisions on environmental activities, operating policies, and the like because government will be the only force left to control our feudal lords — the people who happened to be in charge of corporations when the antitakeover laws came into being and the opportunities to remove present management were sharply reduced.

The real question is, what is ownership? We have come a long way from the days when 64 men would invest in a sailing cargo ship and share the profits equally if it returned safely from the New World. Now we may reach the opposite point where the investor-owner has no rights. That would be like the captain of that ship saying on his return, "I will decide whether you get anything."

Some middle ground is necessary and undoubtedly in time it will have to be found. But in the meantime, let us hope that we do not do too much damage to the free enterprise system by protecting present management and present jobs, no matter how poorly the ship is run, while those who are willing to invest to make the ship more efficient are called raiders, cutthroats, and spoilers of our economic system. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 8.

1. Consultants say it will be years before smart cards — plastic cards embedded with microcircuit chips — are ready for mass-marketing by the U.S. credit card industry. Despite the generally dim outlook, smart cards supplied by Micro Card Technologies Inc., Dallas, have established a significant beachhead with the U.S. Department of Agriculture in automating sales of a major farm commodity. For what crop — delectable to hogs and humans alike — is the smart card used to maintain sales records and establish production quotas?

Investment Banking

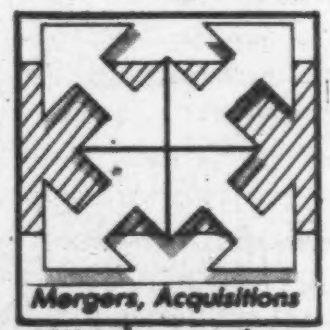
2. One of the latest wrinkles in the colorful idiom of financial services is a term borrowed from the French. The word ..... describes the smaller, independent investment banking firms organized in recent weeks by former Wall Street superstars, which concentrate on advisory work for mergers and acquisitions.

3. What recent marketing decision by American Express Co., concerning its Optima card, puts the company in an awkward competitive position with its bank partners?

4. Consumer advocacy groups — particularly Acorn, the Association of Community Organizations for Reform Now — have formulated a new lobbying strategy aimed at protecting traditional banking services for low-income and moderate-income customers. What fundamental banking issue, currently before Congress, will these groups seek to link with guarantees of free or low-cost checking for less-affluent individuals?

5. Departing from its tradition of disposing of loans from failed thrifts through sealed bids and negotiated transactions, what method will the Federal Savings and Loan Insurance Corp. use next month, for the first time, to sell $40 million in assets from defunct institutions in Tennessee and Ohio?

6. William J. Burke, senior vice president of the Bank of Ireland's New York office, spent a few hours last week basking in the limelight of international attention. What high honor did Mr. Burke receive?



7. Recent revelations suggest that the Federal Reserve Board in Washington overruled a lower regulatory agency when it approved the 1986 merger that created First RepublicBank Corp., Dallas, from InterFirst Corp. and RepublicBank Corp. Which regulator apparently foresaw that this merger would run into trouble?

8. As the New Jersey building boom continues, how have several large real estate developers sought to cash in on the financing end of the business?

9. On the same day the Federal Deposit Insurance Corp. was rescuing First RepublicBank, a welcome note of levity came in a speech by FDIC Chairman L. William Seidman that was transmitted to a bankers' convention in Honolulu. In Mr. Seidman's humorous predictions for the year 2000, what celebrity did he foresee entering a second term in the White House?

— Robert Paul Molay

Vendors Vie for Market Share at Fiduciary Operations Conference

The market for trust accounting software and services is dominated by a trio of specialized vendors — SEI Corp., National Computer Systems Inc., and SunGard Trust Systems.

Continued from Page 3

the pending Electronic Data Systems Corp. acquisition of MTech will enhance the deal. "Between them, EDS and MTech have over 5,000 banks, thrifts, and credit unions as customers," he said in an interview. "We want to leverage that customer base into asset management, trust accounting, and securities custody."

The SEI Conversion

SEI was entirely on Prime equipment originally. Realizing the capacity limitations of minicomputers, it began in 1984 to convert its host computers and its clients' systems to IBM in an expensive overhaul.

About 50 clients continue to run remotely on the Prime computers at the SEI data center. But D. Bruce Peterson, executive vice president for information services, said in a phone interview that they will be converted within three months.

"Then we will be completely finished with the retooling," he said. "We spent about $40 million moving the software, enhancing the software, and getting all the processing restructured for IBM."

The changeover affected SEI earnings and client relationships. "The conversion did not go absolutely smoothly," said Ms. Frey of National Computer. "As a result, we picked up a number of SEI customers."

Trust-Aid, SEI's original trust accounting product, was introduced in 1972. The dwindling number of clients with Prime minis still use it.

The IBM system, Trust-Aid 3000, was introduced in 1983. The biggest trust departments using it are at Wells Fargo Bank, San Francisco; First RepublicBank, Dallas; Marine Midland Bank, Buffalo; First Interstate Bank of California, Los Angeles; and Manufacturers National Bank, Detroit.

In 1982, the company also introduced Trustpac/PC, software for community banks. It runs on IBM PCs. About 55 banks license it.

At its Wayne center, SEI has an IBM 3090 Model 400 and two IBM 3084s, one of them added this year. "We saw a rather dramatic growth in our client demand in December as a fallout of the October market," Mr. Peterson said. "There was about a 25% increase in transaction load."

A total 3,856 banks and thrifts exercised trust powers at the end of 1986, the latest tally available. Mr. Peterson said SEI's market is about 1,600 and it has about a third of that target.

"We see our competitors collectively have a third or maybe 40%," he said. "The remainder are on what I'll call obsolete environments or in-house systems."

Kenneth R. Adams, president of SunGard Trust Systems, says the main difference between his operation and SEI is that a SunGard bank is not on line to SunGard all day long. "It has enough information in the bank to operate on a daily basis," he said in a phone interview. "That makes our system considerably cheaper than theirs."

Rather than being on line in real time, the client has a PC or a network of PCs with a file server, which is the working data base of account information, transaction history, and asset holdings.

"Those are mini files of our main data base in Charlotte," Mr. Adams said.

"Each day they enter transactions on their microcomputer and they are stored in the micro. Each evening our large computer in Charlotte dials each of these micros and retrieves the transactions for the day, whether buys, sells, name or address changes, or beneficiary changes," he said. "It processes them against the master file here, and sends back updated transactions to the mini data base in the bank and generates summary reports in their offices overnight.

"So during the day they are not connected by phone. They have an inhouse computer system that can answer their needs and inquiries and enter posting transactions. All their assets are priced weekly. We do all that service work for them," Mr. Adams said.

The clients can use IBM PC ATs or the new IBM PC/2. Mr. Adams said SunGard has installed about 100 of the latter. It runs IBM software at its Charlotte data center but the mainframe, although SunGard is an IBM dealer, is a National Semiconductor 8043, an IBM look-alike.

In trust accounting, SEI and National Computer Systems illustrate starkly the competition between service bureaus and in-house software vendors.

More than 500 banks run National Computer's Trustware systems inhouse. Most use Digital Equipment Corp. VAX minicomputers. Some use Texas Instruments 990 minicomputers. To meet the needs of small banks, the company also has a system to run on the IBM PC AT.

Dennis M. Stanzione, National Computer's director of special projects, said 40 to 50 SEI customers have switched to his company's system in recent years, partly because their trust departments have grown.

"Once you reach a certain size, service bureau becomes a costly operation," he said in a phone interview.

"In our environment, once you install a system, it doesn't matter how many accounts you run on it. Some of our banks run 20,000 accounts. In a service bureau, it would be impractical to deal with those volumes." ■

Commercial Banks Take Larger Share Of Growing Private Placement Market

Continued from Page 1

change Commission to a limited number of investors. The Federal Reserve Board allowed commercial banks to enter the market in 1977, but for many years, bank efforts were sporadic and produced uneven results.

However, over the last three years, a number of banks have created special private placement units and hired experienced personnel from Wall Street and from insurance companies, the major investors in private transactions.

"We see them having an increasing market share," said Jack Cartland, a vice president of private finance at Aetna Life and Casualty Co. "Of the 20 largest sources of private deals, three to four years ago they may have been 85% investment banks. Now they are 55% to 60% commercial banks."

"Commercial banks scare me a lot more than the other investment banking houses," said a private placement professional at a leading Wall Street firm.

Private placement activity is especially attractive to banks because it does not involve use of their own capital. Since the only investment for banks is salaries, profits can be quite high.

Fees can range from one-eight of a percent on a large, simple deal, such as a certificate of deposit, to as much as one percent on a smaller, more complex transaction.

Bankers Trust at No. 7

Bankers Trust New York Corp. did best among the commercial banks in 1987, attaining the No. 7 slot on IDD's league table. That is the highest position a commercial bank has attained so far on that list. In 1986, Citicorp held the No. 7 spot, but it fell back to 11 in 1987. J.P. Morgan & Co. achieved the second best performance among commercial banks, placing No. 10 on the overall list.

Other banks among the top 30 private placement agents were Chemical New York Corp. at No. 14; First Chicago Corp., 15; Chase Manhattan Corp., 17; Security Pacific Corp., 18; BankAmerica Corp., 19; Manufacturers Hanover Corp., 22; and Bank of Boston Corp., 29.

The private placement market has become increasingly complex over the last few years. It now includes many new types of securities, such as mortgage-backed bonds. That has resulted in disputes, especially between commercial banks and investment banks, over what should or should not be counted as a private placement. In response to that, IDD has developed separate listings for different sectors of the market.

Commercial banks are strongest in the asset-backed category, which includes securities backed by both mortgages and securities. Commercial banks as a group had slightly over a third of that market sector. Bankers Trust ranked No. 3 on the list, followed by Citicorp, No. 4, and Chase Manhattan, No. 9.

Commercial banks are also strong in the private certificate of deposit market, with about a 30% share. Bankers Trust was 3d, Citicorp 4th, and Chemical Bank 5th on that list.

On the plain-vanilla list, which includes old-fashioned private placements, Bankers Trust is 9th, First Chicago 11th, and Citicorp 12th.

For lease-related transactions, Bankers Trust was 5th, Citicorp 10th, and BankAmerica 12th.

Commercial banks were weakest in acquisition-related deals. J.P. Morgan is 5th on that list, Bankers Trust 9th, and Chemical Bank 11th. ■

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Chase Leads the Pack in Automated Clearing House Business

Continued from Page 1

have grown faster last year," said James J. Hopes, vice president of Chase Manhattan and president of Chase ACH Inc., its clearing house subsidiary.

Chase clearly has no intention of letting up on the competition, and not just in the part of the market where it is strongest — processing direct premium payments for large insurance companies. Chase is also making a strong bid for the emerging point-of-sale debit business. Its clients include Exxon Co. U.S.A. and Mobil Oil Corp., which began accepting automated clearing house debits from consumers last year.

Nor is Chase neglecting opportunities in direct deposits, which are known as automated clearing house credits. The bank's volume of credits grew 31% last year, compared with only 22% for debits.

Chase is coming close to challenging Bank of America as the top originator of private sector credits. But in debits alone, as well as in total transactions (debits and credits added together), Chase remains pretty much alone at the top.

Norwest, the flagship bank of Norwest Corp., rose two places in 1987 to edge out Bank of America for runner-up. Norwest's lead was a mere 257,000 items, 1.5% of the bank's total, but it caused the most obvious of several noticeable changes on the top 100 list.

Six Banks Doubled Volume

The First National Bank of Atlanta increased its total volume 110% on the year, enough to raise it to 10th on the list from 26th a year earlier. It was one of six banks that doubled its annual volume. Five others, including Norwest, showed increases of between 80% and 100%.

Chemical Bank, New York, climbed eight places to No. 12, with a 47% volume increase. Connecticut National Bank, Hartford, rode a 37% increase into 13th place, up from 18th. Security Pacific National Bank, Los Angeles, added 60% to its volume, sufficient for a 15th-place finish after being 24th in 1986.

There were losers, too. Volume slipped at 9 of the top 100 banks, though in most cases by relatively small amounts and for explainable reasons. Some of these banks lost accounts to competitors. Others consolidated operations in another part of a holding company.

Wells Fargo Bank, Morgan Guaranty Trust Co., Manufacturers Hanover Trust Co., Connecticut Bank and Trust Co., and Norwest Bank Nebraska all fell out of the top 20 because they failed to keep up with the market's growth.

But the success stories are numerous enough to lend credence to claims by the National Automated Clearing House Association that stepped-up promotional campaigns will lead to rapid transaction growth after years of disappointments.

In rising from fourth place to second, jumping over Bank of America and Mellon Bank in the process, Norwest had an 82% spurt in transaction volume. Norwest's debit entries — payments initiated by a seller to move money out of a buyer's account — doubled to 14 million. Only Chase generated more debit volume — four times more.

Among Norwest's debit customers is

Clearing House: Page 22

Top ACH Banks, by Payment Type

Top Debit Originators*	1987 Volume (millions)	Top Credit Originators*	1987 Volume (millions)
Chase Manhattan Bank	58.4	Bank of America	11.3
Norwest Bank Minneapolis	14.0	Chase Manhattan Bank	9.7
Marine Bank of Springfield, Ill.	9.9	Northern Trust Co.	8.9
Bank of America	5.9	Mellon Bank	7.3
Bank One Columbus	5.5	First National Bank of Boston	6.4
Mellon Bank	5.4	First National Bank of Atlanta	4.9
Wachovia Bank and Trust Co.	4.9	Norwest Bank Minneapolis	3.5
AmSouth Bank	4.3	Citibank	3.30
Trust Company Bank	4.2	Chemical Bank	3.28
United Bank of Denver	3.8	Connecticut National Bank	3.1

*Among banks in survey supplying debit and credit data.

Consultancy Drops Franklin Savings

Continued from Page 8

out the approaches.

Last week, in a joint statement with Smith Breeden, Mr. Fleischer said: "Franklin has benefited substantially from our relationship with Smith Breeden. I will continue to encourage clients of our investment banking affiliates needing the types of services rendered by Smith Breeden to employ that firm."

A Staff of Its Own

Franklin, meanwhile, has developed a formidable investment research staff of its own over the past several months. Several thrift industry executives and analysts theorize that Franklin will likely be able to carry out its strategies without Smith Breeden.

Headed by John Scowcroft, former research chief of Merrill Lynch Mortgage Capital, the research team already has 15 members, including alumni of Goldman Sachs & Co. and First Boston Corp. and a systems expert from IBM. This team, based near Smith Breeden's office in Overland Park, is expected to grow to 40 people by year-end, and additional research is performed at Franklin's Ottawa headquarters.

"Over the years, Franklin has built a staff that can internally handle the same services Smith Breeden was providing," said Michael Zuk, an analyst with George K. Baum & Co., Kansas City.

All the same, Mr. Fleischer said Franklin would actively seek another outside adviser to perform "oversight research responsibility." ■

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Payment System Gains Ground, but Progress Is Slow

By JEFFREY KUTLER

NEW YORK — Later this year, probably in October, the automated clearing house network will achieve a first: It will handle its billionth transaction in a single year.

The paperless payments will still be outnumbered almost 50 to 1 by the checks they were designed to replace. Therefore, passing the billion mark only begins to suggest the system's unrealized potential.

But after a decade and a half of struggle, bankers active in the automated clearing house movement can cheer that they are having some impact on the nation's modes of payment.

Only six years ago, when checks written in the United States were approaching 40 billion annually, the automated clearing house network was plodding along at only 315 million items per year. Almost two-thirds of them were federal payments — direct deposits of government salaries, Social Security, and other retirement benefits. Without the government transactions and Federal Reserve System subsidies, the automated clearing houses would have quickly faded into oblivion.

Last year, the network reached 936 million transactions, according to the National Automated Clearing House Association. At the current growth rate, the 1988 total will exceed 1.2 billion.

By most estimates, checks are growing 5% to 7% a year and will probably close in on 50 billion this year.

But the automated clearing house system — consisting of 29 regional clearing houses, most operated by the Federal Reserve, and 13 other bank-owned corporations or cooperatives — has grown at or close to 25% annually throughout the 1980s.

ACH Volume

In 1987 (millions of transactions)

	% of Total	Volume	% Incr. '86-'87
Private sector	56.5	528.6	40.7
Government	43.5	407.4	34.5
Total	**100.0**	**936.0**	**37.9**

Source: National Automated Clearing House Association

System Holds Its Own

National Automated Clearing House Association figures showed a 38% growth rate for 1987. Comparing the 1987 total with a different 1986 statistic compiled by the *American Banker* lowers that increase to 26%, closer to those of previous years. Either way, the system is holding its own, gradually answering past criticisms about lackluster performance if not entirely silencing its critics.

"Any way you look at the figures, it is disappointing that ACH volume after all these years is only approaching one billion, while checks keep mounting up," said George C. White, president of White Papers Inc., Montclair, N.J., and one of the more persistent critics. White Papers is a payments systems consulting firm.

By the national association's reckoning, as transactions last year rose 38%, government payments increased 35%, private sector activity grew 41%, and dollar volume jumped 57%. The average commercial transaction amount was $6,390, the average government payment $628, and the average for all transactions $3,882.

"Dramatic growth occurred because of a general, across-the-board acceptance and belief in the benefits provided by ACH services," said William R. Moroney, president of the Washington-based association, which is holding its annual conference this week in Dallas.

"All types of ACH payments are growing, and we can expect to see this growth continue as we move into the 1990s," Mr. Moroney said.

Changing Transaction Mix

If the payment system really has turned the corner, then the supporting evidence is found in a reversal of the historical government-commercial transaction mix.

Banks and other depository institutions generated 56.5% of the 1987 automated clearing house volume. That was up from 54% in 1986, the first year in the history of the system in which private sector payments outnumbered government items. Commercial (nongovernment) volume includes direct payroll deposits, insurance premiums, preauthorized loan payments, cash managers' consolidations of funds in regional bank accounts, and point-of-sale payments by consumers.

The last category, a new one for the automated clearing houses, accounted for 7.5 million transactions last year — less than 1% of the total, but the start of what could become something big. The National Automated Clearing House Association is promoting the network as an alternative to the on-line electronic networks that bankers built for automated teller machines and are now diversifying into point-of-sale payments.

Accessibility Outweighs Delays

Many bankers prefer the immediate transfers of funds that on-line systems afford, as compared with the one- or two-day settlement delay in automated clearing house payments. But to automated clearing house boosters, the system's easy accessibility and lower transaction costs outweigh the time disadvantage. And consumers, accustomed to a few days of float when they pay with checks or credit cards, may actually like it better.

Most of the 7.5 million point-of-sale transactions through the automated clearing houses last year were in Arizona. There the statewide check-clearing house, which also runs the automated clearing house, has been operating a successful off-line point-of-sale system for several years called the Cactus Switch.

Two national gasoline retailers, Exxon and Mobil, are also beginning to accept direct debits from customers' bank accounts via the automated clearing houses. Such retailer-owned systems may become more numerous following revisions last year to the Federal Reserve Board's Regulation E, which make it easier for nonbanks to participate in electronic funds transfer networks. ■

Chase Leads the Pack in Automated Clearing House Business

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Deluxe Check Printers Inc., a bank stationery company based in St. Paul. When bank customers order checks, Deluxe gets paid by debiting their accounts via the automated clearing house.

"We had some major customers that came on the ACH at the end of 1986, and they were up to full capacity for all of 1987," said Carol Daniels, assistant vice president of the Minnesota bank, the nation's 81st largest when ranked by deposits.

On-Us Items Would Boost Rating

Ms. Daniels said that if on-us items were included in Norwest's tally, along with the automated clearing house activity of affiliated Norwest banks in other states, its volume would have been close to 28 million. That would give it a much more solid second place behind Chase.

The same argument could be made by other regional and superregional bank holding companies.

On-us activity combined with Seattle-First National Bank's volume would have given its parent, BankAmerica Corp., a similar boost. Excluding the 20% of transactions that don't leave the bank, Bank of America ranked third overall but first in credit entries, which include payrolls and other direct deposits.

For purposes of the *American Banker* survey, holding company affiliates were kept separate and on-us items excluded whenever possible.

The top 100 listing therefore reflects the success of individual banks selling automated clearing house services to major corporate clients and their customers. But interstate holding companies such as First Union Corp. in the Southeast and Banc One Corp. in the Midwest project the image of single organizations. While Banc One's lead subsidiary, Bank One Columbus, rose two places to eighth in 1987, even that strong showing may not tell Banc One's complete marketing story.

There were other shifts among the top 10. Northern Trust Co., Chicago, increased 36% to 11.9 million items and jumped to fifth place from sixth. It traded ranks with Marine Bank of Springfield, Ill., the nation's 477th largest bank and the biggest overachiever in the automated clearing house business.

The $531 million-deposit Marine Bank ranked fifth in both 1986 and 1985 on the strength of its processing debit payments for insurance companies.

Citibank Makes Gains

Marine Bank's automated clearing house leadership has contrasted with poor showings by Citibank, the nation's largest bank. But Citibank is shedding that image. The New York institution increased its clearing house volume 60% in 1987 and rose to 25th place from 36th. Of its 4 million transactions, 3.3 million were credit entries, making Citibank the eighth largest originator of automated clearing house credits.

First National Bank of Boston was another gainer among the top 10, rising one place to seventh with a 36% volume increase to 8.5 million. Three-fourths of those entries were credits and most of the growth came from marketing to corporations, a bank spokesman said.

Ninth and 10th positions were occupied by Wachovia Bank and Trust Co. and the First National Bank of Atlanta, which are both part of the First Wachovia holding company. Together their volume exceeded that of Mellon Bank, which was fourth on the list.

The biggest percentage gainer, at 189%, was AmSouth Bank, Birmingham, Ala., the nation's 63rd largest commercial bank but now the 18th largest in automated clearing house transactions. Its total rose to 4.6 million from 1.6 million in 1986, then good enough for only 59th place.

Almost all of AmSouth's transactions are on the debit side. "We signed some new clients, but most of our gains came from existing clients in the insurance industry," said Jeff Taylor, the bank's automated clearing house product manager. "For those companies we converted preauthorized paper drafts to ACH debits." In pursuing those accounts, AmSouth competed several times against Marine Bank of Springfield.

"Our goal is to become one of the top ACH processors in the country, if that's possible for an Alabama bank," Mr. Taylor said. "Most of our business so far has been in-state, and we may have to go outside for more growth."

AmSouth's spectacular rise is reminiscent of the 145% growth between 1985 and 1986 of M&I Marshall & Ilsley Bank, Milwaukee. In 1986, it jumped to 15th place from 39th, mainly as the result of a big debit contract with Northwestern Mutual Life Insurance Co.

M&I, the 181st largest in deposits, climbed another rung in 1987, to 14th, as its automated clearing house volume grew 21% to 5 million.

The 1987 merger of two financially troubled Texas companies, RepublicBank Corp. and InterFirst Corp., brought together several affiliates with a combined volume approaching 10 million. Treated as one bank, First RepublicBank Corp. would have been seventh in terms of automated clearing house volume.

Instead, it had three entries among the top 100 and its lead bank, First RepublicBank Dallas, was listed twice because the RepublicBank and InterFirst automated clearing house systems had not yet merged. The former RepublicBank operation registered a 41% gain in its annual volume and ranked 39th. ■

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Top 100 Originators of ACH Payments in 1987

Rank 1987	Rank 1986*		Debits Transactions	Credits Transactions	Total Transactions	Annual Growth
1	1	Chase Manhattan Bank NA, New York	58,438,247	9,771,837	68,210,084	23%
2	4	Norwest Bank Minneapolis NA	14,016,164	3,504,041	17,520,205	82
3	2	Bank of America NT&SA, San Francisco	5,911,453	11,351,269	17,262,722	25
4	3	Mellon Bank NA, Pittsburgh	5,380,098	7,295,007	12,675,105	16
5	6	Northern Trust Co., Chicago	2,976,187	8,928,523	11,904,710	36
6	5	Marine Bank of Springfield, Ill.	9,931,187	532,202	10,463,389	14
7	8	First National Bank of Boston	2,106,645	6,409,596	8,516,241	36
8	10	Bank One Columbus NA, Ohio	5,505,846	1,797,548	7,303,394	29
9	7	Wachovia Bank and Trust Co. NA, Winston-Salem, N.C.	4,996,637	1,875,617	6,872,254	(7)
10	26	First National Bank of Atlanta	1,572,788	4,904,571	6,477,359	110
11	11	Trust Company Bank, Atlanta	4,193,319	1,627,268	5,820,587	21
12	20	Chemical Bank, New York	2,328,939	3,284,350	5,613,289	47
13	18	Connecticut National Bank, Hartford	2,438,301	3,145,973	5,584,274	37
14	15	M&I Marshall & Ilsley Bank, Milwaukee	NA	NA	5,042,309	21
15	24	Security Pacific National Bank, Los Angeles	2,624,417	2,409,734	5,034,151	60
16	21	First Bank Minneapolis	NA	NA	4,881,041	30
17	12	United Bank of Denver NA	3,798,980	820,893	4,619,873	(4)
18	59	AmSouth Bank NA, Birmingham, Ala.	4,363,302	214,408	4,577,710	189
19	17	National Bank of Detroit	1,993,655	2,574,809	4,568,464	11
20	9	Wells Fargo Bank NA, San Francisco	1,384,202	3,139,614	4,523,816	(27)
21	19	Manufacturers Hanover Trust Co., New York	1,396,049	3,082,246	4,478,298	13
22	25	CoreStates Financial Corp., Philadelphia	NA	NA	4,466,556	43
23	23	Shawmut Bank NA, Boston	NA	NA	4,104,208	24
24	16	Morgan Guaranty Trust Co., New York	2,698,481	1,303,024	4,001,505	(4)
25	36	Citibank NA, New York	679,662	3,298,800	3,978,462	60
26	45	Harris Trust & Savings Bank, Chicago	1,535,906	2,361,695	3,897,601	89
27	51	Citizens & Southern National Bank, Atlanta	1,593,579	2,291,495	3,885,074	103
28	29	First National Bank of Maryland, Baltimore	1,463,000	2,396,000	3,859,000	40
29	22	National City Bank, Cleveland	2,574,597	1,248,526	3,823,123	15
30	14	Connecticut Bank & Trust Co. NA, Hartford	NA	NA	3,698,122	(17)
31	53	Boatmen's First National Bank, Kansas City, Mo.	NA	NA	3,590,673	98
32	37	First National Bank of Chicago	2,153,517	1,331,583	3,485,100	41
33	41	First Union National Bank, Charlotte, N.C.	1,766,570	1,742,453	3,509,023	63
34	27	First Interstate Bank of Oklahoma City	NA	NA	3,481,339	18
35	35	AmeriTrust Co. NA, Cleveland	1,989,356	1,471,253	3,460,609	39
36	28	Centerre Bank NA, St. Louis	NA	NA	3,450,562	21
37	33	First City National Bank, Houston	NA	NA	3,439,860	38
38	40	Commerce Bank of Kansas City NA	NA	NA	3,318,959	53
39	38	First RepublicBank Dallas NA (was RepublicBank)	NA	NA	3,227,532	41
40	13	Norwest Bank Nebraska NA, Omaha	NA	NA	3,218,746	(29)
41	30	First Interstate Bank of Arizona NA, Phoenix	NA	NA	2,970,570	13
42	46	First Bank St. Paul, Minn.	NA	NA	2,852,780	39
43	31	First RepublicBank Dallas NA (was InterFirst)	NA	NA	2,799,265	8
44	34	NCNB National Bank of North Carolina, Charlotte	1,416,611	1,355,073	2,771,684	11
45	43	First Interstate Bank of California, Los Angeles	1,589,151	1,073,003	2,662,154	27
46	48	Valley National Bank, Phoenix	NA	NA	2,651,649	34
47	50	Continental Illinois National Bank & Trust Co. of Chicago	1,333,413	1,156,078	2,489,491	28
48	44	Texas Commerce Bank NA, Houston	NA	NA	2,487,504	20
49	39	Bank of New England NA, Boston	NA	NA	2,435,243	10
50	56	MBank Dallas NA	NA	NA	2,258,080	35
51	42	Society National Bank, Cleveland	1,031,377	1,190,005	2,221,382	5
52	52	Marine Midland Bank NA, Buffalo, N.Y.	185,911	2,010,208	2,196,119	16
53	47	Bank One Dayton NA, Ohio	414,108	1,764,360	2,178,469	9
54	58	Bankers Trust Co., New York	1,005,595	1,113,625	2,119,220	32
55	49	Chase Lincoln First Bank NA, Rochester, N.Y.	178,302	1,866,140	2,044,442	4
56	68	Fifth Third Bank, Cincinnati	398,608	1,617,566	2,016,174	59
57	61	United Jersey Bank, Hackensack	994,821	1,020,321	2,015,142	40
58	57	Seattle-First National Bank	1,147,949	814,462	1,962,411	18
59	89	Citizens Fidelity Bank & Trust Co., Louisville	769,603	1,187,162	1,956,765	130
60	55	Sovran Bank NA, Richmond, Va.	698,921	1,242,386	1,941,307	16
61	100	First National Bank of Omaha, Neb.	NA	NA	1,894,588	154
62	80	Pittsburgh National Bank	347,876	1,492,078	1,839,954	82
63	66	Bank of Hawaii, Honolulu	633,005	1,103,218	1,736,223	36
64	67	BancOhio National Bank, Columbus	399,422	1,332,097	1,731,519	36
65	78	First Security Bank of Utah NA, Ogden	1,042,269	669,591	1,711,860	53
66	76	Mercantile Bank NA, St. Louis	NA	NA	1,682,430	49
67	64	Southeast Bank NA, Miami	1,118,194	489,877	1,676,071	26
68	-	Bank South NA, Atlanta	NA	NA	1,653,000	-
69	62	Rainier National Bank, Seattle	379,482	1,269,828	1,649,310	17
70	54	United States National Bank of Oregon, Portland	1,220,055	382,659	1,602,714	(8)
71	32	Norwest Bank Des Moines NA, Iowa	481,614	1,103,124	1,584,738	(38)
72	65	Indiana National Bank, Indianapolis	805,220	763,060	1,568,280	20
73	63	United Missouri Bank of Kansas City NA	NA	NA	1,564,518	13
74	72	First Interstate Bank of Denver NA	640,192	894,007	1,534,199	26
75	69	Maryland National Bank, Baltimore	591,000	924,000	1,515,000	20
76	70	First National Bank of Louisville	866,045	600,473	1,466,518	17
77	98	Liberty National Bank & Trust Co., Louisville	978,302	469,797	1,448,099	93
78	73	Commonwealth National Bank, Harrisburg, Pa.	NA	NA	1,341,991	11
79	77	First Pennsylvania Bank NA, Philadelphia	NA	NA	1,327,592	18
80	71	First RepublicBank Austin NA	NA	NA	1,310,065	7
81	75	Citizens & Southern National Bank, Charleston, S.C.	NA	NA	1,302,549	14
82	74	Huntington National Bank, Columbus, Ohio	555,596	743,343	1,298,939	13
83	81	American Security Bank NA, Washington	847,000	405,000	1,252,000	24
84	60	First Wisconsin National Bank, Milwaukee	NA	NA	1,236,499	(20)
85	83	Merchants National Bank, Topeka, Kan.	NA	NA	1,226,662	30
86	103	First Interstate Bank of Oregon NA, Portland	NA	NA	1,209,948	76
87	85	First National Bank of Cincinnati	652,499	555,372	1,207,871	35
88	-	State Street Bank & Trust Co., Boston	NA	NA	1,181,469	-
89	95	Crestar Bank, Richmond, Va.	396,273	717,884	1,114,157	38
90	-	NCNB National Bank of Florida, Tampa	260,723	848,409	1,109,132	124
91	86	First Interstate Bank of Washington NA, Seattle	726,489	381,470	1,107,959	24
92	84	United Bank of Arizona, Phoenix	NA	NA	1,088,918	18
93	92	Sun Bank NA, Orlando, Fla.	165,474	919,884	1,085,358	32
94	106	Western Bank, Sioux Falls, S.D.	NA	NA	1,043,748	63
95	91	First Union National Bank of Florida, Jacksonville	650,191	329,862	980,053	19
96	-	Boston Safe Deposit & Trust Co.	NA	NA	978,785	-
97	87	Union Planters National Bank, Memphis, Tenn.	584,969	365,103	950,072	9
98	90	First Fidelity Bank NA, Newark, N.J.	219,946	713,159	933,105	10
99	93	Union National Bank, Little Rock, Ark.	NA	NA	931,925	14
100	96	Irving Trust Co., New York	143,737	784,658	928,395	19

Most transaction data were supplied to *American Banker* by regional automated clearing houses on behalf of member financial institutions. In some instances, data were confirmed by or obtained directly from Federal Reserve Banks or from the originating banks. Totals for some banks are annualized based on partial-year results.

NA-Where debit and credit breakdowns are not given, information sources had not tabulated them in time for publication.

*Some banks' rankings for 1986 may be slightly different from those published in the American Banker listing of March 17, 1987. They were retabulated based on revisions and corrections received after the publication date. Banks without a number in this column were not included in the 1986 survey.

2 South Carolina Thrifts Agree on Merger Terms

COLUMBIA, S.C. — South Carolina Federal Corp. and First Federal Savings Bank, Rock Hill, S.C., have announced an agreement in principle to merge the two institutions.

Under terms of the agreement, First Federal's assets will be acquired and its liabilities assumed by South Carolina Federal Savings Bank, the wholly owned subsidiary of South Carolina Federal Corp.

The merger is subject to approval by the board of directors of both institutions as well as by regulatory authorities.

First Federal Savings Bank of Rock Hill has total assets of approximately $186 million. The merger will boost South Carolina Federal's total assets to more than $900 million, with 30 full-service branch locations and six mortgage loan offices in South Carolina. ■

Georgia Thrift to Sell Branch

ATLANTA — First Federal Savings and Loan Association, Bainbridge, Ga., will acquire Fulton Federal Savings and Loan Association's branch in Cairo, Ga.

The Cairo office had deposits of approximately $16.5 million as of Dec. 31.

Fulton Federal, Georgia's largest publicly owned thrift institution with assets of approximately $2.4 billion, operates 42 branches throughout the state. ■

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American Banker

TOP 300 BANKS — TABLES BEGIN ON P. 45

The Daily Financial Services

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SPECIAL REPORT

American Banker

SAVE OUR SCHOOLS

Will there be enough educated workers in the year 2000 to fill the nearly one million new jobs that are expected to open in financial services? With an estimated 17 million to 21 million functional illiterates in the country today, there is reason for concern — and reason for action.

To assess the problem and what is being done about it, a 44-page special report examines the state of education in the United States and how the coporate world, and banks in particular, are responding. The section starts on page 11.

Today

CORPORATE FINANCE

Chase Manhattan Bank has won regulatory approval to set up a subsidiary that will underwrite pools of its commercial real estate loans. __2

Loan demand remains flat at the nation's largest commercial banks, despite lower lending rates, according to information gathered by the Federal Reserve's district banks. ______2

A management shake-up at Dimensional Corporate Finance Inc. and staff reductions have the banking community wondering about the fate of the company's elaborate loan-pooling plans. ______2

Suppliers are providing financing for corporations in competition with banks, as illustrated in Black & Decker Corp.'s takeover battle for American Standard Inc. ______8

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Realtors appear to be suffering from the same kind of divisions that traditionally have hobbled the lobbying efforts of the ABA. ______3

George W. Landgrebe has been appointed president of the American Banker • Bond Buyer. He succeeds Richard H. Tierney, who is resigning to pursue other interests. ______2

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COMMENT

A new set of economic indicators devised by the Fed can produce profoundly misleading messages, writes H. Erich Heinemann. ______6

Random Thoughts

By SANFORD ROSE

It is by now almost commonplace to observe that banks aren't getting paid for the loan risks they are assuming. Bank managers know this, and so does the general marketplace, which heavily discounts bank stock prices.

Yet the magnitude of the compensation shortfall is not fully appreciated. Loan Pricing Corp. of New York has attempted to shed light on the problem by assembling some suggestive and disquieting numbers.

The firm has gathered spread data on some 3,100 C&I loans made by 30 banks. The data show spreads over the 30-day Libor rate on a potpourri of credit extensions for six risk classes of customers, ranging from class 1, an excellent business credit with minimal risk, to class 6, an unacceptable or substandard business credit. Data are available for the all-in spread, which takes into account the raw spread, fees, balances, and utilization rates, as well as for certain components of the all-in figure.

Focusing on all-in spreads can be misleading because of wide differ-

Random Thoughts: Page 4 ➸

Lenders Take Steps to Protect Yields Under Risk-Based Capital Regulations

By JOHN P. FORDE

CORPORATE FINANCE

AN AMERICAN BANKER WEEKLY FEATURE

Section begins on page 8

NEW YORK — When risk-adjusted capital rules become effective, many bank lenders expect their commercial borrowers to drive a hard bargain if they are asked to negotiate new terms on existing loans.

Most new bank credit agreements, including revolving loans of over a year in maturity and standby letters of credit, are being written to include provisions that would compensate the lender for any reduction in yield due to the new risk-adjusted capital requirements.

"This provides a repricing mechanism — the bank will have an opportunity to renegotiate with the borrower to maintain their yield," said one banker.

David Bartsch, a senior vice president in the loan syndication department of Irving Trust Co. here, said in a recent interview that the provisions have become standard in many credit agreements with large banks. They are showing up in letters of credit and in loan agreements "as an event for which there would have to be a renegotiation of pricing," he said.

The risk-adjusted guidelines were recently proposed by regulators in the U.S. and other major countries. They propose to apply different grades of risk to various bank assets both on and off the balance sheet.

These grades of risk would determine how much primary capital the bank would have to set aside to offset potential losses on the asset. Primary capital includes common stock, loan-loss reserves, and certain forms of debt

Lenders: Page 8 ➸

Deposits Rise In Southeast, New England

Fewer Banks in Southwest, West Make Top 300 Listing

By L. MICHAEL CACACE

NEW YORK — Southeastern and New England banks have posted impressive gains in their share of deposits in the past five years at the expense of banks in the Southwest and the West, a regional breakdown of the top 300 banks reveals.

Substantially more banks from the Mid-Atlantic, the Southeast, New England, and the Midwest are in the top 300 than in 1982, while banks in the Southwest have dropped from the listing at a rapid rate.

The major factors contributing to these shifts were the weak economy of the Southwest; problems incurred by the western region's largest bank, Bank of America; and industry deregulation and changes in state banking laws. Such laws have led to the formation of superregional banking firms and spurred the growth of special-purpose banks.

These are some of the findings from the *American Banker's* annual survey of the nation's top 300 banks. Data for the survey are taken from this newspaper's

Deposits: Page 62 ➸

Regional Share
Top 300 Banks' Deposits

	1987	1982
Mid-Atlantic	43.7%	43.2%
Midwest	14.2	14.5
Southeast	13.4	7.9
West	18.1	23.6
Southwest	4.5	7.3
New England	6.1	3.5

Source: American Banker

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RANDOM THOUGHTS

➜ Continued from Page 1

ences in utilization rates. Thus, banks make an all-in spread of 219 basis points from their best customers (risk class 1). But this spread is inflated because such customers utilize only 18% of their lines. In effect, high-grade borrowers rely on their banks only for insurance purposes.

Of greater significance are the spreads for customers with average or greater risks (classes 3 to 6), who utilize between 62% and 75% of the money they contract for. The range of all-in spreads earned from these borrowers is incredibly narrow. Banks typically make 202 basis points from their average customers and not a great deal more from their poorer customers — 235 basis points from "special mention" borrowers, those with only marginally acceptable business credit, and 232 basis points from the very worst customers, those that are plainly classified as substandard or less.

The fact that compensation actually declines as we move from special-mention to clearly substandard borrowers reflects the banker recognition that you can't get "blood out of a stone." At this extreme level of risk, lenders are so concerned about recapturing principal that they dare not impose additional borrowing costs. As partial compensation for their risk, they will try getting collateral or they will tighten covenants.

□ □ □

Another way of gauging the adequacy of bank compensation for risk is by comparing the raw loan spread earned from various classes of borrowers with the yields demanded by the bond market from the same type of customer. Loan Pricing Corp. arranged seven corporate bond ratings (triple A to CAA) into the equivalent of its six risk classes of corporate loans.

It then computed the spread over treasuries of comparable duration for bonds in each class. Finally, it converted these long-term spreads into 30-day Libor spreads by using the swap rates prevailing in the marketplace as of mid-February.

The result facilitates a comparison between the risk premia charged by bondholders and those charged by banks. Raw bank spreads over 30-day Libor range from around 100 basis points for the best customers (risk class 1) to approximately 200 basis points for the worst borrowers (risk class 6). The inclusion of fees and balances does not materially alter this range. By contrast, bond spreads to the same customers range from approximately zero for the least risky to a whopping 496 basis points over 30-day Libor for the most risky.

At the low end of the risk spectrum (risk classes 1 and 2), banks charge a higher spread than does the bond market. But this relationship quickly reverses. Average risk customers (risk class 3), for example, pay 164 basis points over 30-day Libor for bank credit but 343 basis points over that rate for bond credit.

And at the top of the risk spectrum (class 6), the premium gap is yawning. The poorest risks pay nearly 300 basis points more for bond credit than for bank credit.

These findings suggest that banks are poor discriminators of risk. They overcharge their best (least risky) customers, thereby encouraging them to seek funds elsewhere. At the same time, they grossly undercharge the rest of their customers, and the extent of the undercharge is progressive. Average-risk customers pay less than they should, and high-risk customers pay a pittance, relative, that is, to what an impersonal bond market would exact.

□ □ □

Of course, it is sometimes argued that comparisons of bank and bond charges are invalid. Banks, it is held, maintain rigorous oversight of borrower balance sheets, while bondholders do not. Therefore banks should be willing to surrender yield in order to retain their role as proactive monitors.

This argument would carry considerable weight if bank oversight of borrower balance sheets resulted in reduced defaults. Yet in the recent time period, bank loan losses have exceeded bond defaults, leading one to conclude that the yield-oversight tradeoff has been ineffectual. Banks clearly would have earned higher ROAs if they had charged as much as bondholders and simultaneously circumscribed their monitoring activities.

Indeed, it is impossible to review the Loan Pricing Corp. data without concluding that banks are in the wrong business. Instead of taking on so many marginal loan customers, they should lend only to the highest-quality borrowers. And they should use their capacity to raise below-market deposits in order to invest in a portfolio of corporate bonds.

Large loan losses stem from overconcentrated, underdiversified portfolios. Loan portfolios are hard to diversify. But it is rather easy to diversify a bond portfolio so as to avoid undue concentration on credits from any one industry or geographic area.

Bankers recoil at the thought of using FDIC-advantaged deposits to buy a diversified portfolio of corporate bonds — an idea that seems to threaten their raison d'etre. Yet considered from a rational rather than an emotional viewpoint, the tactic is not without merit. Choosing bonds over loans may be the key to raising risk-adjusted yields and thereby lifting those anemic bank stock valuations.

□ □ □

Some miscellaneous gleanings from other data presented by Loan Pricing Corp. at its recently held loan pricing school: In some 25% of industries, prices are systematically either above or below average. Thus, borrowers in metal cans, wine & brandy, and paper mills pay lower-than-average prices, leading to lower all-in bank spreads. By the same token, borrowers in such industries as chemicals, radio broadcasting, and nursing care pay above-average prices, leading to fatter bank spreads.

Charges are not the same in every part of the country, although the geographic price gap is diminishing. Still, West Coast borrowers pay more for loans than borrowers in, say, the Midwest.

Term loans have higher spreads than revolvers. Pricing increases with the maturity of the loan, but not a lot (on average 3 basis points per year).

Pricing for middle-market C&I loans is, as expected, composed of spreads and fees. Yet fees are not as widespread as many believe. Some 23% of loans have upfront fees averaging 67 basis points, and 16% of loans have commitment fees averaging 35 basis points. Annual fees are still rarer: only 8% of loans carry these charges, which average 54 basis points.

Nine-tenths of the loans made to companies with annual sales of less than $20 million carry a prime-based charge. Low-risk small companies pay an average of prime plus 50 basis points. Average-risk small borrowers pay prime plus 94 basis points, and high-risk small customers average prime plus 131 basis points.

For bigger borrowers — those with annual sales of over $250 million — Libor-based pricing is the rule (70% of loans); prime-based pricing survives for only 20% of loans. For those that still pay a prime-based charge, the price step-up is as follows: Low-risk large borrowers pay prime plus 9 basis points; average-risk customers pay prime plus 53 basis points, and high-risk big borrowers are charged prime plus 90 basis points. ■

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WHAT'S YOUR ANSWER?

Former Employee Loses Age Discrimination Suit

By CHARLES G. DALEY

Can a former employee challenge the release of his claims against the bank for wrongful discharge and age discrimination if he failed to return the severance and termination pay received for signing the release?

NO. Almost two years after Dwight R. Burt, a former employee of Peoples Bank & Trust Co., signed a release agreement with the bank, he filed a complaint with a Michigan court.

He alleged that he had worked for the bank from 1955 until November 1980, eventually becoming a vice president. On Aug. 15, 1980, he was placed on a three-month probation for alleged poor work performance. On Nov. 18, 1980, Mr. Burt was informed by a senior vice president that he was being terminated because of customer dissatisfaction. He was given a release to sign that was prepared by the bank.

After consulting his counsel, he signed the release agreement, which provided, in part, that the bank pay Mr. Burt $16,500 as severance and termination pay for all services he rendered to the bank. In exchange for this payment, he agreed to release the bank from all claims arising out of his separation of employment with the bank.

Mr. Burt's suit made two arguments in an attempt to avoid the release. First, he contended the severance pay was needed to support his family. He thus had no choice but to sign the release. He said this was done under economic duress. Second, he claimed that there was an unwritten bank policy that substantial severance pay based upon the number of years of employment would be given to employees upon their termination with the bank without signing a release.

Mr. Burt also showed that the $16,500 severance pay he received in consideration for the release was approximately 25 weeks salary for 25 years of employment. Thus, he argued that he was otherwise entitled to the severance pay that was purported to be the consideration for the release. He contended that there was no true consideration for his release agreement. The Court of Appeals of Michigan disagreed with Mr. Burt's arguments. (Burt v. Peoples Bank & Trust Co., 390 N.W. (2) 172, 1986).

The court noted that Mr. Burt failed to tender back any of the money he received in exchange for the release. The court held that Mr. Burt's suit was barred. ■

The Top 300 Commercial Banks

Charles Waller

Top Banks: Last Year

1987's top banks in deposits (millions of dollars)

	Deposits 12/31/87
1. Citibank NA, New York	$104,907
2. Bank of America NT&SA, San Francisco	70,221
3. Chase Manhattan Bank NA, New York	63,741
4. Morgan Guaranty Trust Co., New York	45,756
5. Manufacturers Hanover Trust Co., New York	45,667
6. Chemical Bank, New York	42,242
7. Security Pacific National Bank, Los Angeles	33,847
8. Wells Fargo Bank NA, San Francisco	32,350
9. Bankers Trust Co., New York	32,176
10. First National Bank, Chicago	27,243
11. Continental Illinois National Bank & Trust Co., Chicago	19,697
12. First National Bank, Boston	17,044
13. First Interstate Bank of California, Los Angeles	16,829
14. Marine Midland Bank NA, Buffalo, N.Y.	16,639
15. Bank of New York	16,392
16. Mellon Bank NA, Pittsburgh	15,271
17. Republic National Bank, New York	12,777
18. Irving Trust Co., New York	12,129
19. First Bank NA, Minneapolis	11,481
20. Boston Safe Deposit & Trust Co.	11,445
21. National Bank of Detroit	10,850
22. NCNB National Bank of North Carolina, Charlotte	10,585
23. Sovran Bank NA, Richmond	9,744
24. National Westminster Bank USA, New York	9,544
25. Bank of New England NA, Boston	9,423

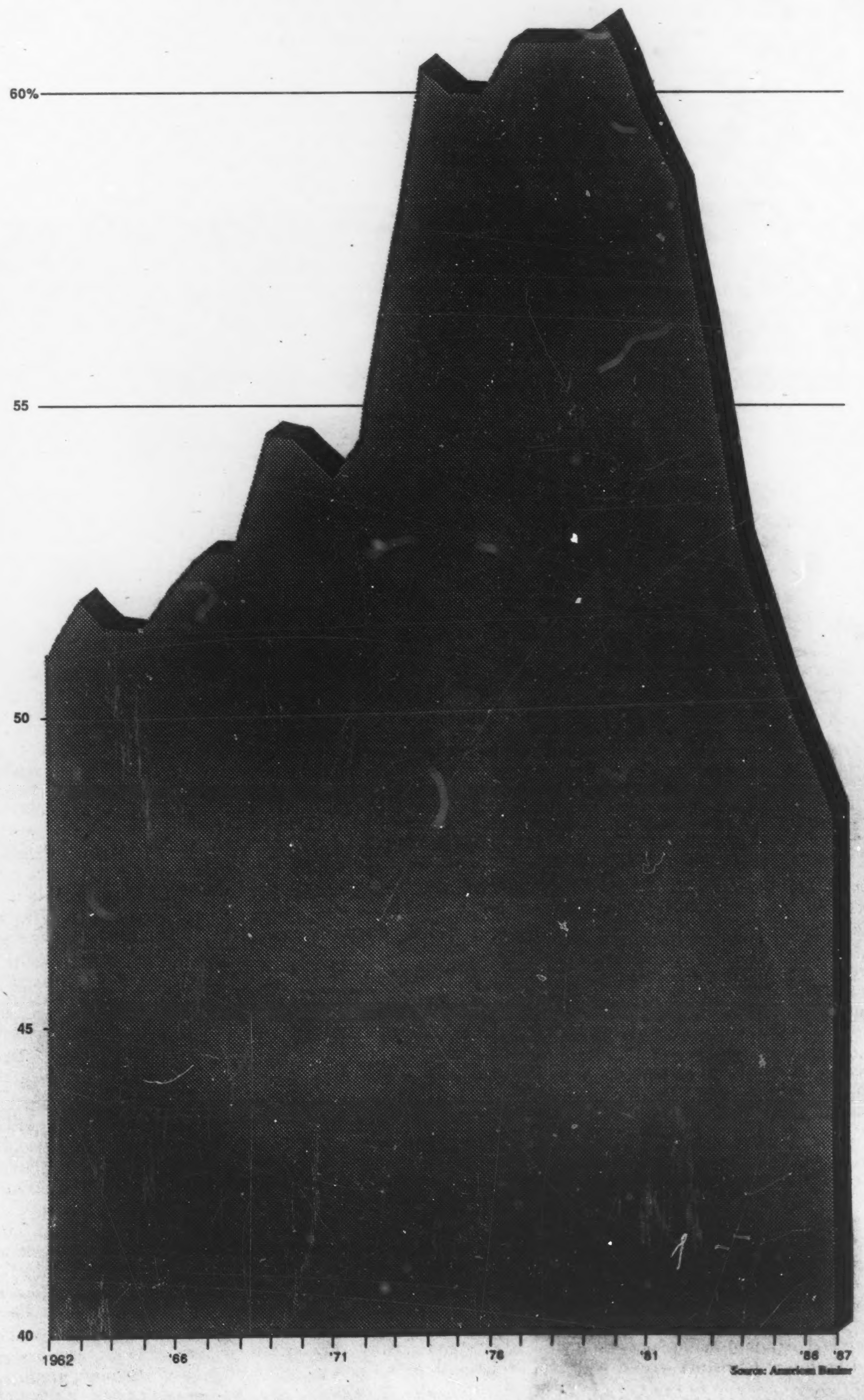
Top Banks: 25 Years Ago

1962's largest banks in deposits (millions of dollars)

	Deposits 12/31/62
1. Bank of America NT&SA, San Francisco	$12,096
2. Chase Manhattan Bank, New York	9,632
3. First National City Bank, New York[1]	9,142
4. Manufacturers Hanover Trust Co., New York	5,674
5. Chemical Bank New York Trust Co.	4,563
6. Morgan Guaranty Trust Co., New York	4,381
7. Security First National Bank, Los Angeles	3,950
8. Continental Illinois National Bank & Trust Co., Chicago	3,542
9. Bankers Trust Co., New York	3,476
10. First National Bank, Chicago	3,315
11. Wells Fargo Bank, San Francisco	2,941
12. United California Bank, Los Angeles[2]	2,389
13. Irving Trust Co., New York	2,354
14. National Bank of Detroit	2,179
15. Mellon National Bank & Trust Co., Pittsburgh	2,173
16. Crocker-Anglo National Bank, San Francisco[3]	2,134
17. First National Bank, Boston	1,692
18. Cleveland Trust Co.[4]	1,505
19. First Pennsylvania Banking & Trust Co., Philadelphia[5]	1,269
20. Republic National Bank, Dallas[6]	1,201
21. Philadelphia National Bank	1,146
22. Seattle-First National Bank	1,117
23. Harris Trust & Savings Bank, Chicago	1,089
24. First National Bank, Dallas[7]	1,055
25. Franklin National Bank, Mineola, N.Y.[8]	1,044

(1)— Changed title to Citibank NA in March 1976. (2)— Changed title to First Interstate Bank of California, June 1981. (3)— Changed title to Crocker National Bank July 1971. Merged with Wells Fargo Bank NA, May 1986. (4)— Changed title to AmeriTrust Co. in Nov. 1979. (5)—Changed title to First Pennsylvania Bank NA, June 1974. (6)— Changed title to RepublicBank Dallas NA in June 1981 and then to First RepublicBank Dallas NA in June 1987. (7)—Changed title to InterFirst Bank Dallas NA, June 1982, and merged with First RepublicBank Dallas NA in June 1987. (8)— Moved head office to New York in June 1971 and was acquired by European American Bank & Trust Co., New York, in Oct. 1974.

Top 25 Banks' Share of the Top 300's Total Deposits



Source: American Banker

Top 300 U.S. Commercial Banks in Deposits

In Order of Deposits December 31, 1987, Compared with December 31, 1986, and December 31, 1982
Compiled Annually Since 1921 by the American Banker

Rank 12/31/87		Deposits 12/31/87	Deposits 12/31/86	Rank 1986	Gain	Deposits 12/31/82	Rank 1982	Equity Capital 12/31/87	Equity Capital 6/30/87
1	**Citibank NA, New York**	104,907,000,000	102,933,000,000	1		74,544,000,000	2	7,602,000,000	6,856,000,000
2	**Bank of America NT&SA, San Francisco**	70,221,000,000	76,084,000,000	2		95,037,498,000	1	2,863,000,000	2,620,000,000
3	**Chase Manhattan Bank NA, New York**	63,740,897,000	60,899,893,000	3		59,316,797,000	3	3,737,708,000	3,545,635,000
4	**Morgan Guaranty Trust Co., New York**	45,756,499,000	44,935,863,000	5	+ 1	39,807,553,000	5	3,485,422,000	3,311,054,000
5	**Manufacturers Hanover Trust Co., New York**	45,667,000,000	46,117,000,000	4		43,579,255,000	4	1,889,000,000	1,661,000,000
6	**Chemical Bank, New York**	42,242,000,000	39,163,000,000	6		29,684,938,000	6	1,857,000,000	1,814,000,000
7	**Security Pacific National Bank, Los Angeles**	33,847,250,000	34,574,626,000	7		25,791,750,980	9	1,817,133,000	1,884,195,000
8	**Wells Fargo Bank NA, San Francisco**	32,350,223,000	33,286,916,000	9	+ 1	18,334,746,000	11	2,233,940,000	1,693,247,000
9	**Bankers Trust Co., New York**	32,175,832,000	34,162,759,000	8		25,306,318,000	10	2,540,098,000	2,171,660,000
10	**First National Bank, Chicago**	27,243,360,000	24,909,690,000	10		27,495,357,000	8	863,225,000	907,466,000
11	**Continental Illinois National Bank & Trust Co., Chicago**	19,697,101,000	18,695,628,000	11		28,635,668,000	7	1,426,218,000	1,645,371,000
12	**First National Bank, Boston**	17,043,994,000	16,689,981,000	14	+ 2	10,960,124,000	17	1,104,522,000	1,121,682,000
13	**First Interstate Bank of California, Los Angeles**	16,829,226,000	18,115,591,000	12		15,950,069,000	13	704,598,000	856,946,000
14	**Marine Midland Bank NA, Buffalo, N.Y.**	16,638,545,000	17,034,413,000	13		15,286,733,000	14	500,006,000	698,649,000
15	**Bank of New York**	16,392,251,000	14,970,194,000	16	+ 1	8,874,136,241	18	1,031,733,000	955,724,000
16	**Mellon Bank NA, Pittsburgh**	15,271,394,000	15,049,613,000	15		12,891,198,000	15	570,433,000	718,364,000
17	**Republic National Bank, New York**	12,777,172,000	11,139,069,000	18	+ 1	6,925,592,000	24	1,609,387,000	1,502,659,000
18	**Irving Trust Co., New York**	12,129,150,000	12,662,578,000	17		12,435,442,000	16	682,910,000	792,219,000
19	**First Bank NA, Minneapolis (a)**	11,481,224,000	5,826,850,000	45	+26	3,575,182,000	48	856,922,000	396,479,000
20	**Boston Safe Deposit & Trust Co.**	11,445,040,000	6,830,142,000	37	+17	429,708,541	400	745,695,000	541,644,000
21	**National Bank of Detroit**	10,850,031,000	9,714,319,000	20		7,342,643,000	23	785,553,000	767,973,000
22	**NCNB National Bank of North Carolina, Charlotte**	10,584,957,000	9,847,559,000	19		6,101,833,000	26	812,572,000	812,207,000
23	**Sovran Bank NA, Richmond**	9,743,571,000	8,352,879,000	26	+ 3	3,112,906,000	56	665,818,000	624,173,000
24	**National Westminster Bank USA, New York**	9,543,872,000	8,784,311,000	23		5,218,623,000	30	409,036,000	435,436,000
25	**Bank of New England NA, Boston**	9,423,023,000	7,337,376,000	31	+ 6	2,881,210,000	61	590,329,000	458,681,000
26	**Southeast Bank NA, Miami**	9,390,212,000	9,461,003,000	21		5,554,736,000	27	592,548,000	549,918,000
27	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	9,140,295,000	8,608,158,058	25		4,940,353,358	31	793,489,000	739,305,000
28	**Valley National Bank, Phoenix**	8,902,705,000	9,218,623,000	22		5,530,945,000	28	509,069,000	523,063,000
29	**Pittsburgh National Bank**	8,552,591,000	7,421,031,000	30	+ 1	4,795,893,000	32	591,632,000	605,269,000
30	**First RepublicBank Dallas NA**	8,431,214,000	8,623,009,000	24		7,878,961,000	22	471,169,000	627,277,000
31	**Citizens & Southern National Bank, Atlanta**	8,124,102,000	7,198,662,000	35	+ 4	3,928,721,000	42	662,459,000	620,698,000
32	**Seattle-First National Bank**	8,117,101,000	7,753,514,000	28		8,215,778,000	19	529,539,000	518,777,000
33	**First Union National Bank, Charlotte, N.C.**	8,061,095,000	7,597,348,000	29		3,707,503,000	43	782,073,000	761,030,000
34	**First Fidelity Bank NA, Newark, N.J.**	7,566,364,000	7,209,772,000	34		1,829,521,000	104	531,397,000	522,033,000
35	**Connecticut National Bank, Hartford**	7,446,761,000	7,045,299,000	36	+ 1	3,301,934,000	53	551,664,000	514,431,000
36	**Connecticut Bank & Trust Co. NA, Hartford**	7,295,089,000	7,215,016,000	33		3,694,611,000	44	530,726,000	490,167,000
37	**Union Bank, Los Angeles**	7,221,322,000	8,122,922,000	27		5,436,326,000	29	590,136,000	568,240,000
38	**Fidelity Bank NA, Malvern, Pa.**	6,857,854,000	7,242,812,000	32		672,083,000	271	395,399,000	392,534,000
39	**Michigan National Bank, Farmington Hills**	6,851,694,000	....	...		....	...	502,090,000	....
40	**Maryland National Bank, Baltimore**	6,830,893,000	5,789,068,000	47	+ 7	2,842,731,000	64	432,429,000	411,585,000
41	**NCNB National Bank of Florida, Tampa**	6,803,122,000	6,746,423,000	38		737,448,864	246	569,972,000	543,964,000
42	**Texas Commerce Bank NA, Houston**	6,727,460,000	5,607,112,000	50	+ 8	6,834,611,000	25	628,980,000	616,890,000
43	**Crestar Bank, Richmond (b)**	6,609,130,000	6,111,774,000	41		3,518,611,000	50	444,645,000	458,746,000
44	**Philadelphia National Bank**	6,362,369,000	6,442,770,000	39		4,191,780,000	37	526,825,000	502,327,000
45	**Harris Trust & Savings Bank, Chicago**	6,219,856,000	6,096,175,000	42		4,727,252,000	33	538,363,000	540,834,000
46	**Rainier National Bank, Seattle**	6,154,505,000	6,316,803,000	40		4,261,717,794	36	485,614,000	447,943,000
47	**Manufacturers National Bank, Detroit**	6,030,732,000	5,237,695,000	57	+10	3,424,475,000	52	372,543,000	392,965,000
48	**AmeriTrust Co. NA, Cleveland**	6,006,409,000	6,081,623,000	43		4,164,729,000	38	489,267,000	539,179,000
49	**Florida National Bank, Jacksonville**	5,933,449,000	5,795,374,000	46		632,931,000	280	465,972,000	441,645,000
50	**United States National Bank, Portland, Ore.**	5,792,745,000	5,638,056,000	49		4,051,069,000	40	558,788,000	518,123,000
51	**Comerica Bank-Detroit**	5,714,440,000	5,911,414,000	44		4,315,387,000	35	357,486,000	379,287,000
52	**First Union National Bank of Florida, Jacksonville**	5,685,051,000	5,346,832,000	54	+ 2	1,986,463,000	93	434,027,000	433,978,000
53	**Huntington National Bank, Columbus, Ohio**	5,631,268,000	5,414,927,000	52		2,875,519,000	62	408,228,000	400,120,000
54	**First Interstate Bank of Arizona NA, Phoenix**	5,629,029,000	5,702,441,000	48		3,622,580,000	45	447,888,000	433,171,000
55	**Meridian Bank, Reading, Pa.**	5,532,291,000	5,359,657,000	53		2,102,305,000	87	477,545,000	459,374,000
56	**MBank Dallas NA**	5,504,756,000	5,465,342,000	51		3,284,189,000	54	252,316,000	212,720,000
57	**Northern Trust Co., Chicago**	5,441,841,000	5,013,678,000	59	+ 2	4,100,789,000	39	283,919,000	320,887,000
58	**California First Bank, San Francisco**	5,372,111,000	5,268,106,000	55		3,576,149,000	47	349,379,000	328,196,000
59	**Bank of Tokyo Trust Co., New York**	5,361,415,000	5,168,657,000	58		3,506,813,027	51	338,278,000	341,629,000
60	**Signet Bank/Virginia, Richmond**	5,238,495,000	4,394,393,000	66	+ 6	2,581,550,000	71	326,126,000	280,810,000
61	**First National Bank, Atlanta**	5,048,845,000	4,976,636,000	60		2,786,923,000	66	413,836,000	402,150,000
62	**Riggs National Bank, Washington, D.C.**	5,007,555,000	4,832,701,000	61		3,053,836,000	58	250,466,000	255,541,000
63	**Shawmut Bank NA, Boston**	4,989,948,000	3,790,637,000	78	+15	2,058,622,000	90	445,058,000	327,042,000
64	**Fleet National Bank, Providence, R.I.**	4,962,063,000	4,620,169,000	63		3,058,274,000	57	394,771,000	370,649,000
65	**National City Bank, Cleveland**	4,932,377,000	4,020,597,000	72	+ 7	2,591,757,000	70	376,850,000	366,149,000
66	**Bank of Hawaii, Honolulu**	4,835,452,000	4,320,112,000	68	+ 2	2,579,918,000	72	327,912,000	290,832,000
67	**First Interstate Bank of Oregon NA, Portland**	4,709,734,000	4,711,130,000	62		3,993,327,000	41	368,514,000	367,279,000
68	**AmSouth Bank NA, Birmingham, Ala.**	4,688,758,000	4,446,849,000	65		1,497,697,000	124	445,959,000	440,563,000
69	**Provident National Bank, Philadelphia**	4,622,805,000	4,384,556,000	67		2,762,159,000	67	385,597,000	356,282,000
70	**State Street Bank & Trust Co., Boston**	4,540,702,000	5,254,894,000	56		2,191,640,000	84	459,693,000	425,968,000
71	**European American Bank, New York**	4,513,240,000	4,593,372,000	64		3,619,417,000	46	263,950,000	381,436,000
72	**Banco Popular de Puerto Rico, San Juan**	4,492,171,000	3,820,226,000	77	+ 5	2,208,174,257	82	301,425,000	288;265,000
73	**Barnett Bank of South Florida NA, Miami**	4,388,167,000	4,004,588,000	74	+ 1	1,484,908,461	126	265,292,000	252,120,000
74	**Society National Bank, Cleveland**	4,377,453,000	3,968,552,000	75	+ 1	1,615,175,000	116	338,121,000	337,166,000
75	**First Tennessee Bank NA, Memphis**	4,360,545,000	4,255,373,000	69		1,375,211,000	138	317,742,000	320,233,000
76	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	4,233,293,000	838,845,000	326	+ 250	599,354,122	296	349,541,000	323,439,274
77	**Sanwa Bank California, San Francisco**	4,202,947,000	3,898,471,000	76		960,603,000	193	347,582,000	334,920,000
78	**First Pennsylvania Bank NA, Philadelphia**	4,136,159,000	4,007,509,000	73		3,539,863,000	49	281,541,000	266,242,000
79	**Hibernia National Bank, New Orleans**	4,130,496,000	2,177,568,000	143	+64	965,868,000	191	276,583,000	258,919,000
80	**First Florida Bank NA, Tampa**	4,097,294,000	4,072,068,000	71		1,063,930,000	174	342,819,000	323,880,000
81	**Arizona Bank, Phoenix**	3,961,526,000	3,763,043,000	80		1,970,553,118	96	274,505,000	285,246,000
82	**Norwest Bank Minneapolis NA**	3,898,042,000	4,104,098,000	70		3,137,712,000	55	302,675,000	290,798,000
83	**First National Bank of Maryland, Baltimore**	3,826,686,000	3,640,641,000	82		2,319,056,000	79	277,641,000	254,548,000
84	**Trust Company Bank, Atlanta**	3,707,956,000	3,387,271,000	90	+ 6	1,637,230,000	114	401,053,000	373,521,000
85	**MBank Houston NA**	3,703,324,000	3,498,278,000	86	+ 1	783,881,000	231	197,038,000	156,325,000
86	**American Security Bank NA, Washington, D.C.**	3,651,924,000	3,714,283,000	81		2,673,937,000	69	294,727,000	282,264,000
87	**BancOhio National Bank, Columbus**	3,635,628,000	3,592,106,000	83		4,334,176,000	34	329,031,000	336,109,000
88	**Israel Discount Bank, New York**	3,590,308,000	3,496,932,000	87		2,835,902,000	65	208,275,000	198,102,000
89	**First Alabama Bank, Montgomery**	3,561,805,000	3,454,611,000	89		455,204,000	377	410,927,000	370,325,000
90	**Norstar Bank of Upstate NY, Albany**	3,533,195,000	3,084,862,000	98	+ 8	912,785,813	206	296,723,000	232,835,000
91	**Midlantic National Bank, Newark, N.J.**	3,500,509,000	3,316,147,000	93	+ 2	1,959,736,000	97	299,146,000	284,084,000
92	**Chase Lincoln First Bank NA, Rochester, N.Y.**	3,500,108,000	3,509,529,000	85		3,021,164,000	60	352,142,000	320,595,000
93	**South Carolina National Bank, Columbia**	3,452,190,000	3,326,106,000	91		1,465,536,000	131	324,689,000	305,789,000
94	**Mellon Bank (East) NA, Philadelphia**	3,411,245,000	3,486,800,000	88		2,860,213,000	63	199,383,000	223,307,000
95	**Citibank (New York State), Perinton**	3,405,277,000	3,767,240,000	79		1,091,974,000	170	382,098,000	358,235,000
96	**Central Fidelity Bank, Richmond**	3,382,611,000	3,236,543,000	94		405,455,000	427	246,457,000	235,555,000
97	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	3,338,107,000	2,816,220,000	110	+13	1,587,157,000	119	255,863,000	233,272,000
98	**Mercantile Bank NA, St. Louis**	3,334,585,000	3,126,033,000	97		177,879,000	884	263,236,000	280,999,000
99	**Sumitomo Bank of California, San Francisco**	3,311,842,000	2,969,141,000	104	+ 5	1,867,495,962	102	167,096,000	159,554,000
100	**First Hawaiian Bank, Honolulu**	3,275,960,000	2,996,423,000	102	+ 2	1,933,283,000	99	210,457,000	200,740,000

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1987, and various state banking departments. Deposits for 1987 may not be comparable with deposits reported for 1986 and 1982 deposits because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks, equity capital also includes the cumulative foreign currency translation adjustments. **(a)**— Formerly First National Bank. Changed title on Dec. 31, 1987. **(b)**— Formerly United Virginia Bank. Changed title on Sept. 1, 1987. **N.A.**— Not available.

Top 300 U.S. Commercial Banks in Deposits

In Order of Deposits December 31, 1987, Compared with December 31, 1986, and December 31, 1982
Compiled Annually Since 1921 by the American Banker

Rank 12/31/87		Deposits 12/31/87	Deposits 12/31/86	Rank 1986	Gain	Deposits 12/31/82	Rank 1982	Equity Capital 12/31/87	Equity Capital 6/30/87
101	**First Union National Bank, Atlanta (a)**	3,235,329,000	....	...		....	...	225,284,000	64,624,000
102	**First RepublicBank Houston NA**	3,221,796,000	1,438,548,000	209	+ 107	1,238,440,396	152	116,480,000	98,244,000
103	**Bank of California NA, San Francisco**	3,211,115,000	2,746,841,000	115	+12	2,734,776,000	68	287,721,000	244,047,000
104	**Industrial Bank of Japan Trust Co., New York**	3,202,955,000	3,017,518,000	101		1,273,140,000	148	216,908,000	224,405,000
105	**Indiana National Bank, Indianapolis**	3,183,694,000	2,989,642,000	103		1,785,310,000	105	239,584,000	235,866,000
106	**Fuji Bank & Trust Co., New York**	3,156,325,000	2,933,972,000	105		1,469,960,620	129	242,094,000	242,261,000
107	**American National Bank & Trust Co., Chicago**	3,066,564,000	3,023,234,000	100		2,281,719,000	80	217,773,000	206,349,000
108	**Equitable Bank NA, Baltimore**	3,066,045,000	2,925,112,000	106		1,887,183,000	101	256,394,000	250,979,000
109	**Boatmen's National Bank, St. Louis**	3,047,167,000	3,072,712,000	99		779,609,000	234	277,878,000	270,433,000
110	**Branch Banking & Trust Co., Wilson, N.C.**	2,989,736,000	2,836,926,000	109		1,164,302,000	160	229,312,000	220,870,000
111	**Norstar Bank NA, Buffalo, N.Y.**	2,954,131,764	1,214,926,668	237	+ 126	627,161,641	284	237,537,260	229,061,000
112	**Sun Bank NA, Orlando, Fla.**	2,871,213,000	2,735,017,000	117	+ 5	1,335,745,000	139	222,724,000	211,057,000
113	**BayBank Middlesex, Burlington, Mass.**	2,869,752,000	2,536,684,000	123	+10	1,150,860,774	162	181,165,000	172,043,000
114	**First Interstate Bank of Washington NA, Seattle**	2,862,510,000	2,876,589,000	108		2,037,411,890	92	251,271,000	243,671,000
115	**Continental Bank, Norristown, Pa.**	2,817,484,000	2,703,407,000	118	+ 3	1,977,840,000	95	208,146,000	200,709,000
116	**Citizens & Southern National Bank, Charleston, S.C.**	2,816,344,000	2,775,854,470	114		1,292,287,568	146	189,693,000	177,409,000
117	**First Wisconsin National Bank, Milwaukee**	2,808,607,000	3,129,967,000	96		2,371,073,000	78	141,835,000	172,716,000
118	**City National Bank, Beverly Hills**	2,803,020,000	2,669,512,000	119	+ 1	1,507,955,000	123	193,302,000	177,684,000
119	**Sovran Bank/Maryland, Bethesda, Md.**	2,778,825,000	2,736,810,000	116		1,599,584,261	117	205,408,000	196,714,000
120	**United Jersey Bank, Hackensack, N.J.**	2,763,704,000	2,785,454,000	112		1,544,574,000	122	221,572,000	207,693,000
121	**First National Bank, Louisville, Ky.**	2,725,694,000	2,785,161,000	113		1,956,175,005	98	252,417,000	245,548,000
122	**Bank One Indianapolis NA**	2,700,745,000	2,790,138,000	111		2,074,983,000	89	223,248,000	207,140,000
123	**Deposit Guaranty National Bank, Jackson, Miss.**	2,696,140,000	2,167,631,000	144	+21	1,389,523,000	137	228,782,000	219,181,000
124	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	2,692,891,000	2,632,843,000	120		1,421,031,497	134	198,887,000	188,176,000
125	**National Community Bank, Rutherford, N.J.**	2,689,467,000	2,435,807,221	128	+ 3	1,047,184,600	177	163,513,000	152,885,000
126	**First American Bank of Virginia, McLean**	2,639,792,000	2,465,376,000	127	+ 1	938,885,000	198	186,886,000	171,649,000
127	**Greenwood Trust Co., New Castle, Del.**	2,630,684,000	1,048,444,000	275	+ 148	....	...	357,766,000	341,778,000
128	**Dominion Bank NA, Roanoke, Va.**	2,624,936,000	2,513,517,000	124		1,293,329,889	145	205,565,000	195,513,000
129	**Centerre Bank NA, St. Louis**	2,581,955,000	2,483,740,000	126		....	...	210,416,000	215,354,000
130	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	2,580,939,000	2,327,661,000	133	+ 3	1,450,784,000	133	176,686,000	172,525,000
131	**First Interstate Bank of Nevada NA, Reno**	2,567,255,000	2,605,685,000	122		2,056,969,000	91	208,056,000	218,941,000
132	**Midlantic National Bank/North, West Paterson, N.J.**	2,501,283,000	2,497,782,000	125		943,401,000	196	194,109,000	N.A.
133	**Bank of Baltimore**	2,499,203,000	1,929,407,000	165	+32	....	...	191,461,000	198,592,000
134	**Bank One Columbus NA, Ohio**	2,477,588,000	2,227,420,921	138	+ 4	1,092,834,025	169	203,439,000	195,052,000
135	**Rhode Island Hospital Trust National Bank, Providence**	2,475,415,000	2,265,439,000	136	+ 1	1,286,574,000	147	158,883,000	155,302,000
136	**First City National Bank, Houston**	2,461,980,000	3,324,729,000	92		7,908,839,000	20	(80,179,000)	111,075,000
137	**Union Trust Co., Stamford, Conn.**	2,443,702,000	2,296,240,000	135		1,177,567,000	159	198,700,000	N.A.
138	**Banco de Ponce, P.R.**	2,422,435,000	2,151,508,496	146	+ 8	1,224,427,815	155	140,294,000	134,370,935
139	**Wilmington Trust Co., Del.**	2,394,782,000	2,196,006,000	141	+ 2	1,151,005,000	161	193,026,000	183,574,000
140	**Bank South NA, Atlanta**	2,366,468,000	1,945,493,000	163	+23	779,691,000	233	194,889,000	161,312,000
141	**Central Bank of the South, Birmingham, Ala.**	2,346,580,000	2,372,089,000	131		1,979,285,076	94	233,769,000	225,526,000
142	**Fifth Third Bank, Cincinnati**	2,341,505,000	1,952,343,000	162	+20	925,205,000	202	204,238,000	192,527,000
143	**Trustmark National Bank, Jackson, Miss.**	2,332,090,000	1,961,470,949	161	+18	1,146,037,863	163	186,053,000	160,062,868
144	**Hamilton Bank, Lancaster, Pa.**	2,326,055,000	2,358,593,000	132		1,689,111,000	110	193,831,000	185,477,000
145	**First Security Bank of Utah NA, Ogden**	2,324,295,000	2,298,064,000	134		1,889,545,000	100	187,833,000	180,611,000
146	**First American National Bank, Nashville, Tenn.**	2,299,781,000	2,157,362,000	145		1,196,441,000	157	182,974,000	182,194,000
147	**Whitney National Bank, New Orleans**	2,289,122,000	2,072,152,000	152	+ 5	1,568,096,322	121	265,591,000	262,065,000
148	**Signet Bank/Maryland, Baltimore**	2,284,656,000	2,115,776,000	149	+ 1	1,188,013,000	158	148,402,000	114,081,000
149	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	2,274,166,000	2,375,022,000	130		1,271,933,000	149	145,114,000	151,046,000
150	**Bank Leumi Trust Co., New York**	2,265,936,000	2,616,152,000	121		2,386,868,233	77	141,091,000	125,439,000
151	**Toledo Trust Co., Ohio**	2,255,661,000	2,133,315,000	148		843,053,618	217	175,413,000	169,966,000
152	**Sovran Bank/Central South, Nashville, Tenn. (b)**	2,255,499,000	1,913,838,000	166	+14	1,083,465,255	172	180,714,000	171,355,000
153	**Equibank, Pittsburgh**	2,233,748,000	2,020,817,000	155	+ 2	2,453,936,000	75	166,077,000	162,593,000
154	**Third National Bank, Nashville, Tenn.**	2,232,657,000	2,070,662,000	153		1,254,878,000	150	184,146,000	180,159,000
155	**Central Trust Co. NA, Cincinnati**	2,216,828,000	2,149,022,000	147		1,116,549,448	166	180,427,000	174,260,000
156	**Idaho First National Bank, Boise**	2,169,385,000	2,220,140,000	140		1,738,552,000	107	190,670,000	185,772,000
157	**SouthTrust Bank of Alabama NA, Birmingham**	2,159,911,000	1,977,686,000	157		1,024,794,386	184	186,209,000	176,872,000
158	**Barclays Bank of New York NA**	2,126,846,000	2,084,769,000	151		1,232,949,000	153	165,361,000	N.A.
159	**Texas American Bank/Fort Worth NA**	2,126,021,000	2,039,237,000	154		1,597,033,000	118	111,799,000	110,030,000
160	**First Jersey National Bank, Jersey City, N.J.**	2,103,146,000	1,940,916,000	164	+ 4	880,903,000	210	118,431,000	N.A.
161	**Citytrust, Bridgeport, Conn.**	2,100,950,000	1,966,164,000	159		773,215,000	237	144,271,000	145,359,000
162	**Merchants National Bank & Trust Co., Indianapolis**	2,065,088,000	1,965,399,000	160		1,322,443,000	143	156,959,000	152,533,000
163	**Citizens First National Bank, Ridgewood, N.J.**	2,058,391,000	1,826,334,000	172	+ 9	688,800,000	267	132,662,000	121,620,000
164	**First National Bank, Cincinnati**	2,037,195,000	1,779,710,000	175	+11	978,148,000	188	191,428,000	181,329,000
165	**United Bank of Arizona, Phoenix**	2,032,640,000	2,224,049,000	139		929,282,000	201	115,360,000	128,765,000
166	**Bank of Boston Connecticut, Waterbury**	2,026,112,000	1,865,752,000	170	+ 4	1,034,800,000	182	135,958,000	126,937,000
167	**Zions First National Bank, Salt Lake City, Utah**	2,014,243,000	2,263,403,000	137		1,634,507,000	115	133,864,000	137,274,000
168	**New Jersey National Bank, Pennington**	1,987,207,000	1,994,164,000	156		1,137,041,000	165	143,655,000	N.A.
169	**United States Trust Co., New York**	1,985,398,000	2,391,550,000	129		1,672,086,282	111	161,367,000	170,000,000
170	**Peoples National Bank, Seattle (c)**	1,975,904,000	2,103,196,000	150		1,494,494,000	125	135,534,000	133,544,000
171	**Norstar Bank, Hempstead, N.Y. (d)**	1,944,502,000	1,372,612,000	216	+45	231,488,301	678	136,856,000	90,414,000
172	**First Fidelity Bank NA/North Jersey, Totowa, N.J.**	1,918,497,000	1,397,975,000	214	+42	24,228,000	7643	148,330,000	N.A.
173	**Union National Bank, Pittsburgh**	1,914,670,000	1,829,321,000	171		1,323,055,000	142	141,699,000	136,827,000
174	**Bank of New York (Delaware), Wilmington**	1,902,650,000	217,285,000	1055	+ 881	....	...	180,722,000	159,568,000
175	**Citibank (South Dakota) NA, Sioux Falls**	1,883,347,000	1,691,402,000	178	+ 3	1,456,246,000	132	1,036,175,000	855,044,000
176	**United Bank of Denver NA**	1,853,676,000	1,972,182,000	158		1,660,198,000	113	161,907,000	159,579,000
177	**NCNB South Carolina, Columbia**	1,852,916,000	1,757,860,000	176		1,093,619,000	168	236,525,000	231,315,000
178	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	1,848,484,000	1,735,399,000	177		974,952,000	189	131,857,000	117,912,000
179	**Key Bank NA, Albany, N.Y.**	1,845,798,000	1,900,898,000	167		1,047,150,048	178	135,550,000	132,243,000
180	**First Interstate Bank of Texas NA, Houston (e)**	1,824,120,000	2,886,918,000	107		1,859,232,000	103	89,039,000	174,262,000
181	**Valley Bank of Nevada, Las Vegas**	1,812,463,000	1,253,615,752	232	+51	773,104,408	238	131,087,000	90,903,000
182	**M & I Marshall & Ilsley Bank, Milwaukee**	1,791,678,000	1,660,053,000	181		788,307,000	230	166,507,000	163,237,000
183	**Barnett Bank of Pinellas County, St. Petersburg, Fla. (f)**	1,758,525,000	....	...		....	...	120,581,000	....
184	**Southern National Bank, Lumberton, N.C.**	1,741,311,000	1,486,717,000	203	+19	740,673,696	244	131,125,000	100,324,000
185	**First National Bank of Commerce, New Orleans**	1,718,284,000	1,616,015,000	185		935,477,000	199	151,738,000	146,791,000
186	**National State Bank, Elizabeth, N.J.**	1,707,257,000	1,624,149,000	183		903,390,064	208	102,990,000	96,512,000
187	**Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.**	1,704,438,000	1,600,214,000	187		350,949,609	464	98,003,000	98,115,000
188	**Midlantic National Bank/South, Mt. Laurel, N.J.**	1,677,164,000	1,802,485,000	173		1,396,558,000	136	144,548,000	N.A.
189	**Barnett Bank of Central Florida NA, Winter Park**	1,661,960,000	1,519,424,000	201	+12	589,357,000	301	101,972,000	94,679,000
190	**United Carolina Bank, Whiteville, N.C.**	1,659,918,000	1,575,631,000	191	+ 1	741,126,000	243	118,638,000	113,283,000
191	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	1,654,821,000	1,491,600,000	202	+11	1,107,523,000	167	154,685,000	137,237,000
192	**Commerce Bank of St. Louis NA, Clayton, Mo.**	1,648,371,000	1,529,180,000	200	+ 8	81,813,421	2211	113,125,000	114,309,000
193	**First Virginia Bank, Falls Church**	1,646,779,000	1,622,736,000	184		773,683,916	236	127,572,000	120,208,000
194	**First Fidelity Bank NA, Burlington Twp., N.J.**	1,641,949,000	1,546,848,000	197	+ 3	789,230,000	229	124,557,000	121,237,000
195	**First National Bank, Akron, Ohio**	1,639,649,000	1,591,697,783	188		877,301,000	211	175,232,000	168,868,000
196	**Sun Bank/Miami NA**	1,636,929,000	1,660,762,000	180		733,982,000	248	116,640,000	109,473,000
197	**National Bank of Washington, Washington, D.C.**	1,630,700,000	1,456,468,000	206	+ 9	876,288,000	212	71,536,000	88,615,000
198	**Sun Bank/South Florida NA, Fort Lauderdale**	1,613,977,000	1,624,663,000	182		631,654,919	281	130,492,000	123,751,000
199	**Liberty National Bank & Trust Co., Louisville, Ky.**	1,605,763,000	1,556,551,000	195		1,040,384,000	180	140,443,000	132,586,000
200	**Exchange National Bank, Chicago**	1,605,587,000	1,412,419,000	212	+12	843,718,000	216	107,070,000	107,897,000

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1987, and various state banking departments. Deposits for 1987 may not be comparable with deposits reported for 1986 and 1982 deposits because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks, equity capital also includes the cumulative foreign currency translation adjustments. **(a)**— Formerly Citizens DeKalb Bank, Clarkston, Ga. Changed title in April 1986 and changed location in Feb. 1987. **(b)**— Formerly Commerce Union Bank. Changed title on Oct. 31, 1987. **(c)**— On Feb. 8, 1988, bank merged with Old National Bank, Spokane, to form U.S. Bank of Washington NA. **(d)**— Formerly Norstar Bank of Long Island. Changed title Sept.19, 1987. **(e)**— Formerly Allied Bank of Texas. Changed title Jan. 29, 1988. **(f)**— Formerly Home Federal Bank FSB. Converted to a commercial bank charter on July 27, 1987. **N.A.**— Not available. **( )**— Indicates negative equity capital.

Top 300 U.S. Commercial Banks in Deposits

In Order of Deposits December 31, 1987, Compared with December 31, 1986, and December 31, 1982
Compiled Annually Since 1921 by the American Banker

Rank 12/31/87		Deposits		Rank		Deposits	Rank	Equity Capital	
		12/31/87	12/31/86	1986	Gain	12/31/82	1982	12/31/87	6/30/87
201	**Puget Sound National Bank, Tacoma, Wash.**	1,585,345,000	1,536,860,000	198		872,674,000	213	122,631,000	116,495,000
202	**United Missouri Bank of Kansas City NA**	1,570,053,000	1,379,970,000	215	+13	922,991,000	204	139,432,000	137,487,000
203	**Bank of Oklahoma NA, Tulsa**	1,564,101,000	1,576,119,000	190		1,219,351,000	156	140,892,000	152,545,000
204	**Union Planters National Bank, Memphis, Tenn.**	1,554,746,000	1,533,295,000	199		969,340,000	190	169,886,000	173,736,000
205	**Bank One Dayton NA, Ohio**	1,550,112,000	1,369,514,000	217	+12	906,051,000	207	124,373,000	115,744,000
206	**First National Bank, Toms River, N.J.**	1,532,782,000	1,548,080,000	196		553,335,899	319	123,169,000	100,399,000
207	**First Eastern Bank NA, Wilkes-Barre, Pa.**	1,532,161,000	1,455,386,000	207		756,942,000	240	134,201,000	121,192,000
208	**Old National Bank, Spokane, Wash. (a)**	1,526,136,000	1,422,221,000	210	+ 2	1,084,920,016	171	95,145,000	98,016,000
209	**Merchants Bank NA, Allentown, Pa.**	1,503,023,516	1,296,180,130	226	+17	604,527,000	290	118,478,161	115,598,660
210	**Society Bank NA, Dayton, Ohio**	1,499,306,000	1,603,295,000	186		567,874,000	311	101,083,000	99,855,000
211	**Horizon Bank NA, Morristown, N.J.**	1,479,374,000	1,467,768,000	204		629,256,000	283	112,348,000	N.A.
212	**Frost National Bank, San Antonio, Tex.**	1,474,031,000	1,573,168,380	192		1,227,393,389	154	101,337,000	99,275,000
213	**Imperial Bank, Los Angeles**	1,463,047,000	2,188,467,000	142		1,310,750,000	144	123,935,000	122,205,000
214	**United Bank & Trust Co., Hartford, Conn.**	1,459,026,000	774,699,000	350	+ 136	330,975,393	500	116,187,000	N.A.
215	**First American Bank NA, Washington, D.C.**	1,457,891,000	1,299,986,000	225	+10	645,886,484	277	97,958,000	89,760,000
216	**Manufacturers Hanover Bank (Delaware), Wilmington**	1,447,423,000	1,277,068,647	228	+12	....	...	224,635,000	221,705,000
217	**Mitsui Manufacturers Bank, Los Angeles**	1,431,812,000	1,679,677,000	179		1,328,514,000	141	50,550,000	108,826,000
218	**First Interstate Bank of Denver NA**	1,428,712,000	1,568,223,000	193		258,482,569	607	152,532,000	150,962,000
219	**IBJ Schroder Bank & Trust Co., New York**	1,425,302,000	1,413,195,000	211		1,725,755,000	108	317,763,000	304,678,000
220	**National Bank of Alaska, Anchorage**	1,419,619,000	885,992,000	317	+97	694,515,000	265	155,735,000	148,450,000
221	**First Security Bank of Idaho NA, Boise**	1,415,255,000	1,462,698,000	205		1,243,151,527	151	121,135,000	116,241,000
222	**Citizens Bank & Trust Co., Riverdale, Md.**	1,408,487,000	1,321,771,377	222		680,961,052	269	170,381,000	160,527,705
223	**Sunwest Bank of Albuquerque NA, N.M.**	1,402,146,000	1,411,564,000	213		960,411,686	194	125,906,000	127,136,000
224	**Mitsubishi Bank of California, Los Angeles**	1,399,238,000	1,242,906,000	236	+12	466,652,924	367	95,410,000	89,750,000
225	**Barnett Bank of Southwest Florida, Sarasota**	1,397,595,000	1,878,772,000	169		88,722,000	2000	99,544,000	96,313,000
226	**Norwest Bank South Dakota NA, Sioux Falls**	1,390,074,000	1,321,967,000	221		498,495,513	342	87,074,000	86,008,000
227	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	1,383,183,000	1,121,748,000	256	+29	186,385,000	844	440,505,000	366,339,000
228	**Bank of Delaware, Wilmington**	1,365,128,000	1,318,743,000	223		726,999,000	252	106,358,000	101,457,000
229	**Bank of New England-West NA, Springfield, Mass.**	1,362,711,000	1,289,813,000	227		518,461,000	332	98,909,000	82,811,000
230	**Valley National Bank, Passaic, N.J.**	1,357,060,000	1,347,445,000	218		603,374,116	292	123,408,000	116,387,000
231	**Banco Santander Puerto Rico, Hato Rey**	1,353,695,000	1,114,340,436	258	+27	726,264,413	253	94,004,000	85,805,000
232	**NBC Bank-San Antonio NA, Tex.**	1,336,012,000	1,105,235,525	261	+29	836,935,987	218	74,666,000	N.A.
233	**Merchants Bank, Kansas City, Mo.**	1,331,958,000	1,249,572,000	233		98,276,458	1766	78,312,000	71,158,000
234	**Trust Company of New Jersey, Jersey City**	1,314,410,000	1,166,419,000	245	+11	682,148,000	268	77,611,000	72,502,000
235	**Barnett Bank of Jacksonville NA, Fla.**	1,309,816,000	1,268,547,000	229		563,416,285	314	83,967,000	80,190,000
236	**Texas Commerce Bank Dallas NA**	1,304,268,000	479,987,000	496	+ 260	246,081,728	634	77,271,000	N.A.
237	**BayBank Norfolk County Trust Co., Dedham, Mass.**	1,284,673,000	1,154,821,000	246	+ 9	600,730,744	294	87,631,000	83,891,000
238	**Key Bank of Central New York, Syracuse**	1,282,799,000	1,189,410,000	242	+ 4	549,800,352	321	93,020,000	88,271,000
239	**Morgan Bank (Delaware), Wilmington**	1,266,239,000	1,256,227,000	231		1,027,150,000	183	301,414,000	291,423,000
240	**Marine Bank NA, Milwaukee**	1,263,708,000	1,194,139,000	240		815,075,000	223	96,843,000	88,125,000
241	**Central Carolina Bank & Trust Co. NA, Durham, N.C.**	1,260,341,000	1,141,457,000	250	+ 9	595,438,000	297	95,216,000	89,925,000
242	**MBank El Paso NA, Tex.**	1,256,929,000	927,572,000	307	+65	599,370,000	295	77,205,000	76,293,000
243	**Casco Northern Bank NA, Portland, Me.**	1,255,010,000	1,139,885,000	251	+ 8	391,727,216	438	77,722,000	71,811,000
244	**Summit Bank, Fort Wayne, Ind.**	1,254,814,000	1,030,733,000	278	+34	295,265,062	537	91,903,000	84,452,000
245	**Provident Bank, Cincinnati**	1,251,649,000	1,058,471,000	272	+27	604,844,000	289	103,275,000	83,880,000
246	**Princeton Bank, N.J.**	1,245,402,000	1,149,722,000	247	+ 1	271,665,000	579	99,674,000	99,043,000
247	**Boatmen's First National Bank, Kansas City, Mo.**	1,244,798,000	1,327,742,000	220		799,973,000	226	139,300,000	131,283,000
248	**Bank One Cleveland NA**	1,238,160,000	1,149,691,200	248		417,909,113	407	114,413,000	106,715,000
249	**First RepublicBank Austin NA, Tex.**	1,234,730,000	1,306,282,000	224		902,495,000	209	116,004,000	146,584,000
250	**Daiwa Bank Trust Co., New York**	1,230,872,000	1,245,058,704	235		831,748,651	219	128,956,000	80,763,000
251	**Liberty National Bank & Trust Co., Oklahoma City**	1,228,511,000	1,793,574,000	174		1,704,861,471	109	80,189,000	85,011,000
252	**Barnett Bank of Tampa NA, Fla.**	1,215,772,000	1,007,162,000	286	+34	214,248,000	741	73,988,000	64,874,000
253	**Hibernia Bank, San Francisco**	1,201,905,000	1,330,473,000	219		814,948,000	224	95,052,000	94,708,000
254	**First American Bank of Georgia NA, Atlanta (b)**	1,200,369,000	1,247,533,000	234		460,702,000	371	98,423,000	N.A.
255	**San Diego Trust & Savings Bank, Calif.**	1,199,950,000	1,194,804,902	239		667,700,000	275	80,644,000	77,111,000
256	**Bank of the West, San Francisco**	1,193,756,000	1,130,252,000	253		964,588,000	192	96,530,000	91,286,000
257	**Amalgamated Bank, New York**	1,187,323,000	1,105,358,125	260	+ 3	731,058,000	250	83,984,000	84,625,000
258	**Barclays Bank of California, San Francisco**	1,166,890,000	1,124,398,000	255		696,306,000	264	77,154,000	71,294,000
259	**Arlington Trust Co., Lawrence, Mass.**	1,146,687,000	1,077,325,000	268	+ 9	640,715,000	279	77,412,000	72,966,000
260	**LaSalle National Bank, Chicago**	1,146,218,000	1,096,086,000	263	+ 3	861,691,000	215	106,425,000	101,448,000
261	**Commonwealth National Bank, Harrisburg, Pa.**	1,140,608,000	1,196,363,000	238		924,671,000	203	85,808,000	N.A.
262	**Texas Commerce Bank-Austin NA**	1,138,909,000	1,060,541,000	271	+ 9	730,458,238	251	59,418,000	72,224,000
263	**Norwest Bank Nebraska NA, Omaha**	1,136,829,000	1,192,698,000	241		452,990,000	379	87,408,000	82,904,000
264	**Bank IV Wichita NA, Kan.**	1,135,488,000	1,143,485,000	249		780,375,000	232	96,459,000	91,924,000
265	**Security Bank & Trust Co., Southgate, Mich.**	1,130,613,000	1,080,017,000	266	+ 1	712,048,000	258	75,198,000	73,590,000
266	**Westamerica Bank NA, San Rafael, Calif.**	1,128,235,000	1,078,063,000	267	+ 1	37,773,000	5222	67,604,000	65,235,000
267	**Sunburst Bank, Grenada, Miss.**	1,123,542,000	1,008,728,000	285	+18	452,824,474	381	102,833,000	96,252,696
268	**Maryland Bank NA, Newark, Del.**	1,123,164,000	716,683,000	373	+ 105	123,946,385	1337	118,123,000	108,559,000
269	**Midlantic National Bank/Merchants, Neptune, N.J.**	1,121,639,706	1,108,499,000	259		385,756,821	444	87,315,148	81,146,000
270	**Sun Bank of Tampa Bay, Tampa, Fla.**	1,115,341,000	1,176,700,000	244		245,199,000	639	86,530,000	81,531,000
271	**First American Bank & Trust, North Palm Beach, Fla.**	1,110,294,000	1,126,382,000	254		382,649,000	445	57,673,000	N.A.
272	**Jefferson National Bank, Charlottesville, Va.**	1,090,867,000	1,092,905,000	264		44,975,407	4340	106,539,000	103,409,000
273	**Mercantile-Safe Deposit & Trust Co., Baltimore**	1,089,477,000	1,055,596,000	273		571,083,463	309	126,443,000	119,308,000
274	**Banco Central Corp., Hato Rey, P.R.**	1,088,808,458	1,061,881,452	270		698,146,890	263	100,301,623	N.A.
275	**Shawmut Worcester County Bank NA, Worcester, Mass.**	1,086,372,000	1,089,756,900	265		642,487,000	278	80,181,000	74,310,000
276	**Society Bank of Eastern Ohio NA, Canton**	1,085,664,000	1,037,387,000	276		73,040,219	2509	78,878,000	74,581,000
277	**Commerce Bank of Kansas City NA, Mo.**	1,077,041,000	1,182,532,000	243		819,200,000	221	99,632,000	101,960,000
278	**Louisiana National Bank, Baton Rouge**	1,071,702,000	1,257,742,000	230		815,498,000	222	81,075,000	86,973,000
279	**Marquette Bank Minneapolis NA**	1,064,018,000	1,116,423,000	257		1,035,409,000	181	91,507,000	88,654,000
280	**Bank of Mississippi, Tupelo**	1,059,986,000	972,022,000	294	+14	434,370,293	395	86,125,000	77,028,000
281	**Summit Trust Co., N.J.**	1,059,715,000	1,033,629,000	277		456,162,000	374	68,940,000	N.A.
282	**Gainier Bank NA, Gary, Ind.**	1,055,605,000	724,697,039	370	+88	553,507,373	318	93,652,000	68,932,095
283	**Mark Twain Bank, Ladue, Mo. (c)**	1,054,325,000	1,014,227,000	281		90,310,000	1959	71,479,000	71,346,000
284	**BayBank Harvard Trust Co., Cambridge, Mass.**	1,052,151,000	924,311,000	310	+26	433,197,124	396	68,118,000	64,011,000
285	**First American Bank of New York**	1,045,974,000	975,302,000	293	+ 8	65,000,000	2858	100,084,000	N.A.
286	**National Bank of Commerce, Memphis, Tenn.**	1,036,456,000	1,026,522,000	279		608,729,000	288	93,413,000	91,333,000
287	**Central Jersey Bank & Trust Co., Freehold, N.J.**	1,032,909,000	1,013,947,000	283		569,690,000	310	97,418,000	95,436,000
288	**Brown Brothers Harriman & Co., New York**	1,030,419,956	961,734,562	297	+ 9	677,318,101	270	91,890,000	N.A.
289	**Lomas Bank USA, Wilmington, Del. (d)**	1,030,351,000	585,614,000	429	+ 140	....	...	138,669,000	103,637,000
290	**First Seneca Bank, Butler, Pa.**	1,021,805,000	999,901,000	287		623,673,000	285	75,780,000	73,050,000
291	**First Jersey National Bank/South, Atlantic City, N.J.**	1,020,559,000	904,940,000	311	+20	190,096,942	831	72,435,000	69,416,000
292	**Laredo National Bank, Tex.**	1,018,881,000	957,359,000	299	+ 7	698,590,339	262	67,033,000	N.A.
293	**Central Bank, San Francisco**	1,013,246,000	1,062,518,600	269		868,262,000	214	90,798,000	N.A.
294	**Central Bank of Denver**	1,010,901,000	939,373,000	303	+ 9	823,098,000	220	68,376,000	68,215,000
295	**Provident Bank of Maryland, Baltimore (e)**	1,007,268,000	....	...		....	...	112,795,000	....
296	**Colonial National Bank USA, Wilmington, Del.**	1,002,441,000	770,725,000	353	+57	18,657,000	...	96,972,000	N.A.
297	**Norwest Bank Des Moines NA, Iowa**	1,001,917,000	1,132,949,000	252		800,002,000	225	71,290,000	75,916,000
298	**First National Bank, Shreveport, La.**	991,413,000	1,022,936,000	280		744,249,000	242	96,981,000	96,950,000
299	**First Security National Bank & Trust Co., Lexington, Ky.**	990,084,000	977,199,000	292		573,236,000	308	83,185,000	78,905,000
300	**First National Bank of Central Jersey, Bridgewater Twp., N.J**	980,394,000	747,151,286	362	+62	394,797,801	434	75,013,000	55,649,000

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1987, and various state banking departments. Deposits for 1987 may not be comparable with deposits reported for 1986 and 1982 deposits because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **Equity capital** is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. For large banks, equity capital also includes the cumulative foreign currency translation adjustments. **(a)**— On Feb. 8, 1988, bank merged with Peoples National Bank, Seattle, to form U.S. Bank of Washington NA, Seattle. **(b)**— Formerly National Bank of Georgia. Changed title on Nov. 2, 1987. **(c)**— Converted from a national to state charter on July 2, 1987. **(d)**— Former MBank USA. Changed title on Nov. 1, 1987. **(e)**— Converted from a mutua savings bank charter to a commercial bank charter on Dec. 22, 198

N.A.— Not available.

Top 300 U.S. Commercial Banks

Listed Geographically by Order of Size within States

		Deposits 12/31/87
	Alabama	
68	AmSouth Bank NA, Birmingham	4,688,758,000
89	First Alabama Bank, Montgomery	3,561,805,000
141	Central Bank of the South, Birmingham	2,346,580,000
157	SouthTrust Bank of Alabama NA, Birmingham	2,159,911,000
	Alaska	
220	National Bank of Alaska, Anchorage	1,419,619,000
	Arizona	
28	Valley National Bank, Phoenix	8,902,705,000
54	First Interstate Bank of Arizona NA, Phoenix	5,629,029,000
81	Arizona Bank, Phoenix	3,961,526,000
165	United Bank of Arizona, Phoenix	2,032,640,000
	California	
2	Bank of America NT&SA, San Francisco	70,221,000,000
7	Security Pacific National Bank, Los Angeles	33,847,250,000
8	Wells Fargo Bank NA, San Francisco	32,350,223,000
13	First Interstate Bank of California, Los Angeles	16,829,226,000
37	Union Bank, Los Angeles	7,221,322,000
58	California First Bank, San Francisco	5,372,111,000
77	Sanwa Bank California, San Francisco	4,202,947,000
99	Sumitomo Bank of California, San Francisco	3,311,842,000
103	Bank of California NA, San Francisco	3,211,115,000
118	City National Bank, Beverly Hills	2,803,020,000
213	Imperial Bank, Los Angeles	1,463,047,000
217	Mitsui Manufacturers Bank, Los Angeles	1,431,812,000
224	Mitsubishi Bank of California, Los Angeles	1,399,238,000
253	Hibernia Bank, San Francisco	1,201,905,000
255	San Diego Trust & Savings Bank	1,199,950,000
256	Bank of the West, San Francisco	1,193,756,000
258	Barclays Bank of California, San Francisco	1,166,890,000
266	Westamerica Bank NA, San Rafael	1,128,235,000
293	Central Bank, San Francisco	1,013,246,000
	Colorado	
176	United Bank of Denver NA	1,853,676,000
218	First Interstate Bank of Denver NA	1,428,712,000
294	Central Bank of Denver	1,010,901,000
	Connecticut	
35	Connecticut National Bank, Hartford	7,446,761,000
36	Connecticut Bank & Trust Co. NA, Hartford	7,295,089,000
137	Union Trust Co., Stamford	2,443,702,000
161	Citytrust, Bridgeport	2,100,950,000
166	Bank of Boston Connecticut, Waterbury	2,026,112,000
214	United Bank & Trust Co., Hartford	1,459,026,000
	Delaware	
127	Greenwood Trust Co., New Castle	2,630,684,000
139	Wilmington Trust Co.	2,394,782,000
174	Bank of New York (Delaware), Wilmington	1,902,650,000
216	Manufacturers Hanover Bank (Delaware), Wilmington	1,447,423,000
227	Chase Manhattan Bank (USA) NA, Wilmington	1,383,183,000
228	Bank of Delaware, Wilmington	1,365,128,000
239	Morgan Bank (Delaware), Wilmington	1,266,239,000
268	Maryland Bank NA, Newark	1,123,164,000
289	Lomas Bank USA, Wilmington	1,030,351,000
296	Colonial National Bank USA, Wilmington	1,002,441,000
	District of Columbia	
62	Riggs National Bank, Washington, D.C.	5,007,555,000
86	American Security Bank NA, Washington, D.C.	3,651,924,000
197	National Bank of Washington, Washington, D.C.	1,630,700,000
215	First American Bank NA, Washington, D.C.	1,457,891,000
	Florida	
26	Southeast Bank NA, Miami	9,390,212,000
41	NCNB National Bank of Florida, Tampa	6,803,122,000
49	Florida National Bank, Jacksonville	5,933,449,000
52	First Union National Bank of Florida, Jacksonville	5,685,051,000
73	Barnett Bank of South Florida NA, Miami	4,388,167,000
76	Citizens & Southern National Bank, Fort Lauderdale, Fla.	4,233,293,000
80	First Florida Bank NA, Tampa	4,097,294,000
112	Sun Bank NA, Orlando	2,871,213,000
183	Barnett Bank of Pinellas County, St. Petersburg	1,758,525,000
187	Barnett Bank of Palm Beach Cty., West Palm Beach	1,704,438,000
189	Barnett Bank of Central Florida NA, Winter Park	1,661,960,000
196	Sun Bank/Miami NA	1,636,929,000
198	Sun Bank/South Florida NA, Fort Lauderdale	1,613,977,000
225	Barnett Bank of Southwest Florida, Sarasota	1,397,595,000
235	Barnett Bank of Jacksonville NA	1,309,816,000
252	Barnett Bank of Tampa NA	1,215,772,000
270	Sun Bank of Tampa Bay, Tampa	1,115,341,000
271	First American Bank & Trust, North Palm Beach	1,110,294,000
	Georgia	
31	Citizens & Southern National Bank, Atlanta	8,124,102,000
61	First National Bank, Atlanta	5,048,845,000
84	Trust Company Bank, Atlanta	3,707,956,000
101	First Union National Bank, Atlanta	3,235,329,000
140	Bank South NA, Atlanta	2,366,468,000
254	First American Bank of Georgia NA, Atlanta	1,200,369,000
	Hawaii	
66	Bank of Hawaii, Honolulu	4,835,452,000
100	First Hawaiian Bank, Honolulu	3,275,960,000

		Deposits 12/31/87
	Idaho	
156	Idaho First National Bank, Boise	2,169,385,000
221	First Security Bank of Idaho NA, Boise	1,415,255,000
	Illinois	
10	First National Bank, Chicago	27,243,360,000
11	Continental Illinois National Bank & Trust Co., Chicago	19,697,101,000
45	Harris Trust & Savings Bank, Chicago	6,219,856,000
57	Northern Trust Co., Chicago	5,441,841,000
107	American National Bank & Trust Co., Chicago	3,066,564,000
200	Exchange National Bank, Chicago	1,605,587,000
260	LaSalle National Bank, Chicago	1,146,218,000
	Indiana	
105	Indiana National Bank, Indianapolis	3,183,694,000
122	Bank One Indianapolis NA	2,700,745,000
162	Merchants National Bank & Trust Co., Indianapolis	2,065,088,000
244	Summit Bank, Fort Wayne	1,254,814,000
282	Gainier Bank NA, Gary	1,055,605,000
	Iowa	
297	Norwest Bank Des Moines NA	1,001,917,000
	Kansas	
264	Bank IV Wichita NA	1,135,488,000
	Kentucky	
97	Citizens Fidelity Bank & Trust Co., Louisville	3,338,107,000
121	First National Bank, Louisville	2,725,694,000
199	Liberty National Bank & Trust Co., Louisville	1,605,763,000
299	First Security National Bank & Trust Co., Lexington	990,084,000
	Louisiana	
79	Hibernia National Bank, New Orleans	4,130,496,000
147	Whitney National Bank, New Orleans	2,289,122,000
185	First National Bank of Commerce, New Orleans	1,718,284,000
278	Louisiana National Bank, Baton Rouge	1,071,702,000
298	First National Bank, Shreveport	991,413,000
	Maine	
243	Casco Northern Bank NA, Portland	1,255,010,000
	Maryland	
40	Maryland National Bank, Baltimore	6,830,893,000
83	First National Bank of Maryland, Baltimore	3,826,686,000
108	Equitable Bank NA, Baltimore	3,066,045,000
119	Sovran Bank/Maryland, Bethesda	2,778,825,000
133	Bank of Baltimore	2,499,203,000
148	Signet Bank/Maryland, Baltimore	2,284,656,000
222	Citizens Bank & Trust Co., Riverdale	1,408,487,000
273	Mercantile-Safe Deposit & Trust Co., Baltimore	1,089,477,000
295	Provident Bank of Maryland, Baltimore	1,007,268,000
	Massachusetts	
12	First National Bank, Boston	17,043,994,000
20	Boston Safe Deposit & Trust Co.	11,445,040,000
25	Bank of New England NA, Boston	9,423,023,000
63	Shawmut Bank NA, Boston	4,989,948,000
70	State Street Bank & Trust Co., Boston	4,540,702,000
113	BayBank Middlesex, Burlington	2,869,752,000
229	Bank of New England-West NA, Springfield	1,362,711,000
237	BayBank Norfolk County Trust Co., Dedham	1,284,673,000
259	Arlington Trust Co., Lawrence	1,146,687,000
275	Shawmut Worcester County Bank NA, Worcester	1,086,372,000
284	BayBank Harvard Trust Co., Cambridge	1,052,151,000
	Michigan	
21	National Bank of Detroit	10,850,031,000
39	Michigan National Bank, Farmington Hills	6,851,694,000
47	Manufacturers National Bank, Detroit	6,030,732,000
51	Comerica Bank-Detroit	5,714,440,000
149	Old Kent Bank & Trust Co., Grand Rapids	2,274,166,000
265	Security Bank & Trust Co., Southgate	1,130,613,000
	Minnesota	
19	First Bank NA, Minneapolis	11,481,224,000
82	Norwest Bank Minneapolis NA	3,898,042,000
279	Marquette Bank Minneapolis NA	1,064,018,000
	Mississippi	
123	Deposit Guaranty National Bank, Jackson	2,696,140,000
143	Trustmark National Bank, Jackson	2,332,090,000
267	Sunburst Bank, Grenada	1,123,542,000
280	Bank of Mississippi, Tupelo	1,059,986,000
	Missouri	
98	Mercantile Bank NA, St. Louis	3,334,585,000
109	Boatmen's National Bank, St. Louis	3,047,167,000
129	Centerre Bank NA, St. Louis	2,581,955,000
192	Commerce Bank of St. Louis NA, Clayton	1,648,371,000
202	United Missouri Bank of Kansas City NA	1,570,053,000
233	Merchants Bank, Kansas City	1,331,958,000
247	Boatmen's First National Bank, Kansas City	1,244,798,000
277	Commerce Bank of Kansas City NA	1,077,041,000
283	Mark Twain Bank, Ladue	1,054,325,000
	Nebraska	
263	Norwest Bank Nebraska NA, Omaha	1,136,829,000

Top 300 U.S. Commercial Banks

Listed Geographically by Order of Size within States

		Deposits 12/31/87
	Nevada	
131	First Interstate Bank of Nevada NA, Reno	2,567,255,000
181	Valley Bank of Nevada, Las Vegas	1,812,463,000
	New Jersey	
34	First Fidelity Bank NA, Newark	7,566,364,000
91	Midlantic National Bank, Newark	3,500,509,000
120	United Jersey Bank, Hackensack	2,763,704,000
125	National Community Bank, Rutherford	2,689,467,000
132	Midlantic National Bank/North, West Paterson	2,501,283,000
160	First Jersey National Bank, Jersey City	2,103,146,000
163	Citizens First National Bank, Ridgewood	2,058,391,000
168	New Jersey National Bank, Pennington	1,987,207,000
172	First Fidelity Bank NA/North Jersey, Totowa	1,918,497,000
186	National State Bank, Elizabeth	1,707,257,000
188	Midlantic National Bank/South, Mt. Laurel	1,677,164,000
194	First Fidelity Bank NA, Burlington Twp.	1,641,949,000
206	First National Bank, Toms River	1,532,782,000
211	Horizon Bank NA, Morristown	1,479,374,000
230	Valley National Bank, Passaic	1,357,060,000
234	Trust Company of New Jersey, Jersey City	1,314,410,000
246	Princeton Bank	1,245,402,000
269	Midlantic National Bank/Merchants, Neptune	1,121,639,706
281	Summit Trust Co.	1,059,715,000
287	Central Jersey Bank & Trust Co., Freehold	1,032,909,000
291	First Jersey NB/South, Atlantic City	1,020,559,000
300	First National Bank of Central Jersey, Bridgewater Twp.	980,394,000
	New Mexico	
223	Sunwest Bank of Albuquerque NA	1,402,146,000
	New York	
1	Citibank NA, New York	104,907,000,000
3	Chase Manhattan Bank NA, New York	63,740,897,000
4	Morgan Guaranty Trust Co., New York	45,756,499,000
5	Manufacturers Hanover Trust Co., New York	45,667,000,000
6	Chemical Bank, New York	42,242,000,000
9	Bankers Trust Co., New York	32,175,832,000
14	Marine Midland Bank NA, Buffalo	16,638,545,000
15	Bank of New York	16,392,251,000
17	Republic National Bank, New York	12,777,172,000
18	Irving Trust Co., New York	12,129,150,000
24	National Westminster Bank USA, New York	9,543,872,000
59	Bank of Tokyo Trust Co., New York	5,361,415,000
71	European American Bank, New York	4,513,240,000
88	Israel Discount Bank, New York	3,590,308,000
90	Norstar Bank of Upstate NY, Albany	3,533,195,000
92	Chase Lincoln First Bank NA, Rochester	3,500,108,000
95	Citibank (New York State), Perinton	3,405,277,000
104	Industrial Bank of Japan Trust Co., New York	3,202,955,000
106	Fuji Bank & Trust Co., New York	3,156,325,000
111	Norstar Bank NA, Buffalo	2,954,131,764
130	Manufacturers & Traders Trust Co., Buffalo	2,580,939,000
150	Bank Leumi Trust Co., New York	2,265,936,000
158	Barclays Bank of New York NA	2,126,846,000
169	United States Trust Co., New York	1,985,398,000
171	Norstar Bank, Hempstead	1,944,502,000
179	Key Bank NA, Albany	1,845,798,000
219	IBJ Schroder Bank & Trust Co., New York	1,425,302,000
238	Key Bank of Central New York, Syracuse	1,282,799,000
250	Daiwa Bank Trust Co., New York	1,230,872,000
257	Amalgamated Bank, New York	1,187,323,000
285	First American Bank of New York	1,045,974,000
288	Brown Brothers Harriman & Co., New York	1,030,419,956
	North Carolina	
22	NCNB National Bank of North Carolina, Charlotte	10,584,957,000
27	Wachovia Bank & Trust Co. NA, Winston-Salem	9,140,295,000
33	First Union National Bank, Charlotte	8,061,095,000
110	Branch Banking & Trust Co., Wilson	2,989,736,000
124	First-Citizens Bank & Trust Co., Raleigh	2,692,891,000
184	Southern National Bank, Lumberton	1,741,311,000
190	United Carolina Bank, Whiteville	1,659,918,000
241	Central Carolina Bank & Trust Co. NA, Durham	1,260,341,000
	Ohio	
48	AmeriTrust Co. NA, Cleveland	6,006,409,000
53	Huntington National Bank, Columbus	5,631,268,000
65	National City Bank, Cleveland	4,932,377,000
74	Society National Bank, Cleveland	4,377,453,000
87	BancOhio National Bank, Columbus	3,635,628,000
134	Bank One Columbus NA	2,477,588,000
142	Fifth Third Bank, Cincinnati	2,341,505,000
151	Toledo Trust Co.	2,255,661,000
155	Central Trust Co. NA, Cincinnati	2,216,828,000
164	First National Bank, Cincinnati	2,037,195,000
195	First National Bank, Akron	1,639,649,000
205	Bank One Dayton NA	1,550,112,000
210	Society Bank NA, Dayton	1,499,306,000
245	Provident Bank, Cincinnati	1,251,649,000
248	Bank One Cleveland NA	1,238,160,000
276	Society Bank of Eastern Ohio NA, Canton	1,085,664,000
	Oklahoma	
203	Bank of Oklahoma NA, Tulsa	1,564,101,000
251	Liberty National Bank & Trust Co., Oklahoma City	1,228,511,000
	Oregon	
50	United States National Bank, Portland	5,792,745,000
67	First Interstate Bank of Oregon NA, Portland	4,709,734,000
	Pennsylvania	
16	Mellon Bank NA, Pittsburgh	15,271,394,000
29	Pittsburgh National Bank	8,552,591,000
38	Fidelity Bank NA, Malvern, Pa.	6,857,854,000
44	Philadelphia National Bank	6,362,369,000
55	Meridian Bank, Reading	5,532,291,000
69	Provident National Bank, Philadelphia	4,622,805,000
78	First Pennsylvania Bank NA, Philadelphia	4,136,159,000
94	Mellon Bank (East) NA, Philadelphia	3,411,245,000
115	Continental Bank, Norristown	2,817,484,000
144	Hamilton Bank, Lancaster	2,326,055,000
153	Equibank, Pittsburgh	2,233,748,000
173	Union National Bank, Pittsburgh	1,914,670,000
178	Northeastern Bank of Pennsylvania, Wilkes-Barre	1,848,484,000
191	Dauphin Deposit Bank & Trust Co., Harrisburg	1,654,821,000
207	First Eastern Bank NA, Wilkes-Barre	1,532,161,000
209	Merchants Bank NA, Allentown	1,503,023,516
261	Commonwealth National Bank, Harrisburg	1,140,608,000
290	First Seneca Bank, Butler	1,021,805,000
	Puerto Rico	
72	Banco Popular de Puerto Rico, San Juan	4,492,171,000
138	Banco de Ponce	2,422,435,000
231	Banco Santander Puerto Rico, Hato Rey	1,353,695,000
274	Banco Central Corp., Hato Rey	1,088,808,458
	Rhode Island	
64	Fleet National Bank, Providence	4,962,063,000
135	Rhode Island Hospital Trust National Bank, Providence	2,475,415,000
	South Carolina	
93	South Carolina National Bank, Columbia	3,452,190,000
116	Citizens & Southern National Bank, Charleston	2,816,344,000
177	NCNB South Carolina, Columbia	1,852,916,000
	South Dakota	
175	Citibank (South Dakota) NA, Sioux Falls	1,883,347,000
226	Norwest Bank South Dakota NA, Sioux Falls	1,390,074,000
	Tennessee	
75	First Tennessee Bank NA, Memphis	4,360,545,000
146	First American National Bank, Nashville	2,299,781,000
152	Sovran Bank/Central South, Nashville	2,255,499,000
154	Third National Bank, Nashville	2,232,657,000
204	Union Planters National Bank, Memphis	1,554,746,000
286	National Bank of Commerce, Memphis	1,036,456,000
	Texas	
30	First RepublicBank Dallas NA	8,431,214,000
42	Texas Commerce Bank NA, Houston	6,727,460,000
56	MBank Dallas NA	5,504,756,000
85	MBank Houston NA	3,703,324,000
102	First RepublicBank Houston NA	3,221,796,000
136	First City National Bank, Houston	2,461,980,000
159	Texas American Bank/Fort Worth NA	2,126,021,000
180	First Interstate Bank of Texas NA, Houston	1,824,120,000
212	Frost National Bank, San Antonio	1,474,031,000
232	NBC Bank-San Antonio NA	1,336,012,000
236	Texas Commerce Bank Dallas NA	1,304,268,000
242	MBank El Paso NA	1,256,929,000
249	First RepublicBank Austin NA	1,234,730,000
262	Texas Commerce Bank-Austin NA	1,138,909,000
292	Laredo National Bank	1,018,981,000
	Utah	
145	First Security Bank of Utah NA, Ogden	2,324,295,000
167	Zions First National Bank, Salt Lake City	2,014,243,000
	Virginia	
23	Sovran Bank NA, Richmond	9,743,571,000
43	Crestar Bank, Richmond	6,609,130,000
60	Signet Bank/Virginia, Richmond	5,238,495,000
96	Central Fidelity Bank, Richmond	3,382,611,000
126	First American Bank of Virginia, McLean	2,639,792,000
128	Dominion Bank NA, Roanoke	2,624,936,000
193	First Virginia Bank, Falls Church	1,646,779,000
272	Jefferson National Bank, Charlottesville	1,090,867,000
	Washington	
32	Seattle-First National Bank	8,117,101,000
46	Rainier National Bank, Seattle	6,154,505,000
114	First Interstate Bank of Washington NA, Seattle	2,862,510,000
170	Peoples National Bank, Seattle	1,975,904,000
201	Puget Sound National Bank, Tacoma	1,585,345,000
208	Old National Bank, Spokane	1,526,136,000
	Wisconsin	
117	First Wisconsin National Bank, Milwaukee	2,808,607,000
182	M & I Marshall & Ilsley Bank, Milwaukee	1,791,678,000
240	Marine Bank NA, Milwaukee	1,263,708,000

Top 300 U.S. Commercial Banks in Assets

In Order of Assets December 31, 1987, Compared with December 31, 1986

Rank 12/31/87		Assets 12/31/87	Assets 12/31/86	Rank 1986	Gain
1	Citibank NA, New York	154,574,000,000	153,293,000,000	1	
2	Chase Manhattan Bank NA, New York	82,598,276,000	81,953,504,000	3	+1
3	Bank of America NT&SA, San Francisco	81,314,000,000	91,499,000,000	2	
4	Morgan Guaranty Trust Co., New York	67,002,658,000	69,055,033,000	4	
5	Manufacturers Hanover Trust Co., New York	59,406,000,000	62,161,000,000	5	
6	Chemical Bank, New York	59,311,000,000	58,422,000,000	6	
7	Bankers Trust Co., New York	54,419,040,000	55,497,088,000	7	
8	Security Pacific National Bank, Los Angeles	44,403,342,000	47,533,669,000	8	
9	Wells Fargo Bank NA, San Francisco	41,362,913,000	39,240,804,000	9	
10	First National Bank, Chicago	35,476,470,000	33,685,387,000	10	
11	Continental Illinois Nat'l Bank & Trust Co., Chicago	31,825,861,000	31,998,533,000	11	
12	First National Bank, Boston	25,158,248,000	25,148,537,000	12	
13	Bank of New York	21,180,454,000	19,410,947,000	17	+4
14	Mellon Bank NA, Pittsburgh	21,050,266,000	23,737,166,000	13	
15	Marine Midland Bank NA, Buffalo, N.Y.	20,971,528,000	22,215,959,000	15	
16	Irving Trust Co., New York	20,493,469,000	21,087,791,000	16	
17	First Interstate Bank of California, Los Angeles	19,603,472,000	22,465,829,000	14	
18	First RepublicBank Dallas NA	19,479,071,000	14,292,835,000	22	+4
19	Republic National Bank, New York	18,840,096,000	16,812,822,000	18	
20	First Bank NA, Minneapolis (a)	17,866,285,000	10,585,285,000	28	+8
21	First Union National Bank, Charlotte, N.C.	16,165,193,000	15,780,252,000	19	
22	NCNB National Bank of North Carolina, Charlotte	16,069,411,000	14,490,444,000	21	
23	Pittsburgh National Bank	15,765,239,000	13,525,393,000	23	
24	National Bank of Detroit	14,881,125,000	14,833,054,000	20	
25	Bank of New England NA, Boston	13,327,632,000	9,492,502,000	35	+10
26	Boston Safe Deposit & Trust Co.	12,747,021,000	7,825,930,000	49	+23
27	Southeast Bank NA, Miami	12,310,714,000	11,937,829,000	24	
28	Citibank (South Dakota) NA, Sioux Falls	11,988,599,000	10,025,662,000	33	+5
29	Sovran Bank NA, Richmond	11,888,101,000	10,417,960,000	30	+1
30	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	11,698,041,000	10,670,977,613	27	
31	Citizens & Southern National Bank, Atlanta	11,672,964,000	10,550,562,000	29	
32	National Westminster Bank USA, New York	11,571,422,000	11,104,518,000	26	
33	Texas Commerce Bank NA, Houston	11,164,652,000	11,508,704,000	25	
34	First Fidelity Bank NA, Newark, N.J.	10,686,176,000	9,451,491,000	36	+2
35	Connecticut National Bank, Hartford	10,595,695,000	9,327,283,000	37	+2
36	Seattle-First National Bank	10,090,827,000	10,119,883,000	32	
37	Fidelity Bank NA, Malvern, Pa.	10,049,879,000	9,040,586,000	40	+3
38	Valley National Bank, Phoenix	9,936,376,000	10,360,999,000	31	
39	NCNB National Bank of Florida, Tampa	9,814,551,000	9,301,835,000	39	
40	Maryland National Bank, Baltimore	9,514,696,000	8,050,187,000	48	+8
41	Connecticut Bank & Trust Co. NA, Hartford	9,191,947,000	9,323,019,000	38	
42	Philadelphia National Bank	9,129,801,000	8,709,420,000	41	
43	Union Bank, Los Angeles	9,083,490,000	9,519,447,000	34	
44	Harris Trust & Savings Bank, Chicago	8,721,438,000	8,458,533,000	43	
45	Crestar Bank, Richmond (b)	8,660,675,000	8,247,690,000	46	+1
46	Michigan National Bank, Farmington Hills	8,272,416,000	....	...	
47	Rainier National Bank, Seattle	8,041,401,000	8,273,203,000	45	
48	AmeriTrust Co. NA, Cleveland	8,036,693,000	8,548,105,000	42	
49	United States National Bank, Portland, Ore.	7,997,839,000	8,446,612,000	44	
50	Comerica Bank-Detroit	7,996,467,000	7,482,235,000	51	+1
51	Manufacturers National Bank, Detroit	7,710,631,000	7,062,836,000	56	+5
52	Northern Trust Co., Chicago	7,690,024,000	7,786,493,000	50	
53	Shawmut Bank NA, Boston	7,589,681,000	5,892,052,000	71	+18
54	Florida National Bank, Jacksonville	7,494,704,000	6,783,366,000	59	+5
55	Huntington National Bank, Columbus, Ohio	7,468,139,000	6,862,177,000	58	+3
56	MBank Dallas NA	7,322,357,000	7,461,916,000	52	
57	First Union National Bank of Florida, Jacksonville	7,251,408,000	6,887,631,000	57	
58	National City Bank, Cleveland	7,186,585,000	6,482,575,000	63	+5
59	Fleet National Bank, Providence, R.I.	7,156,106,000	6,780,764,000	60	+1
60	First National Bank, Atlanta	7,131,819,000	7,386,918,000	53	
61	Signet Bank/Virginia, Richmond	7,112,450,000	5,971,527,000	67	+6
62	State Street Bank & Trust Co., Boston	7,014,109,000	7,217,670,000	55	
63	Norwest Bank Minneapolis NA	6,945,473,000	7,243,729,000	54	
64	Meridian Bank, Reading, Pa.	6,913,267,000	6,439,223,000	64	
65	First Interstate Bank of Arizona NA, Phoenix	6,645,949,000	6,513,458,000	62	
66	Bank of Tokyo Trust Co., New York	6,406,809,000	5,874,302,000	74	+8
67	Riggs National Bank, Washington, D.C.	6,385,460,000	5,923,886,000	68	+1
68	European American Bank, New York	6,363,749,000	6,686,164,000	61	
69	AmSouth Bank NA, Birmingham, Ala.	6,276,255,000	5,914,080,000	69	
70	Provident National Bank, Philadelphia	6,176,523,000	5,888,722,000	72	+2
71	California First Bank, San Francisco	6,051,607,000	5,995,907,000	66	
72	Chase Manhattan Bank (USA) NA, Wilmington, Del.	5,942,009,000	5,044,733,000	83	+11
73	First Pennsylvania Bank NA, Philadelphia	5,801,017,000	5,905,406,000	70	
74	Chase Lincoln First Bank NA, Rochester, N.Y.	5,684,139,000	4,787,843,000	90	+16
75	First Interstate Bank of Oregon NA, Portland	5,663,848,000	5,827,242,000	75	
76	Trust Company Bank, Atlanta	5,648,703,000	5,752,649,000	76	
77	First Tennessee Bank NA, Memphis	5,613,366,000	5,540,575,000	77	
78	Bank of Hawaii, Honolulu	5,606,191,000	4,880,786,000	88	+10
79	Society National Bank, Cleveland	5,397,440,000	5,007,788,000	84	+5
80	Banco Popular de Puerto Rico, San Juan	5,353,304,000	4,525,241,428	95	+15
81	Barnett Bank of South Florida NA, Miami	5,339,032,000	4,635,937,000	93	+12
82	Sanwa Bank California, San Francisco	5,324,605,000	5,068,268,000	82	
83	Midlantic National Bank, Newark, N.J.	5,121,111,000	4,868,129,000	89	+6
84	Citibank (New York State), Perinton	5,007,510,000	5,361,684,000	78	
85	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	4,986,310,000	4,251,376,000	98	+13
86	First Florida Bank NA, Tampa	4,959,575,000	4,904,249,000	86	
87	American Security Bank NA, Washington, D.C.	4,955,961,000	4,642,506,000	92	+5
88	First City National Bank, Houston	4,955,513,000	5,885,771,000	73	
89	First National Bank of Maryland, Baltimore	4,942,395,000	4,886,990,000	87	
90	Citizens & Southern National Bank, Fort Lauderdale, Fla.	4,913,451,000	1,030,796,000	331	+241
91	MBank Houston NA	4,853,178,000	5,159,754,000	81	
92	Hibernia National Bank, New Orleans	4,799,070,000	2,813,793,000	144	+52
93	South Carolina National Bank, Columbia	4,785,905,000	4,618,157,000	94	+1
94	Bank of California NA, San Francisco	4,725,738,000	4,030,225,000	106	+12
95	Arizona Bank, Phoenix	4,691,516,000	4,485,060,000	96	+1
96	Fuji Bank & Trust Co., New York	4,690,571,000	3,492,714,000	115	+19
97	BancOhio National Bank, Columbus	4,687,782,000	4,692,474,000	91	
98	Mellon Bank (East) NA, Philadelphia	4,684,094,000	5,198,385,000	79	
99	Indiana National Bank, Indianapolis	4,438,578,000	4,077,541,000	103	+4
100	Equitable Bank NA, Baltimore	4,417,477,000	3,640,494,000	112	+12

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1987, and various state banking departments. Assets for 1987 may not be comparable with assets reported for 1986 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **(a)**— Formerly First National Bank. Changed title on Dec. 31, 1987. **(b)**— Formerly United Virginia Bank. Changed title on Sept. 1, 1987.

Top 300 U.S. Commercial Banks in Assets

In Order of Assets December 31, 1987, Compared with December 31, 1986

Rank 12/31/87		Assets 12/31/87	12/31/86	Rank 1986	Gain
101	**Mercantile Bank NA, St. Louis**	4,358,909,000	4,364,928,000	97	
102	**Central Fidelity Bank, Richmond**	4,314,675,000	4,191,754,000	100	
103	**First Alabama Bank, Montgomery**	4,198,763,000	4,059,617,000	105	+2
104	**Boatmen's National Bank, St. Louis**	4,118,088,000	4,067,299,000	104	
105	**First National Bank, Louisville, Ky.**	4,093,083,000	4,227,373,000	99	
106	**Industrial Bank of Japan Trust Co., New York**	4,069,885,000	3,842,175,000	109	+3
107	**United Jersey Bank, Hackensack, N.J.**	4,025,735,000	3,513,313,000	113	+6
108	**First Interstate Bank of Texas NA, Houston (a)**	4,006,185,000	4,937,962,000	85	
109	**Israel Discount Bank, New York**	3,940,206,000	3,781,670,000	110	+1
110	**Norstar Bank of Upstate NY, Albany**	3,939,287,000	3,398,694,000	117	+7
111	**American National Bank & Trust Co., Chicago**	3,906,700,000	3,857,017,000	108	
112	**First Wisconsin National Bank, Milwaukee**	3,809,273,000	4,126,665,000	102	
113	**First RepublicBank Houston NA**	3,807,045,000	2,343,975,000	172	+59
114	**First Union National Bank, Atlanta (b)**	3,769,149,000	....	...	
115	**Central Bank of the South, Birmingham, Ala.**	3,761,487,000	3,716,339,000	111	
116	**Dominion Bank NA, Roanoke, Va.**	3,710,622,000	3,503,225,000	114	
117	**Branch Banking & Trust Co., Wilson, N.C.**	3,704,580,000	3,275,351,000	121	+4
118	**First Hawaiian Bank, Honolulu**	3,696,262,000	3,383,618,000	118	
119	**Sun Bank NA, Orlando, Fla.**	3,648,014,000	3,448,527,000	116	
120	**Bank One Indianapolis NA**	3,626,648,000	4,138,635,000	101	
121	**Greenwood Trust Co., New Castle, Del.**	3,582,824,000	1,346,957,000	269	+148
122	**Sovran Bank/Maryland, Bethesda, Md.**	3,580,607,000	3,255,019,000	123	+1
123	**Sumitomo Bank of California, San Francisco**	3,575,923,000	3,271,248,000	122	
124	**Centerre Bank NA, St. Louis**	3,561,640,000	3,946,743,000	107	
125	**Norstar Bank NA, Buffalo, N.Y.**	3,538,998,217	1,405,453,000	256	+131
126	**City National Bank, Beverly Hills**	3,483,060,000	3,145,914,000	125	
127	**Citizens & Southern National Bank, Charleston, S.C.**	3,470,849,000	3,372,294,000	119	
128	**Bank One Columbus NA, Ohio**	3,470,106,000	3,070,995,476	128	
129	**BayBank Middlesex, Burlington, Mass.**	3,432,071,000	3,077,788,000	126	
130	**Bank South NA, Atlanta**	3,430,851,000	2,728,633,000	149	+19
131	**Deposit Guaranty National Bank, Jackson, Miss.**	3,325,440,000	2,962,997,000	132	+1
132	**First Interstate Bank of Washington NA, Seattle**	3,319,024,000	3,299,542,000	120	
133	**Continental Bank, Norristown, Pa.**	3,295,661,000	3,182,287,000	124	
134	**First American National Bank, Nashville, Tenn.**	3,269,986,000	2,873,571,000	137	+3
135	**IBJ Schroder Bank & Trust Co., New York**	3,246,452,000	5,181,528,000	80	
136	**Citibank (Nevada) NA, Las Vegas**	3,245,146,000	....	...	
137	**Signet Bank/Maryland, Baltimore**	3,230,594,000	2,940,450,000	134	
138	**First American Bank of Virginia, McLean**	3,170,790,000	2,849,847,000	139	+1
139	**National Community Bank, Rutherford, N.J.**	3,153,051,000	2,749,602,129	147	+8
140	**NCNB South Carolina, Columbia**	3,147,572,000	3,007,543,000	131	
141	**First Interstate Bank of Nevada NA, Reno**	3,116,992,000	3,075,692,000	127	
142	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	3,104,484,000	3,019,941,000	130	
143	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	3,093,837,000	2,700,907,000	156	+13
144	**Rhode Island Hospital Trust National Bank, Providence**	3,056,800,000	3,060,070,000	129	
145	**Central Trust Co. NA, Cincinnati**	3,054,975,000	2,706,163,000	155	+10
146	**Fifth Third Bank, Cincinnati**	3,053,845,000	2,728,317,000	150	+4
147	**First Security Bank of Utah NA, Ogden**	3,017,267,000	2,953,501,000	133	
148	**Morgan Bank (Delaware), Wilmington**	3,012,585,000	2,833,478,000	141	
149	**Midlantic National Bank/North, West Paterson, N.J.**	2,989,545,000	2,818,881,000	143	
150	**Union Trust Co., Stamford, Conn.**	2,937,852,000	2,714,530,000	153	+3
151	**Bank Leumi Trust Co., New York**	2,934,050,000	2,886,457,000	135	
152	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	2,920,687,000	2,752,272,000	146	
153	**SouthTrust Bank of Alabama NA, Birmingham**	2,906,541,000	2,715,735,000	152	
154	**Toledo Trust Co., Ohio**	2,898,386,000	2,711,645,000	154	
155	**Wilmington Trust Co., Del.**	2,890,832,000	2,743,284,000	148	
156	**Bank of Baltimore**	2,856,908,000	2,332,289,000	173	+17
157	**Idaho First National Bank, Boise**	2,838,795,000	2,727,789,000	151	
158	**Sovran Bank/Central South, Nashville, Tenn. (c)**	2,812,954,000	2,376,111,000	168	+10
159	**Merchants National Bank & Trust Co., Indianapolis**	2,780,440,000	2,665,959,000	158	
160	**Whitney National Bank, New Orleans**	2,774,383,000	2,565,603,000	162	+2
161	**Texas American Bank/Fort Worth NA**	2,771,066,000	2,677,570,000	157	
162	**Hamilton Bank, Lancaster, Pa.**	2,766,517,000	2,882,923,000	136	
163	**Trustmark National Bank, Jackson, Miss.**	2,762,395,000	2,503,599,000	164	+1
164	**Barclays Bank of New York NA**	2,756,896,000	2,506,354,000	163	
165	**First National Bank, Cincinnati**	2,716,868,000	2,582,363,000	161	
166	**Equibank, Pittsburgh**	2,714,181,000	2,484,602,000	165	
167	**First Jersey National Bank, Jersey City, N.J.**	2,690,923,000	2,307,276,000	175	+8
168	**Banco de Ponce, P.R.**	2,671,460,000	2,370,770,016	169	+1
169	**Third National Bank, Nashville, Tenn.**	2,667,834,000	2,585,969,000	160	
170	**United Bank of Denver NA**	2,615,333,000	2,857,811,000	138	
171	**Zions First National Bank, Salt Lake City, Utah**	2,564,248,000	2,819,132,000	142	
172	**Citytrust, Bridgeport, Conn.**	2,530,390,000	2,396,096,000	167	
173	**First National Bank of Commerce, New Orleans**	2,428,689,000	2,350,724,000	171	
174	**Bank of Boston Connecticut, Waterbury**	2,426,697,000	2,129,463,000	183	+9
175	**United States Trust Co., New York**	2,420,711,000	2,837,562,000	140	
176	**M & I Marshall & Ilsley Bank, Milwaukee**	2,394,653,000	2,752,298,000	145	
177	**United Bank of Arizona, Phoenix**	2,386,331,000	2,593,008,000	159	
178	**Peoples National Bank, Seattle (d)**	2,338,528,000	2,428,462,000	166	
179	**Union Planters National Bank, Memphis, Tenn.**	2,279,862,000	2,184,766,000	182	+3
180	**Bank of New York (Delaware), Wilmington**	2,278,115,000	1,509,238,000	234	+54
181	**First Interstate Bank of Denver NA**	2,276,145,000	2,238,568,000	180	
182	**Union National Bank, Pittsburgh**	2,272,896,000	2,065,574,000	187	+5
183	**Citizens First National Bank, Ridgewood, N.J.**	2,265,783,000	1,991,121,000	190	+7
184	**New Jersey National Bank, Pennington**	2,228,630,000	2,249,612,000	179	
185	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	2,220,310,000	2,000,693,000	189	+4
186	**Key Bank NA, Albany, N.Y.**	2,176,425,000	2,190,322,000	181	
187	**Bankers Trust (Delaware), Wilmington**	2,152,475,000	1,450,888,942	249	+62
188	**First Fidelity Bank NA/North Jersey, Totowa, N.J.**	2,138,179,000	1,563,241,000	229	+41
189	**Valley Bank of Nevada, Las Vegas**	2,138,094,000	1,496,795,000	239	+50
190	**Midlantic National Bank/South, Mt. Laurel, N.J.**	2,138,054,000	2,111,720,000	185	
191	**Norstar Bank, Hempstead, N.Y. (e)**	2,135,425,000	1,482,972,000	243	+52
192	**Boatmen's First National Bank, Kansas City, Mo.**	2,112,376,000	2,281,932,000	178	
193	**Exchange National Bank, Chicago**	2,107,016,000	1,907,187,000	193	
194	**Barnett Bank of Pinellas County, St. Petersburg, Fla. (f)**	2,071,125,000	....	...	
195	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	2,069,140,000	1,839,248,000	201	+6
196	**Maryland Bank NA, Newark, Del.**	2,049,392,000	1,530,312,000	232	+36
197	**National Bank of Washington, Washington, D.C.**	2,030,365,000	1,741,341,000	211	+14
198	**Barnett Bank of Central Florida NA, Winter Park**	2,025,299,000	1,754,002,000	209	+11
199	**Southern National Bank, Lumberton, N.C.**	1,994,119,000	1,653,860,000	222	+23
200	**Liberty National Bank & Trust Co., Louisville, Ky.**	1,986,960,000	2,025,250,000	188	

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1987, and various state banking departments. Assets for 1987 may not be comparable with assets reported for 1986 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **(a)**— Formerly Allied Bank of Texas. Changed title Jan. 29, 1988. **(b)**— Formerly Citizens DeKalb Bank, Clarkston, Ga. Changed title in April 1986 and changed location in Feb. 1987. **(c)**— Formerly Commerce Union Bank. Changed title on Oct. 31, 1987. **(d)**— On Feb. 8, 1988, bank merged with Old National Bank, Spokane, to form U.S. Bank of Washington NA. **(e)**— Formerly Norstar Bank of Long Island. Changed title Sept.19, 1987. **(f)**— Formerly Home Federal Bank FSB. Converted to a commercial bank charter on July 27, 1987.

Top 300 U.S. Commercial Banks in Assets

In Order of Assets December 31, 1987, Compared with December 31, 1986

Rank 12/31/87		Assets 12/31/87	Assets 12/31/86	Rank 1986	Gain
201	National State Bank, Elizabeth, N.J.	1,985,789,000	1,831,411,000	202	+1
202	Sun Bank/Miami NA	1,959,471,000	1,876,646,000	196	
203	Bank of Oklahoma NA, Tulsa	1,942,510,000	2,117,717,000	184	
204	First National Bank, Toms River, N.J.	1,938,510,000	1,896,253,000	194	
205	Manufacturers Hanover Bank (Delaware), Wilmington	1,926,316,000	2,282,498,000	177	
206	First National Bank, Akron, Ohio	1,911,308,000	1,812,171,000	203	
207	First Fidelity Bank NA, Burlington Twp., N.J.	1,893,949,000	1,784,631,000	204	
208	Bank One Dayton NA, Ohio	1,876,132,000	1,734,851,000	212	+4
209	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	1,863,614,000	1,721,636,000	213	+4
210	United Carolina Bank, Whiteville, N.C.	1,860,144,000	1,744,077,000	210	
211	First RepublicBank Austin NA, Tex.	1,849,872,000	1,717,706,000	214	+3
212	Frost National Bank, San Antonio, Tex.	1,849,161,000	1,883,670,000	195	
213	Sun Bank/South Florida NA, Fort Lauderdale	1,847,374,000	1,857,388,000	197	
214	Commerce Bank of St. Louis NA, Clayton, Mo.	1,846,592,000	1,714,146,000	215	+1
215	Society Bank NA, Dayton, Ohio	1,840,058,000	1,845,882,000	199	
216	Puget Sound National Bank, Tacoma, Wash.	1,816,026,000	1,758,631,000	207	
217	United Bank & Trust Co., Hartford, Conn.	1,812,496,000	1,012,301,000	338	+121
218	First Virginia Bank, Falls Church	1,811,157,000	1,770,531,000	206	
219	Old National Bank, Spokane, Wash. (a)	1,803,800,000	1,671,423,000	220	+1
220	First American Bank NA, Washington, D.C.	1,802,098,000	1,652,269,000	223	+3
221	Tokai Bank of California, Los Angeles	1,792,293,000	952,541,000	351	+130
222	United Missouri Bank of Kansas City NA	1,779,236,000	1,636,127,000	224	+2
223	Daiwa Bank Trust Co., New York	1,768,262,000	1,485,937,000	241	+18
224	Marine Midland Bank (Delaware) NA, Wilmington	1,764,731,000	1,280,706,645	279	+55
225	First Eastern Bank NA, Wilkes-Barre, Pa.	1,760,912,000	1,704,060,000	216	
226	Provident Bank, Cincinnati	1,755,599,000	1,416,309,000	254	+28
227	First Security Bank of Idaho NA, Boise	1,749,003,000	1,755,066,000	208	
228	Merchants Bank NA, Allentown, Pa.	1,741,042,564	1,481,393,455	245	+17
229	Savings Banks Trust Co., New York	1,740,230,000	1,939,907,000	191	
230	Imperial Bank, Los Angeles	1,736,499,000	2,368,249,000	170	
231	National Bank of Alaska, Anchorage	1,729,564,000	1,160,573,000	305	+74
232	Horizon Bank NA, Morristown, N.J.	1,726,679,000	1,659,179,000	221	
233	Sunwest Bank of Albuquerque NA, N.M.	1,723,821,000	1,698,785,000	217	
234	Citizens Bank & Trust Co., Riverdale, Md.	1,689,881,000	1,551,792,360	231	
235	Bank of Delaware, Wilmington	1,686,217,000	1,625,895,000	226	
236	Norwest Bank South Dakota NA, Sioux Falls	1,679,487,000	1,624,326,000	227	
237	Marine Bank NA, Milwaukee	1,656,019,000	1,695,554,000	218	
238	Bank of New England-West NA, Springfield, Mass.	1,640,410,000	1,461,106,000	248	+10
239	First American Bank of Georgia NA, Atlanta (b)	1,605,522,000	1,683,047,000	219	
240	Mitsui Manufacturers Bank, Los Angeles	1,584,416,000	1,847,959,000	198	
241	First American Bank & Trust, North Palm Beach, Fla.	1,584,396,000	1,516,358,000	233	
242	Banco Santander Puerto Rico, Hato Rey	1,581,095,000	1,325,834,000	274	+32
243	Barnett Bank of Jacksonville NA, Fla.	1,568,451,000	1,472,785,000	247	+4
244	Hibernia Bank, San Francisco	1,565,870,000	1,487,838,000	240	
245	LaSalle National Bank, Chicago	1,564,910,000	1,568,831,000	228	
246	NBC Bank-San Antonio NA, Tex.	1,548,611,000	1,501,742,421	236	
247	Mitsubishi Bank of California, Los Angeles	1,546,569,000	1,362,115,000	265	+18
248	Bank One Cleveland NA	1,545,158,000	1,385,519,654	257	+9
249	Davenport Bank & Trust Co., Iowa	1,536,259,719	1,417,122,187	253	+4
250	Valley National Bank, Passaic, N.J.	1,528,706,000	1,499,963,000	237	
251	Barnett Bank of Southwest Florida, Sarasota	1,527,235,000	2,110,046,000	186	
252	Liberty National Bank & Trust Co., Oklahoma City	1,519,512,000	2,291,938,000	176	
253	Summit Bank, Fort Wayne, Ind.	1,508,750,000	1,239,615,000	292	+39
254	Marine Bank, Warren, Pa.	1,493,422,000	1,164,482,000	304	+50
255	Amalgamated Bank, New York	1,487,265,000	1,446,250,000	250	
256	Key Bank of Central New York, Syracuse	1,481,482,000	1,339,447,000	271	+15
257	BayBank Norfolk County Trust Co., Dedham, Mass.	1,477,616,000	1,385,223,000	258	+1
258	Mercantile-Safe Deposit & Trust Co., Baltimore	1,464,195,000	1,371,730,000	261	+3
259	Merchants Bank, Kansas City, Mo.	1,460,028,000	1,366,749,000	263	+4
260	Bank of the West, San Francisco	1,454,578,000	1,352,047,000	267	+7
261	Texas Commerce Bank Dallas NA	1,449,070,000	524,591,000	534	+273
262	Bank IV Wichita NA, Kan.	1,438,759,000	1,485,527,000	242	
263	Central Carolina Bank & Trust Co. NA, Durham, N.C.	1,433,474,000	1,306,646,000	276	+13
264	Commerce Bank of Kansas City NA, Mo.	1,429,972,000	1,629,106,000	225	
265	Trust Company of New Jersey, Jersey City	1,428,815,000	1,261,111,000	286	+21
266	Norwest Bank Nebraska NA, Omaha	1,426,038,000	1,481,549,000	244	
267	Princeton Bank, N.J.	1,423,257,000	1,330,942,000	273	+6
268	Casco Northern Bank NA, Portland, Me.	1,418,408,000	1,265,717,000	283	+15
269	MBank El Paso NA, Tex.	1,413,622,000	1,063,237,000	324	+55
270	Marquette Bank Minneapolis NA	1,403,924,000	1,554,853,000	230	
271	Barnett Bank of Tampa NA, Fla.	1,382,257,000	1,192,245,000	300	+29
272	Commonwealth National Bank, Harrisburg, Pa.	1,379,104,000	1,506,664,000	235	
273	Society Bank of Eastern Ohio NA, Canton	1,361,304,000	1,267,086,000	282	+9
274	Banco Central Corp., Hato Rey, P.R.	1,355,587,541	1,383,851,000	259	
275	Norwest Bank Des Moines NA, Iowa	1,353,747,000	1,472,790,000	246	
276	Shawmut Worcester County Bank NA, Worcester, Mass.	1,342,645,000	1,351,983,000	268	
277	Arlington Trust Co., Lawrence, Mass.	1,340,038,000	1,237,745,000	293	+16
278	San Diego Trust & Savings Bank, Calif.	1,333,990,000	1,332,103,000	272	
279	Midlantic National Bank/Merchants, Neptune, N.J.	1,327,933,993	1,247,872,000	290	+11
280	Sunburst Bank, Grenada, Miss.	1,325,701,000	1,184,715,000	301	+21
281	Texas Commerce Bank-Austin NA	1,324,493,000	1,369,511,000	262	
282	Louisiana National Bank, Baton Rouge	1,323,917,000	1,498,554,000	238	
283	National Bank of Commerce, Memphis, Tenn.	1,317,740,000	1,357,251,000	266	
284	First American Bank of New York	1,315,699,000	1,263,529,000	285	+1
285	Barclays Bank of California, San Francisco	1,314,528,000	1,274,865,000	281	
286	First Bank NA, Milwaukee	1,313,363,000	1,139,722,000	309	+23
287	Colorado National Bank, Denver	1,311,557,000	1,432,677,000	251	
288	First Security Nat'l Bank & Trust Co., Lexington, Ky.	1,301,763,000	1,324,660,000	275	
289	Central Bank of Denver	1,294,684,000	1,295,644,000	278	
290	Security Bank & Trust Co., Southgate, Mich.	1,272,824,000	1,235,918,000	294	+4
291	BayBank Harvard Trust Co., Cambridge, Mass.	1,271,750,000	1,192,945,000	298	+7
292	Jefferson National Bank, Charlottesville, Va.	1,262,055,000	1,249,911,000	289	
293	Westamerica Bank NA, San Rafael, Calif.	1,249,962,000	1,170,780,000	303	+10
294	Sun Bank of Tampa Bay, Tampa, Fla.	1,243,955,000	1,297,352,000	277	
295	First National Bank, Albuquerque, N.M.	1,235,367,000	1,255,775,000	288	
296	Bucks County Bank & Trust Co., Perkasie, Pa.	1,233,890,000	1,045,161,000	327	+31
297	UBAF Arab American Bank, New York	1,230,814,000	1,265,193,000	284	
298	Lomas Bank USA, Wilmington, Del. (c)	1,220,366,000	704,761,000	434	+136
299	Gainier Bank NA, Gary, Ind.	1,210,558,000	851,405,203	380	+81
300	First Jersey NB/South, Atlantic City, N.J.	1,209,093,000	1,053,236,000	326	+26

Data Sources: American Banker questionnaire, Federal regulatory report of condition for Dec. 31, 1987, and various state banking departments. Assets for 1987 may not be comparable with assets reported for 1986 because of mergers or changes in accounting principals. With respect to mergers, American Banker follows the bank of charter in determining the surviving bank. **(a)**— On Feb. 8, 1988, bank merged with Peoples National Bank, Seattle, to form U.S. Bank of Washington NA, Seattle. **(b)**— Formerly National Bank of Georgia. Changed title on Nov. 2, 1987. **(c)**— Formerly MBank USA. Changed title on Nov. 1, 1987.

Summary Statistics

Top 10 Deposit Gainers

	(Dollar Amounts in Millions)	Deposits 12/31/87	Deposits 12/31/86	Percent Increase	Bank Rank
1	**Bank of New York (Delaware), Wilmington**	1,902.7	217.3	775.65	174
2	**Citizens & Southern Nat'l Bank, Ft. Lauderdale**	4,233.3	838.8	404.66	76
3	**Texas Commerce Bank Dallas NA**	1,304.3	479.9	171.73	236
4	**Greenwood Trust Co., New Castle, Del.**	2,630.7	1,048.4	150.91	127
5	**Norstar Bank NA, Buffalo, N.Y.**	2,954.1	1,214.9	143.15	111
6	**First RepublicBank Houston NA**	3,221.8	1,438.5	123.96	102
7	**First Bank NA, Minneapolis**	11,481	5,826.9	97.04	19
8	**Hibernia National Bank, New Orleans**	4,130.5	2,177.6	89.68	79
9	**United Bank & Trust Co., Hartford, Conn.**	1,459.0	774.7	88.33	214
10	**Lomas Bank USA, Wilmington, Del.**	1,030.4	585.6	75.94	289

Top 10 Deposit Losers

	(Dollar Amounts in Millions)	Deposits 12/31/87	Deposits 12/31/86	Percent Increase	Bank Rank
1	**First Interstate Bank of Texas NA, Houston**	1,824.1	2,886.9	36.81	180
2	**Imperial Bank, Los Angeles**	1,463.0	2,188.5	33.15	213
3	**Liberty Nat'l Bank & Trust Co., Oklahoma City**	1,228.5	1,793.6	31.50	251
4	**First City National Bank, Houston**	2,462.0	3,324.7	25.95	136
5	**Barnett Bank of Southwest Florida, Sarasota**	1,397.6	1,878.8	25.61	225
6	**United States Trust Co., New York**	1,985.4	2,391.6	16.98	169
7	**Louisiana National Bank, Baton Rouge**	1,071.7	1,257.7	14.79	278
8	**Mitsui Manufacturers Bank, Los Angeles**	1,431.8	1,679.7	14.76	217
9	**State Street Bank & Trust Co., Boston**	4,540.7	5,254.9	13.59	70
10	**Bank Leumi Trust Co., New York**	2,265.9	2,616.2	13.39	150

State Totals of the Top 300 Commercial Banks

No. of Banks		Total Deposits	No. of Banks		Total Deposits	No. of Banks		Total Deposits
4	**Alabama**	$12,757,054,000	1	**Kansas**	1,135,488,000	8	**North Carolina**	38,130,544,000
1	**Alaska**	1,419,619,000	4	**Kentucky**	8,659,648,000	16	**Ohio**	44,176,452,000
4	**Arizona**	20,525,900,000	5	**Louisiana**	10,201,017,000	2	**Oklahoma**	2,792,612,000
19	**California**	190,568,135,000	1	**Maine**	1,255,010,000	2	**Oregon**	10,502,479,000
3	**Colorado**	4,293,289,000	9	**Maryland**	24,791,540,000	18	**Pennsylvania**	72,739,567,516
6	**Connecticut**	22,771,640,000	11	**Massachusetts**	56,245,053,000	4	**Puerto Rico**	9,357,458,000
10	**Delaware**	15,552,045,000	6	**Michigan**	32,851,676,000	2	**Rhode Island**	7,437,478,000
4	**District of Columbia**	11,748,070,000	3	**Minnesota**	16,443,284,000	3	**South Carolina**	8,121,450,000
18	**Florida**	57,926,448,000	4	**Mississippi**	7,211,758,000	2	**South Dakota**	3,273,421,000
6	**Georgia**	23,683,069,000	9	**Missouri**	16,890,253,000	6	**Tennessee**	13,739,684,000
2	**Hawaii**	8,111,412,000	1	**Nebraska**	1,136,829,000	15	**Texas**	42,764,431,000
2	**Idaho**	3,584,640,000	2	**Nevada**	4,379,718,000	2	**Utah**	4,338,538,000
7	**Illinois**	64,420,527,000	22	**New Jersey**	44,259,182,706	8	**Virginia**	32,976,181,000
5	**Indiana**	10,259,946,000	1	**New Mexico**	1,402,146,000	6	**Washington**	22,221,501,000
1	**Iowa**	1,001,917,000	32	**New York**	455,139,281,720	3	**Wisconsin**	5,863,993,000
							Top 300 Banks	$1,449,055,036,400

Comparison of Commercial Banks' Deposit Totals

By Groups, as of December 31, 1987, Compared with Previous Years

U.S. Banks' Deposits	12/31/87	12/31/86	12/31/85	12/31/80	12/31/75	12/31/70	12/31/65
Top 10	498,151,061,000	497,066,747,000	473,603,973,000	420,907,391,000	256,052,629,037	126,195,417,703	75,405,204,346
Top 25	698,001,612,000	685,680,796,058	653,889,100,000	565,575,179,816	340,247,013,573	176,216,290,596	107,255,073,084
Top 50	879,430,681,000	853,073,452,058	804,291,688,000	659,490,311,939	399,981,699,789	213,986,458,681	132,296,637,137
Top 100	1,096,794,210,000	1,056,522,011,058	984,658,340,412	759,730,492,039	461,006,495,233	255,693,371,152	160,782,537,295
Top 200	1,325,287,079,764	1,270,976,479,278	1,175,306,238,835	864,298,820,563	528,354,528,436	300,370,439,821	191,534,427,136
Top 300	1,449,055,036,400	1,388,490,663,258	1,282,211,865,264	923,193,028,707	566,136,238,170	324,308,997,030	208,192,426,631
All Other Banks	883,617,963,600[1]	870,566,336,742	831,242,745,292	560,244,871,432	352,998,401,769	204,973,915,688	131,970,379,501
All Banks	2,332,673,000,000[1]	2,259,057,000,000	2,113,454,610,556	1,483,437,890,139	919,134,639,939	529,282,912,718	340,162,808,132
Number of Banks[2]	13,797	14,234	15,235	14,763	14,629	13,686	13,804

Deposit data for commercial banks compiled by American Banker from bank statements and replies to questionnaire. (1)—Preliminary data from the FDIC Quarterly Banking Profile. (2)— Data are from the FDIC. Prior to 1986, the count included both insured and uninsured. The counts for 1986 and 1987 are for FDIC-insured commercial banks only.

Equity Capital at Top 300 Banks

Dec. 31, 1987, compared with Dec. 31, 1986

	12/31/87	12/31/86	% Chg.
Top 100 Banks	71,242,652,000	77,352,750,914	—7.9
Second 100 Banks	18,095,327,260	16,275,128,754	+11.2
Third 100 Banks	10,647,954,932	9,752,306,593	+9.2
Total for Top 300 Banks	99,985,934,192	103,380,186,261	-3.3

Equity capital is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. In addition, for large banks, equity capital includes the cumulative foreign currency translation adjustments. The 1987 figures are for the top 300 banks in deposits on 12/31/87. The 1986 figures are for the top 300 banks in deposits on 12/31/86.

Source of Data: Data were compiled by American Banker

Top 300 Banks in Assets

Dec. 31, 1987, compared with Dec. 31, 1986

	12/31/87	12/31/86	% Chg.
Top 100 Banks	1,517,689,424,000	1,487,120,964,041	+ 2.1
Second 100 Banks	298,857,304,217	277,078,157,621	+7.9
Third 100 Banks	155,416,333,817	146,309,212,664	+6.2
Total for Top 300 Banks	1,971,963,062,034	1,910,508,334,326	+ 3.2

Deposit-Taking Institutions

Total deposits in 1987 compared with 1986 (dollar amounts in billions)

Type of Institution		Number of Institutions	Total Deposits
Commercial Banks — FDIC Insured	12/31/87:	13,797	$2,332.7
	12/31/86:	14,234	$2,259.1
	Change 1986-1987:	-437	+ 3.3%
Savings & Loan Assns. — FSLIC Insured	12/31/87:	2,648	$729.4
	12/31/86:	2,811	$732.5
	Change 1986-1987:	-163	- 0.4%
Savings Banks — FSLIC Insured	12/31/87:	499	203.2
	12/31/86:	409	157.9
	Change 1986-1987:	+90	+28.7%
Savings Banks — FDIC Insured	12/31/87:	320	170.9
	12/31/86:	338	164.8e
	Change 1986-1987:	-18	+ 3.7%
Credit Unions	12/31/87:	16,193	167.6
	12/31/86:	16,910	152.7
	Change 1986-1987:	-717	+9.8%
All Deposit-Taking Institutions	12/31/87:	33,457	3,603.8
	12/31/86:	34,702	3,467.0
	Change 1986-1987:	-1,245	+ 3.9%

Compiled by American Banker. All data for 12/31/87 are preliminary and subject to revision. **Data sources:** (1) Data for **FDIC-insured commercial banks** are provided by the Federal Deposit Insurance Corp., Washington, D.C. The number of banks includes: nationally chartered banks; state member banks of the Federal Reserve System; and state nonmember banks. (Non-FDIC insured banks are not included.) (2) All the data for **FSLIC-insured savings and loan associations and savings banks** are from the Federal Home Loan Bank Board, Washington, D.C. (3) Data for **FDIC-insured savings banks** provided by the National Council of Savings Institutions, Washington, D.C. (4) All data for **credit unions** provided by Credit Union National Association, Madison, Wisconsin. **(e)**– Estimated by *American Banker*.

Deposits in Southeast, New England Gain over Five-Year Period

→ Continued from Page 1

data base.

During the period studied, from yearend 1982 to yearend 1987, the economy of the Southwest was severely weakened by a sharp drop in oil prices. Banks in the region — comprising Colorado, Louisiana, New Mexico, Oklahoma, Texas, and Utah — experienced problems with energy-related and real estate loan portfolios. As a result, the region's representation among the top 300 commercial banks fell to 28 banks in 1987 from 44 in 1982.

Banks based in Oklahoma and Texas were especially hard hit. Twelve of the 16 southwestern banks that dropped out of the listing were from these states — nine from Texas and three from Oklahoma. Last year, only 15 Texas banks and two Oklahoma banks ranked among the top 300 commercial banks in deposits. As a result, the Southwest banks' share of the top 300 banks' total deposits fell to 4.5% in 1987 from 7.3% in 1982.

The share of deposits held by western banks was greatly affected by the problems of Bank America, San Francisco. Bank of America's deposits fell by $24.8 billion, or 26%, from $95 billion in 1982, when it ranked as the nation's top deposit-taking institution, to $70.2 billion last year, when it ranked second. Thus, over the five-year period, the aggregate deposits of the large banks in this region rose by only 5%, and the share of deposits in the West fell to 18.1% from 23.6%.

Bank deregulation helped create new large banks in the Southeast. For example, two Charlotte, N.C.-based superregional banking firms — the $28.9 billion-asset NCNB Corp. and the $27.6 billion-asset First Union Corp. — moved across state lines to establish large commercial bank subsidiaries in Florida and Georgia.

Top Banks, by Region

Number of banks in top 300

	1987	1982	Change
Mid-Atlantic	99	93	+6
Midwest	58	56	+2
Southeast	57	52	+5
West	38	39	−1
Southwest	28	44	−16
New England	20	16	+4

Source: American Banker

In 1982, NCNB acquired Gulf Stream Banks Inc., Boca Raton, Fla., and merged Gulf Stream's small bank subsidiaries into one — a $737 million-deposit bank called Gulf Stream Bank NA, Boca Raton. Since 1982, NCNB has used the bank to consolidate its Florida acquisitions: Exchange Bancorp. Inc., Tampa, in 1982; Ellis Banking Corp., Bradenton, in 1984; and Pan American Banks Inc., Miami, in 1985. The bank — now called NCNB National Bank of Florida, Tampa — is Florida's second largest and the nation's 41st largest with deposits of $6.8 billion on Dec. 31.

In March 1986, First Union acquired the $41 million-deposit Citizens DeKalb Bank, Clarkston, Ga. Later that year, First Union acquired Georgia State Bankshares Inc. and First Railroad & Banking Company of Georgia. Last year, the subsidiary banks of these companies were merged into Citizens DeKalb to form $3.2 billion-deposit First Union National Bank, Atlanta, the state's fourth largest and the nation's 101st largest.

Over the five-year period, the Southeast's representation in the top 300 rose by five banks to 57. And the southeastern banks' share of the top 300 banks' deposits increased substantially to 13.4% in 1987 from 7.9% in 1982.

While a weak economy caused the demise of many top banks in the Southwest, a strong economy and deregulation helped make New England banks larger. Deposits acquired through merger helped First National Bank, Boston, increase its deposits 55% over the period to $17 billion, as it moved up to 12th position from 17th place. Acquisitions also helped Bank of New England NA, Boston, post a 227% increase in deposits, as it moved to 25th place with $9.4 billion in deposits, up from 61st place five years earlier.

The region also was home to the fastest growing bank in the top 300 over the past five years, Boston Safe Deposit & Trust Co. The bank's deposits increased more than 26-fold between yearend 1982, when it ranked 400th in deposits with $430 million, and yearend 1987, when it ranked 20th with $11.4 billion in deposits.

The bank began offering money market deposit accounts for Shearson/-American Express clients in 1983. Corresponding with the increase in deposit-taking was an expansion of high net worth personal loans, including mortgage loans, to the company's existing trust clients and other customers in New England. Among banks and bank holding companies, Boston Safe was the 16th most profitable in the nation last year, earning $135.7 million, up 15.2% from 1986 when it ranked as the 34th most profitable banking firm.

New England Banks Move Up

New England banks increased their representation among the top 300 banks, to 20 banks last year from 16 banks in 1982. And New England banks held 6.1% of the top 300 banks' deposits at yearend, compared with 3.5% in 1982.

Changes in state banking laws were also a factor in the increase in the number of large banks in the Mid-Atlantic region. For example, the state of Delaware passed the Financial Center Development Act of 1981, which permitted out-of-state banking firms to enter Delaware and establish commercial bank subsidiaries. Today, six banks established under the act rank among the top 300 in the nation, and Delaware has doubled its representation in the top 300 to 10 banks in 1987.

The six banks established under the 1981 act that rank among the top 300 are Bank of New York (Delaware), Wilmington, at 174th with $1.9 billion in deposits on Dec. 31; Manufacturers Hanover Bank (Delaware), Wilmington, at 216th with $1.44 billion in deposits; Chase Manhattan Bank (USA) NA, Wilmington, 227th with $1.38 billion; Morgan Bank (Delaware), Wilmington, 239th with $1.3 billion; Maryland Bank NA, Newark, 268th with $1.1 billion; and Lomas Bank USA, Wilmington, 289th with $1.0 billion.

Delaware was also the home of the fastest growing bank in the top 300 last year. Bank of New York (Delaware) — a special-purpose subsidiary of Bank of New York Co. that was established on Dec. 31, 1983 — posted a ninefold increase in deposits. It moved to 174th with $1.9 billion in deposits, compared with $217.3 million in deposits and a ranking of 1,055th at yearend 1986. The bank handles credit card operations for the Bank of New York Co.

A special-purpose bank, as defined for survey purposes, has a commercial bank charter, but it makes few or no commercial loans. In most cases, the bank is used by its parent company to handle particular functions, such as credit card operations, and to take advantage of higher usury ceilings and tax benefits.

Banks in the Mid-Atlantic states increased their representation among the top 300 to 99 banks last year from 93 banks in 1982. The banks in the region held 43.7% of the top 300 banks' deposits at yearend 1987, compared with 43.2% five years ealier.

In the heart of the Midwest, changes in Missouri's banking law with respect to "facilities" — the state's equivalent of branches — caused a spate of mergers as multibank holding companies in Missouri consolidated. In 1983, banks were permitted to acquire facilities within the same county. In 1984, the law allowed banks that merged to keep their existing facilities and include the acquired bank as a facility as well. And in 1985, the law permitted the establishment of facilities in adjacent counties. Last year, nine Missouri banks ranked among the top 300, compared with six in 1982.

Deposit growth in the Midwest, however, was dampened by the problems of Continental Illinois National Bank and Trust Company of Chicago. Continental's deposits fell 31% over five years to $19.7 billion at yearend 1987. It now ranks as the nation's 11th largest bank, down from seventh place in 1982. As a result, although the Midwest increased its representation among the top 300 from 56 banks in 1982 to 58 banks last year, its share of deposits fell to 14.2% last year from 14.5% in 1982.

Banks in the Mid-Atlantic states increased their representation to 99 banks in the top 300 last year from 93 in 1982. These banks now hold 43.7% of the top 300 banks' deposits, compared with 43.2% in 1982. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our rankings of commercial banks meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the feature to make it more useful? What would you add?

(2.) What do you like **best** about the feature?

(3.) What do you like **least** about it?

(4.) How do you use the rankings in your work?

Name (optional)________

Title________

Company________

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Supervisors Group Accredits Indiana

WASHINGTON — Indiana's Department of Financial Institutions last week became the 11th state banking department to be accredited by the Conference of State Bank Supervisors, a national trade association.

The conference began a program in December 1984 to assure that all state banking departments adhere to supervisory and regulatory standards. The group's goal is to prove that states are capable of handling expanded responsibilities, as financial services companies gain new powers.

The two-phase accreditation process takes about four months, according to association vice president Joseph E. Jones. The first phase is a self-evaluation by the state banking agency, followed by a review by the conference's performance standards committee.

Several states are working toward certification, trying to improve their performance or their statutory authority, Mr. Jones said. At least two states have advanced to the second stage, he said. ■

Prudential Pulls Plug on Loan Securitization Unit

By ANDREW ALBERT

NEW YORK — Prudential Insurance Cos. of America has ended its financial commitment to Dryden Guaranty Corp., a subsidiary that planned to employ its financial guarantees to securitize commercial loans.

The move was seen as a potential setback for the asset sales field. But Dryden's chief executive officer, Tim Freestone, said he has been contacted by outside institutions that might want to invest in his venture.

Prudential provided Dryden with $100 million in capital. The insurance company based in Newark, N.J., decided earlier this month that it no longer wanted to be in the financial-guarantee business, according to Edward Baird, a vice president of enterprise planning.

"We want to make sure we are putting our capital and other resources into our core business — and it was becoming increasingly clear that [Dryden] was not part of that core," Mr. Baird said in a telephone interview. Dryden was incorporated as a subsidiary in late 1985.

Prudential recently announced that it lost $164 million in 1987. The company notified Dryden's 25 employees last week that it would no longer support the subsidiary.

Some of those employees are expected to be reassigned to other parts of the parent company. Dryden will be officially dissolved as a subsidiary on April 8.

Dryden ran into repeated delays in attempting to complete its first transaction, and eventually its parent company lost patience. "They are still very much in the developmental phase," Mr. Baird said.

Mr. Freestone estimated that his unit, after paring, would need an investment of about $3 million to keep it operating for the remainder of 1988.

By the end of the year, the unit would need a capital infusion equal to the $100 million that had been furnished by Prudential.

Mr. Freestone said six banks had shown a keen interest in securitizing their assets through Dryden — evidenced by their willingness to provide Dryden with detailed data about loans to be sold. ■

3/28/88

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Today

Chemical Bank's plan to pull out of retail mortgage lending in Britain is a setback for the young securities market and a sign of difficulties for U.S. banks in the mortgage business in Europe. 2

Iowa is near a settlement with a Delaware bank on a suit challenging the institution's right to charge Iowa residents larger fees than those permitted under Iowa law. 2

BayBanks Inc. has agreed to drop an antitrust suit against New England Network Inc. in what appears to be a BayBanks victory. New England Network, operator of the Yankee 24 automated teller machine network, in return has agreed not to charge a fee that would have been levied on certain transactions. 2

Continental Illinois is starting a commercial paper unit, to be headed by Chemical Bank veteran Gerard LaMaita. 2

A report critical of Freddie Mac's deal to buy repurchase agreements from American Savings and Loan Association is causing a stir 2

Irving Bank Corp. must offer details about possible alternatives to an acquisition by Bank of New York or its stock price will fall, analysts warn. 3

Debate raged at the National Automated Clearing House Association's conference over how much to spend on advertising, whether existing technology can accommodate anticipated growth in transaction volume, and what role the payment system will play in electronic data interchange. 32

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COMMENT

An investment in housing can no longer be counted on to increase in value, writes Dr. Paul S. Nadler. 4

The tight money policy of Federal Reserve Chairman Alan Greenspan may undermine the presidential candidacy of George Bush, unless the Fed relents in time to stimulate some good news before the November election, writes H. Eric Heinemann. 4

NEWS MONDAY

Draft legislation unveiled by House Banking Committee Chairman Fernand J. St Germain is outlined, including the limited securities powers granted banks and their holding companies. 21

The Comptroller's office should take a more active role in trying to solve international debt problems, according to the agency's new deputy for international banking. 21

Worth Repeating

Frankly, I've never believed that there is a white knight out there, and I'm still not convinced there is.

Lawrence W. Cohn, banking analyst with Merrill Lynch Capital Markets Group, on Irving's predicament. [Page 1]

Recent Government Assistance Raises Fears of Intervention

By ROBERT TRIGAUX
Washington Bureau

News Monday begins on page 19

Washington Briefing

Blanket guarantees to the depositors and creditors of Dallas-based First RepublicBank Corp.'s 73 banks and to California's American Savings and Loan Association have revived fears of government intervention in the financial industry.

But no one seems sure what to do about it.

A few things are sure, according to banking observers.

First, the number of banks generally believed to be "too big to fail" has grown to more than two dozen, while the size of such banks is declining and is now in the $20 billion-asset range. After the $4.5 billion government rescue of $41 billion-asset Continental Illinois Corp. in 1984, it was generally believed that only the dozen largest banks could generate risk to the industry as a wholeand were judged too big to fail.

"We know from First Republic that the TBTF [too big to fail] size is down to the $30 billions, and I'd estimate it is

Briefing: Page 20 ➜

FDIC Will Try to Recover Its Expenses In Some Cases of Open-Bank Assistance

By RICHARD RINGER
Midwest Bureau

CHICAGO — The Federal Deposit Insurance Corp. will seek, in some instances, refunds on the money it disburses to banks to keep them from failing.

The payback will be made either when an FDIC-assisted bank is sold or after the bank's capital level has been restored to a higher level.

The FDIC confirmed last week that it would institute refund procedures. An agency spokesman, Alan J. Whitney, said the FDIC is negotiating refund contracts with two banks in the Southwest that have reached an agreement in principle to obtain open-bank assistance. The contracts could be completed in the next few months, he said.

The refund provision is not included in the assistance package arranged for First City Bancorporation of Texas, Houston, or in the FDIC's agreement to provide assistance to First RepublicBank Corp., Dallas.

The refund procedure would allow the FDIC to share in the future profits or resale of banks that are given financial assistance under the agency's open-bank program.

The FDIC began the program of contributing funds to banks in danger of failing as a less costly alternative to liquidating the assets of a failed bank.

Not all banks that obtain open-bank assistance will be required to make the refunds. And the amount to be repaid will be determined on a case-by-case basis, Mr. Whitney said.

Last year, the FDIC approved nine assistance transactions that included 19 banks. So far this year, it has arranged seven transactions involving eight banks.

FDIC: Page 28 ➜

Morgan's Role In Merger Pits It Against Client

Customer Is Angered; A Thorny Issue for Bank

By JED HOROWITZ

CORPORATE FINANCE

NEW YORK — In a new twist on a continually knotty issue, Morgan Guaranty Trust Co. is helping one client buy a firm that another Morgan client agreed to purchase.

A spokeswoman for SmithKline Beckman Corp., the Philadelphia pharmaceutical giant, confirmed that Morgan is financial adviser and dealer-manager on its $32-per-share bid to buy International Clinical Laboratories Inc.

The rub is that Corning Glass Works — a long-time Morgan customer — announced a definitive agreement two weeks earlier to buy the Nashville-based laboratory services company for $26 a share. And it hired the New York bank as its exchange agent on the deal.

Corning officials were surprised by the rival bid and outraged by Morgan's role. They learned of the tender offer last Thursday, through newspaper notices that identified Morgan as dealer-manager.

"You can imagine what it might be," said Stephen Albertalli, director of investor relations at the upstate New York manufacturer, when asked for a reaction. "I just don't use four-letter words over the phone."

Mr. Albertalli would not comment on whether the bank would sever its relationships with Morgan, which he described as one of Corning's "major banks for many years." Corning has a revolving credit line and other facilities with Morgan, he said.

Whatever the outcome of Corning's

Morgan: Page 31 ➜

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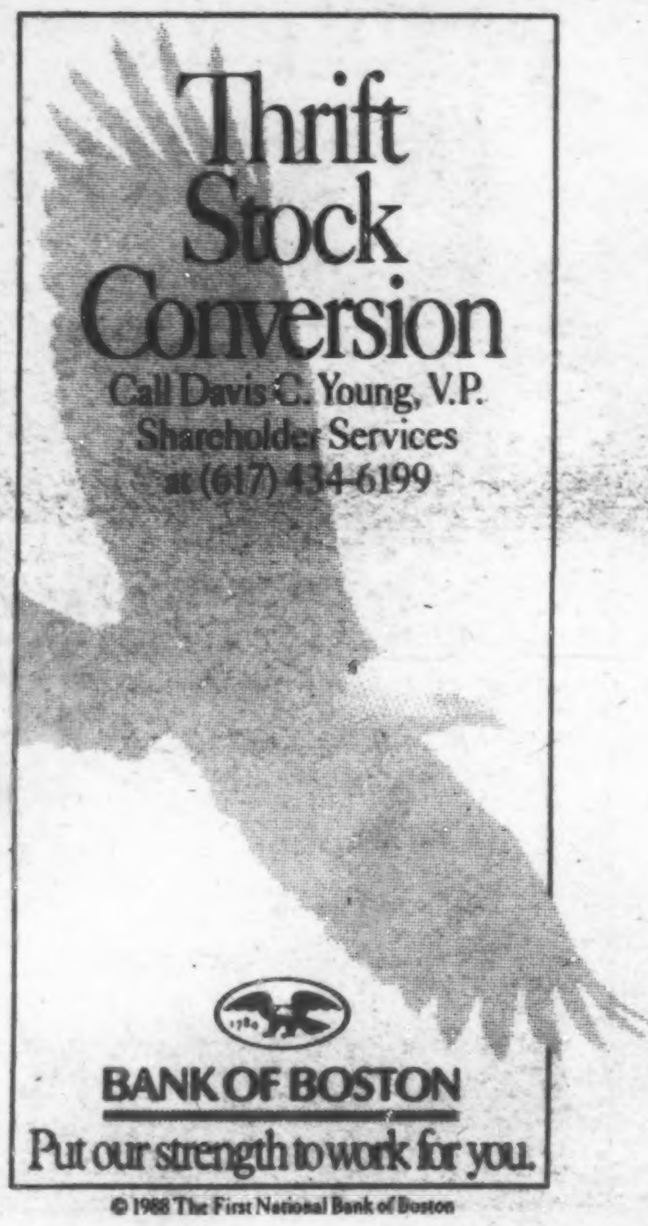

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IN THE NEWS

Peru Approves Debt Swaps

LIMA — Peru approved a $94 million debt-for-products swap with Chase Manhattan Bank that is said to be the biggest yet reached with a foreign commercial bank. Chase is Peru's largest foreign bank creditor with exposure of more than $200 million. The deal announced last week covers Chase's working capital loans to Peruvian banks and does not include medium- and long-term syndicated credits. Chase Trade Inc., the bank's trading company, will market the goods obtained in the swap.

Peruvian officials also approved a $59 million debt-for-products swap with a Czechoslovakian bank. Similar deals are being worked out with American Express Bank and the First National Bank of Maryland.

Citicorp Securities Unit Fires 17

NEW YORK — Vickers da Costa Securities, Citibank's New York-based broker of international equities, has fired 17 staff members in research, sales, and operations. Earlier this year Vickers disbanded its trading desk. Firings occurred in the last two weeks. The 68 people remaining at the firm will concentrate on selling research related to overseas markets, a spokesman said.

After the October stock market crash, Citibank increased its stake in the New York broker to 100% from 4.9%, forcing it to curb plans to be a market-maker in the United States for overseas stocks. The Glass-Steagall Act prohibits banks from acting as a principal in dealing equities.

Two Oklahoma Banks Fail

WASHINGTON — The nation's bank failure total stood at 43 on Friday after two banks were closed in Oklahoma. Century Bank, Tulsa, failed on March 24. The Fourth National Bank of Tulsa stepped in and assumed $69.4 million in 13,800 of the failed bank's deposit accounts. Cashion Community Bank, Cashion, also failed. Its $6.4 million in deposits were assumed by Community State Bank, a newly chartered subsidiary of Warrior Bank Corp., also of Cashion. With these two failures, five banks have been closed in Oklahoma in 1988.

Oregon Thrifts to Merge

HILLSBORO, Ore. — Washington Federal Savings Bank, with $197 million in assets, has reached an agreement to acquire Oregon Pioneer Savings and Loan Association, Portland, which has $159 million in assets. The cash deal could cost Washington Federal up to $7.6 million.

— Compiled by Dennis P. O'Connell

Correction

As of Dec. 31, 1987, Bank Leumi Trust Co., New York, had total deposits of $2,625,936,000, making it the 128th largest bank in the United States and the 21st largest in New York State. The bank's deposits rose 0.4% last year.

In the listing of the top 300 banks in the United States [March 22, pages 45-54], the wrong deposit figure was stated for Bank Leumi. As a result, the bank's ranking was understated for both the nation and New York State. In addition, the bank was incorrectly listed among banks with deposit losses last year. ■

Irving Bank Must Detail Its Options, Analysts Say

Without a White Knight, Stock Price Could Go Below Bank of New York's Offer

By GORDON MATTHEWS

NEW YORK — Irving Bank Corp. must quickly offer specific details about its alternatives to an acquisition by Bank of New York Co. or its stock price may again fall below the offer now being made by its Wall Street rival, according to banking industry securities analysts.

"It's only reasonable to assume there will be further announcements over the next week or so making clear what they are doing," said Lawrence W. Cohn, money center banking analyst for the Merrill Lynch Capital Markets Group. "If not, the stock will drift back down under the offering price, to Bank of New York's advantage."

Irving sparked a sharp advance in its stock last week when it informed the Securities and Exchange Commission it was in preliminary discussions with third parties about choices other than a combination with Bank of New York, which is currently waging a proxy contest for control of Irving.

The Schedule 14D-9 disclosure to the SEC last Thursday prompted Irving's stock price to jump $6.625, closing at $66.25 on volume of nearly 1.4 million shares. Bank of New York is currently offering $60 per share in cash and stock for Irving.

The analysts could offer no guesses about likely friendly bidders for Irving. "I really have difficulty figuring out who it could be," said James H. Wooden, the principal analyst for Shearson Lehman Hutton Inc., New York.

Involvement by major Japanese banks was viewed a remote possibility by James L. Winchester, an analyst at Mabon Nugent & Co., New York. "I think the corporate cultures at the Japanese banks and at Irving are probably very dissimilar," he said.

"The rumors are interesting, and analysts can certainly be surprised, but I don't have a clue as to who it would be," said Thomas K. Brown, banking analyst at Smith Barney, Harris Upham & Co., New York.

Irving's statement to the SEC did not say it had a friendly bidder. The statement said the company was in negotiations to explore options and listed them as a merger or reorganization, a deal involving the securities or assets of the company, a tender offer, or a revamp-

Irving: Page 31 ➸

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BANKING TRENDS

Housing Is No Longer a Risk-Free Investment

By DR. PAUL S. NADLER

HOW CAN MY CLIENTS buy homes when they don't go up in price steadily? There is no other way they can afford them." This was the complaint of a real estate agent at a bank meeting I participated in recently.

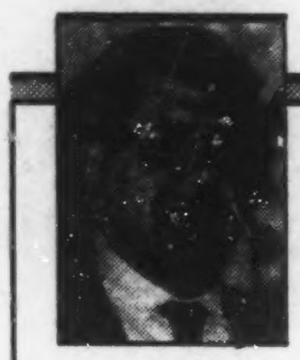
There was a general feeling among the real estate agents and others connected with the building industry that something is radically wrong when houses drop in price or even remain static in value. In the past, virtually everything a property buyer purchased went up in price and vindicated the investment and borrowing of the funds.

At first, one can look at this type of thinking and laugh. Everything else goes down in value as time passes. Cars wear out. We wear out. Why should housing keep rising in value year after year?

There are several answers to this.

First, we have had tax laws that encouraged people to go into debt to buy houses; the government ate up a large part of the carrying charges.

Second, we had a financial structure that kept interest rates artificially low, so that savers were penalized to reward borrowers — even though in many cases the borrower was far richer than the saver. It always annoyed me that savers were given artificially low rates under Regulation Q — even though many were hardworking people who set aside just $10 or $20 a week — while the borrowers, who often bought the expensive home in the suburbs, could get a low interest rate — and a tax-deductible one, too!



Nadler Says:

Housing cannot be a fair-haired boy forever. Laws, low interest rates, and inflation will not protect housing from the basic fact that every other industry knows: Prices can go down as well as up.

Third, because of cheap money and the expectation that housing would always go up in value, we had a self-fulfilling prophecy — people would buy houses instead of renting them; families would split, with unmarried children buying a home instead of sharing a home with their parents; and many people would buy houses for speculative reasons and rent them to others. It was always a case of "don't sit with rent receipts. Buy a home and watch it rise in value."

Deregulation Ends Subsidization

What changed all this?

We have seen that deregulation has altered our financial structure. Today, in real, after-inflation terms, interest rates are higher. The saver has become tired of subsidizing the borrower. As Reg Q tried to maintain this subsidization, the saver often left a bank or thrift and went to a money fund, where he could get a going return on his funds. Banks and thrifts thus had to get the laws changed to allow the saver to get a decent return with them, or else watch the demise of our deposit-type financial institutions.

So money now costs a lot more to borrow on an after-inflation basis than it did before. And those who counted on the rise in the value of property to far more than offset the carrying costs have been proven sadly out of date.

We have also seen sheer economics hurt home investors. People who lost their jobs in the Oil Patch or because of changes on Wall Street no longer could afford to carry two or three houses. Their selling led to a decline in house prices that fed upon itself, just as the rise fed upon itself. Speculators had seen price advances and rushed to get on board, pushing prices up even faster. In like manner, their recent sales, following early price declines, pushed prices down even further.

What we have learned, then, is that housing cannot be a fair-haired boy forever. Laws, low interest rates, and inflation will not protect housing from the basic fact that every other industry knows: Prices can go down as well as up.

And it is not just in housing that we have finally realized this. Many business people also criticized inflation but lived on its benefits.

It was nice to know that whatever inventory you bought, it would always go up in value over time if you couldn't sell it right away. And it was nice to lend money with the same knowledge that inflation would bail out any bad lending decision.

Now we see that inflation is no longer our safety net. The cost of carrying inventory, houses, factories, and the like often exceeds any rise in value of the property, and in some areas we have seen tangible asset values fall markedly.

Inflation Not Inevitable

What has to be realized is that inflation is not an inevitable state of affairs in our nation. This is something that people who entered the world of finance in the past 10 years, when inflation reached 18½% a year, sometimes forget.

Our high inflation stemmed from several factors:

- Staggering rises in energy prices.
- Heavily mandated spending in environmental areas.
- A feeling in all sectors of, "I believe in free enterprise, just keep out the lousy competition." This led to steady wage and price increases as all of us lived under protection from market decisions.
- Finally, we had the heavy budget deficits that had to be financed in part by creating new money.

Now, three of the four are gone. Energy prices are stable — they even fell. Environmental spending has stabilized. Deregulation and the attitude seen in the firing of the air traffic controllers have made all prices and wages more sensitive to the dictates of the marketplace.

The budget deficit remains. But because of our luck in having foreigners finance much of it with their dollar surpluses, it has not been enough of a factor to lead to continued rampant inflation.

So today, if we look to inflation to bail us out of investments in hard goods and especially real estate, we are fighting the last war. We are operating under the assumption that prices will always rise rapidly enough to more than compensate us for the cost of financing the purchases we have made. This is an assumption that we can no longer accept with impunity.

So how do we respond to the real estate agent who says: "How can anyone afford to buy a house if it doesn't go up in value enough to offset the cost of financing it?"

We have to answer that maybe in housing we have finally come to our senses and recognized that if you can't afford it, you can't have it — something we have always known in other areas.

Housing has long been our favored sector. We have made money available for housing in good years and bad, through tax benefits, interest rate subsidization, and various government programs. The result was, as some observers have put it, "We have new houses and old factories, Japan has old houses and new factories."

And what we have now learned is that, basically, the efficient factories and service facilities are prerequisites for being able to afford the new houses.

It may be tough on real estate agents, home buyers, and investors to see housing join the rest of our funds outlets as an investment that does not have guaranteed profitability. But it is a fact of life that can be forgotten only at the peril of those who buy the homes and those who lend the money to pay for them. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

OVERVIEW

Greenspan's Tight Money May Hurt Bush

By H. ERICH HEINEMANN

WALL STREET is not a happy place at the moment. Prices of common stocks, bonds, and the dollar have all crumbled under the weight of vaguely defined worries that all is not well with the world. The source of the malaise was not hard to find: renewed tight money.

Unless Federal Reserve Chairman Alan Greenspan relents soon, Vice President George Bush can look forward to an uphill struggle for the White House in the fall.

During the winter, Mr. Greenspan pegged short-term interest rates at roughly 6.5%. However, the demand for credit has weakened — far more than the money managers at the central bank assumed.

Reports last week of higher gross national product and increased personal consumption were illusory. In fact, GNP this winter appears to have run at a rate slightly below that of the fourth quarter; the threat of recession has not been erased.

To prevent interest rates from falling, the Federal Reserve has had to reinstate the monetary freeze it imposed on the U.S. economy during most of 1987. In retrospect, tight money appears to have been the single most important cause of the stock market crash on Oct. 19.

Preliminary data suggest that total bank reserves — the raw material that fuels the money supply — will average about $58.5 billion in March. If that estimate is correct, the annual growth rate of total reserves over the last 10 months was only two-tenths of one percent. By contrast, during 1986, total reserves jumped by more than 20%.

The 20% growth rate in total reserves during 1986 was far, far too high. If continued, it certainly would have unleashed powerful inflationary forces. By the same token, a growth rate of two-tenths of one percent is much too low to sustain the economic expansion. The crack in the stock market last October was ample testimony to that conclusion.

The U.S. dollar is very unlikely to post sustained declines in the face of the substantial improvement in the U.S. merchandise trade deficit that is currently under way. However, if the Fed sets off on a quixotic mission to "defend" the dollar (presumably against the forces of evil that lurk above the ozone layer), monetary growth would drop to even lower levels. The threat of a serious recession would increase.

Vice President Bush can rest easy. The Fed would only shut down the economy if Mr. Greenspan had secretly signed on as *agent provocateur* for the Democratic National Committee. But that certainly is NOT the case.

Wrong Time for Tight Money

The Fed's shift back to tight money appears to have been inadvertent. Even so, irrespective of whether Mr. Greenspan and his colleagues intended to tighten, another round of monetary restraint and a sharp downturn in business are the last things the U.S. needs just now.

Despite a lot of happy but careless talk about renewed vigor in total

Overview: Page 13 ➸

Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., New York, investment bankers, and a member of the Shadow Open Market Committee.

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MERGERS AND ACQUISITIONS

Acquisitions, Name and Location Changes

Among Top 300 Banks in Deposits on Dec. 31, 1987, Listed Geographically

Deposit Rank 12/87	Name of Acquiring Bank	Former Name of Bank, or City	Name of Bank Acquired	Deposits of Merged Banks 12/31/86	Date of Change
141	**Central Bank of the South, Birmingham**		Central Bank, Cabaha Heights	NA	Dec. 12
			Central Bank-Shelby County, Birmingham (a)	NA	Dec. 12
89	**First Alabama Bank, Montgomery**		Enterprise Banking Co., Enterprise	146,756,000	Apr. 3
			Albertville National Bank	55,916,000	Oct. 24
			First Alabama Bank, Prattville	NA	Oct. 24
220	**National Bank of Alaska, Anchorage**		Alaska National Bank of the North, Fairbanks	187,440,000	Oct. 23
81	**Arizona Bank, Phoenix**		Bank of Prescott	20,778,000	Apr. 3
			State Bank, Lake Havasu City	70,026,000	Jun. 19
13	**First Interstate Bank of California, Los Angeles**		First Interstate Central Bank, Willows	NA	Jan. 1
7	**Security Pacific National Bank, Los Angeles**		First Sierra Bank, Bishop	20,292,000‡	Jan. 23
			Diablo Bank, Danville	125,370,058	Mar. 1
103	**Bank of California NA, San Francisco**		Bank of Palm Springs	124,328,633	Oct. 1
256	**Bank of the West, San Francisco**		Bank of Los Gatos NA	15,876,509	Jul. 24
293	**Central Bank, San Francisco**		Delta Pacific Bank, Pittsburg, Calif.	21,992,000	Oct. 31
36	**Connecticut Bank & Trust Co. NA, Hartford**		South Windsor Bank & Trust Co.	103,268,000†	Dec. 21
214	**United Bank & Trust Co., Hartford, Conn.**		New Britain National Bank	264,170,000	Mar. 31
			Simsbury Bank & Trust Co.	199,952,000	Mar. 31
			Independent Bank & Trust Co., Willimantic	200,583,000	Mar. 31
289	**Lomas Bank USA, Wilmington, Del.**	MBank USA			Nov. 1
76	**Citizens & Southern NB of Florida, Ft. Lauderdale**	Citizens & Southern NB of Ft. Lauderdale	Citizens & Southern Bank of Pasco Cty., Elfers	59,324,000	Jan. 1
			Citizens & Southern NB of Lee Cty., Ft. Myers	811,851,000	Jan. 1
			Community NB Osceola Cty., Kissimmee	15,464,000‡	Jan. 1
			First National Bank, Seminole Cty., Longwood	13,710,000‡	Jan. 1
			Citizens & Southern Bk of Brevard, Melbourne	116,856,955	Jan. 1
			Citizens & Southern NB of Collier Cty., Naples	339,074,000	Jan. 1
			Citizens & Southern Bank, Orlando	86,164,000	Jan. 1
			Citizens & Sthn Bk of Manatee Cty., Palmetto	158,232,000	Jan. 1
			Ctzn. & So. NB of Charlotte Cty., Port Charlotte	70,191,000	Jan. 1
			Citizens & Southern NB, St. Petersburg	739,303,000	Jan. 1
			Bank of the Islands Sanibel-Captiva, Sanibel	105,800,000	Jan. 1
			Citizens & Southern National Bank, Sarasota	422,944,000	Jan. 1
			Citizens & Southern National Bank, Tampa	307,887,000	Jan. 1
			First National Bank, Winter Park	237,607,000	Jan. 1
52	**First Union National Bank of Florida, Jacksonville**		Collier Bank, Naples	33,508,803	Mar. 1
			Security National Bank, Ft. Meyers	48,938,000‡	Apr. 30
			Commerce National Bank, Naples	38,683,000	May 6
			First State Bank of Pensacola	102,674,000	Sep. 1
			First Union Bank, Sarasota	45,257,000†	Sep. 25
26	**Southeast Bank NA, Miami**		Bank of Miami	338,426,336	Apr. 16
			Southeast Bank of Walton Cty, Destin	12,521,070	Oct. 16
183	**Barnett Bk of Pinellas Cty, St. Petersburg, Fla.**	Home Federal Bank FSB, St. Petersburg (b)	Barnett Bank of Pinellas Cty NA, Clearwater	603,057,000	Jul. 27
			McNulty Banking Co., St. Petersburg	53,185,000†	Aug. 15
41	**NCNB National Bank of Florida, Tampa**		County Bank, Palmetto	159,572,000	Feb. 17
140	**Bank South NA, Atlanta**		Bank of Barrow, Winder	87,945,000	Feb. 9
			First Bank, Conyers	57,222,000	Dec. 4
31	**Citizens & Southern National Bank, Atlanta**		Citizens & Southern Bank, Carrollton	NA	Sep. 1
254	**First American Bank of Georgia NA, Atlanta**	National Bank of Georgia			Nov. 2
			First American Bank of Walton, Monroe	66,436,000	Jun. 1
101	**First Union National Bank of Ga., Atlanta**	First Union National Bank of Georgia, Clarkston	First Georgia Bank, Atlanta	828,426,000	Feb. 17
			Georgia State Bank, Mableton	165,450,148	May 15
			First Union Bank, Augusta	636,736,000	Dec. 1
			First Union National Bank, Columbus	349,566,000	Dec. 1
			First Union Bank, Macon	63,646,000	Dec. 1
			First Union Bank, Pine Mountain	36,730,000†	Dec. 1
			First Union Bank, Savannah	438,200,000	Dec. 1
			First Union Bank, Sylvania	35,891,000†	Dec. 1
			First Union Bank, Waynesboro	NA	Dec. 1
244	**Summit Bank, Ft. Wayne, Ind.**		American State Bank, Sheridan	38,741,197	Jan. 16
			Anthony Wayne Bank, Ft. Wayne	206,365,000	Apr. 30
282	**Gainer Bank NA, Gary, Ind.**		Hoosier St Bank of Indiana, Hammond	112,865,433	Mar. 1
122	**Bank One Indianapolis NA**	American Fletcher NB&T Co.			Jan. 27
79	**Hibernia National Bank, New Orleans**	Hibernia National Bank in New Orleans	Guaranty Bank & Trust Co., Alexandria	354,519,000	Jan. 1
			Hibernia National Bank, Baton Rouge	714,464,000	Jan. 1
			Hibernia National Bank, Lafayette	113,389,000	Jan. 1
			Hub City Bank & Trust Co., Lafayette	NA	Feb. 21
			Hibernia NB in Jefferson Parish, Metairie	238,625,000	Feb. 20
			Shreveport Bank & Trust Co.	98,637,617	Oct. 31
147	**Whitney National Bank, New Orleans**		Whitney National Bank, Metairie	320,628,000	May 1
133	**Bank of Baltimore**		Metropolitan FS&LA, Bethesda	424,862,000	Sep. 8
295	**Provident Bank of Maryland, Baltimore (c)**	Provident Bank of Maryland (Mutual Savings Bank)			Dec. 22
148	**Signet Bank/Maryland, Baltimore**	Union Trust Co. of Maryland			Mar. 30
222	**Citizens Bank & Trust Co., Riverdale, Md.**		Bank of Damascus	139,548,502	Jan. 30
25	**Bank of New England NA, Boston**		Hampshire National Bank, South Hadley	97,936,000	Apr. 22
			Patriot Bank NA, Boston	861,602,000	Aug. 7
			Shawmut County Bank NA, Cambridge	464,121,000	Aug. 28
			Shawmut Community Bank NA, Framingham	386,633,000	Jul. 3
			Shawmut Needham Bank NA	208,215,000	Sep. 18
			Shawmut Quincy Bank & Trust Co.	8,781,000	Sep. 18
			Shawmut Merchants Bank NA, Salem	194,777,000	Oct. 23
229	**Bank of New England-West NA, Springfield, Mass.**		Hampshire NB, South Hadley	97,936,000	Oct. 16
47	**Manufacturers National Bank, Detroit**		Manufacturers Bank of Livonia	109,836,000	May 1
			Manufacturers Bank of Novi	27,278,000	May 1
			Manufacturers Bk of the Shores, St Clair Shores	80,837,000	May 1
			Manufacturers Bank of Southfield NA	196,735,000	May 1
21	**National Bank of Detroit**		NBD Troy Bank NA	86,819,000†	Dec. 1
39	**Michigan National Bank, Farmington Hills**	Michigan National Bank-Farmington	Michigan National Bank-Ann Arbor	62,178,000	Mar. 1
			Michigan National Bank-South Metro, Dearborn	233,002,000	Mar. 1
			Michigan National Bank of Detroit	1,881,591,000	Mar. 1
			Michigan National Bank-Mid Michigan, Flint	292,872,000	Mar. 1
			Michigan National Bank-West, Kalamazoo	68,792,000	Mar. 1
			Michigan National Bank, Lansing	1,449,501,000	Mar. 1
			Michigan National Bank-West Metro, Livonia	343,091,000	Mar. 1
			Michigan National Bank-Valley, Midland	156,373,000	Mar. 1
			Michigan National Bank-West Oakland, Novi	87,756,000	Mar. 1
			Michigan National Bank, Port Huron	308,499,000	Mar. 1
			Michigan National Bank-Oakland, Southfield	514,844,000	Mar. 1
			Michigan NB-Sterling, Sterling Heights	84,940,000	Mar. 1
			Michigan National Bank-North Metro, Troy	412,524,000	Mar. 1
			Michigan National Bank of Macomb, Warren	212,840,000	Mar. 1
			Michigan National Bank-Central, Wyoming	336,045,000	Mar. 1
			Michigan Bank-Livingston, Brighton	58,180,000	Sep. 1
19	**First Bank NA, Minneapolis**	First National Bank	First Northtown National Bank, Blaine	58,525,000	Dec. 31
			First National Bank, Burnsville	53,586,000	Dec. 31
			First Edina National Bank	236,432,000	Dec. 31
			First Southdale National Bank, Edina	275,463,000	Dec. 31
			First National Bank, Hopkins	249,234,000	Dec. 31
			First Bank NA-Lake, Minneapolis	272,134,000	Dec. 31
			First Plymouth National Bank, Minneapolis	41,821,000†	Dec. 31
			First Bank Robbinsdale NA	132,709,000	Dec. 31
			First Bank East NA, St. Paul	186,897,020	Dec. 31
			First Bank Grand NA, St. Paul	119,215,000	Dec. 31
			First Bank Security, St. Paul	94,787,000	Dec. 31
			First National Bank, St. Paul	3,202,279,000	Dec. 31
			First Bank White Bear Lake NA	96,377,000	Dec. 31

Acquiring Banks are listed in geographic order, with their respective deposit ranks for Dec. 31, 1987, shown in the left-hand column. Acquired banks are listed by date of acquisition. If several acquisitions occur on the same date, banks are listed geographically by city, and within a city, alphabetically. Unless otherwise noted, deposits shown are as of Dec. 31, 1986, and are for the acquired bank. **(a)**— Acquired by Central Bank, Cabaha Heights, which in turn, was acquired by Central Bank of the South. **(b)**— The $1.285 billion-deposit Home Federal was acquired by Barnett Banks and converted from a savings bank to commercial bank charter. **(c)**— Converted from a mutual savings bank to a commercial bank. **N.A.**— Not available. **(†)**— Deposits are for 6/30/87. **(‡)**— Deposits are for 6/30/86. **Data sources:** American Banker survey data and the Federal Reserve Board's monthly G 4.5 Report: "Changes in Status of Banks and Branches."

MERGERS AND ACQUISITIONS

Acquisitions, Name and Location Changes

Among Top 300 Banks in Deposits on Dec. 31, 1987, Listed Geographically

Deposit Rank 12/87	Name of Acquiring Bank	Former Name of Bank, or City	Name of Bank Acquired	Deposits of Merged Banks 12/31/86	Date of Change
267	**Sunburst Bank, Grenada, Miss.**		Bank of Laurel	59,985,819	Oct. 30
123	**Deposit Guaranty National Bank, Jackson, Miss.**		First Citizens National Bank, Tupelo	234,823,000	Jan. 1
			Security State Bank, Starkville	146,045,479	May 29
143	**TrustMark National Bank, Jackson, Miss.**		Hernando Bank	76,863,132	Sep. 1
			Rankin County Bank, Brandon	148,679,869	Sep. 8
			Commercial NB&T Co., Laurel	137,478,000	Dec. 31
280	**Bank of Mississippi, Tupelo**		Bank of North Mississippi, Oakland	13,820,000	Apr. 23
			American Bank, Vicksburg	21,008,573	May 28
247	**Boatmens First National Bank, Kansas City**		Boatmens Livestock National Bank	37,333,000	Oct. 1
283	**Mark Twain Bank, Ladue, Mo.**	Mark Twain Bank NA			Jul. 2
129	**Centerre Bank NA, St. Louis**		Centerre Bank of Crystal City	59,321,000	May 18
			Centerre Bank of Pacific	43,884,999	May 18
98	**Mercantile Bank NA, St. Louis**		Mercantile Bank of Northwest Cty., Hazelwood	19,742,000‡	Mar. 6
181	**Valley Bank of Nevada, Las Vegas**		Security Bank of Nevada, Reno	430,504,000	Dec. 31
300	**First Nat'l Bk of Central Jersey, Bridgewater Twp.**		Peoples National Bank, Piscataway	216,756,000	Dec. 5
188	**Midlantic National Bank/South, Mt. Laurel, N.J.**	Midlantic National Bank/South, Cherry Hill			March
172	**First Fidelity Bank NA/N. Jersey, Totowa**		First Fidelity Bank NA W. Jersey	483,343,000	Jul. 1
90	**Norstar Bank of Upstate New York, Albany**		Norstar Bank of Hudson Valley NA, Newburgh	665,091,831	Oct. 1
111	**Norstar Bank NA, Buffalo, N.Y.**		Norstar Bank, Rochester	1,564,329,000	Apr. 1
171	**Norstar Bank, Hempstead, N.Y.**	Norstar Bank of Long Island, Hempstead			Sep. 19
		Peconic Bank, Riverhead (d)	Norstar Bank of Long Island, Hempstead	48,033,000(e)	Mar. 9
			Norstar Bank of Commerce, New York	427,265,000	Sep. 19
15	**Bank of New York**		Long Island Trust Co. NA, Garden City	1,589,360,000	Feb. 17
219	**IBJ Schroder Bank & Trust Co., New York**	J. Henry Schroder Bank & Trust Co.			Jan. 1
95	**Citibank (New York State), Perinton, N.Y.**	Citibank (New York State) NA, Rochester			May 1
184	**Southern National Bank, Lumberton, N.C.**		Union National Bank, Oxford	72,775,610	Oct. 31
245	**Provident Bank, Cincinnatti**		Hamilton County State Bank, Lackland	NA	Jun. 12
			Midwest Bank & Trust Co., Cleveland	109,373,000	Dec. 7
74	**Society National Bank, Cleveland**		Society Bank of Northwest Ohio, Port Clinton	78,248,216	May 18
			Society Bank of the Firelands, Vermilion	128,261,287	May 18
203	**Bank of Oklahoma NA, Tulsa**		American Exchange Bk & Tr Co., Norman	93,062,000	Aug. 21
			First National Bank, Yukon	44,880,000	Jul. 31
50	**United States National Bank, Portland, Ore.**		Bank of Corvallis	15,041,000	Oct. 1
			Pacific State Bank, Lincoln City	25,182,652	Oct. 1
191	**Dauphin Deposit B&T Co., Harrisburg, Pa.**		New Holland Farmers NB	135,390,450	Sep. 9
207	**First Eastern Bank NA, Wilkes-Barre, Pa.**		Peoples Bank of Nanticoke	21,648,873	Mar. 5
178	**Northeastern Bank of Pa., Wilkes-Barre**		First National Bank, Avoca	43,095,000†	Dec. 1
231	**Banco Santander Puerto Rico, Hato Rey**	Banco de Santander, P.R.			Feb. 17
177	**NCNB South Carolina, Columbia**		Bank of Hartsville	NA	May 22
93	**South Carolina National Bank, Columbia**		Bank of Fairfield, Winnsboro	28,057,000	May 1
226	**Norwest Bank South Dakota NA, Sioux Falls**		Norwest Capital Mgnt & Tr Co.,Sioux Falls, S.D.	NA	Mar. 30
152	**Sovran Bank/Central South, Nashville, Tenn.**	Commerce Union Bank			Oct. 31
			Commerce Union Bank, Lawrenceburg	61,231,900	Jan. 1
			United Citizens Bank, Ashland City	14,444,839	May 15
249	**First RepublicBank Austin NA, Tex.**	InterFirst Bank Austin NA	RepublicBank Austin	230,809,000	Jun. 6
262	**Texas Commerce Bank-Austin NA**		Texas Commerce Bank-Barton Creek NA, Austin	27,663,475	Jun. 22
			Texas Commerce Bank-Northcross NA, Austin	44,862,387	Jun. 22
30	**First RepublicBank Dallas NA**	RepublicBank Dallas NA	InterFirst Bank Dallas NA	3,525,388,000	Jun. 6
56	**MBank Dallas NA**		MBank Las Colinas NA, Irving	NA	Oct. 5
			MBank Lincoln Centre NA, Dallas	119,912,000†	Dec. 4
			MBank Market Center, Dallas	137,654,000†	Dec. 4
			MBank Preston, Dallas	630,192,000†	Dec. 4
			MBank Irving	65,379,000†	Dec. 4
236	**Texas Commerce Bank Dallas NA**		Unitedbank-Houston	224,760,715	Apr. 30
			Texas Commerce Bank-Brookhollow NA, Dallas	19,339,000	Jun. 22
			Texas Cmmce Bk-Campbell Center NA, Dallas	94,210,000	Jun. 22
			Texas Commerce Bank-Casa Linda NA, Dallas	89,010,000	Jun. 22
			Texas Commerce Bank-Hillcrest, Dallas	103,686,000	Jun. 22
			Texas Commerce Bank-Northwest NA, Dallas	73,795,000	Jun. 22
			Texas Commerce Bank-Park Central NA, Dallas	80,723,000	Jun. 22
			Texas Cmmc Bank-Preston Royal NA, Dallas	61,669,000	Jun. 22
			Texas Commerce Bank-Quorum NA, Dallas	29,709,000‡	Jun. 22
			Texas Commerce Bank-Garland	129,913,000	Jun. 22
			Texas Commerce Bank-Irving Boulevard, Irving	73,808,000	Jun. 22
			Texas Commerce Bank-Las Colinas, Irving	227,986,000	Jun. 22
242	**MBank El Paso NA, Tex.**		Western Bank, El Paso	46,082,000	Mar. 12
			MBank Bassett NA, El Paso	131,493,000	Jun. 26
			MBank El Paso West NA, El Paso	62,508,000	Jun. 26
			MBank Franklin NA, El Paso	46,337,000	Jun. 26
			MBank Vista Hills NA, El Paso	59,142,000	Jun. 26
180	**First Interstate Bank of Texas NA, Houston**	Allied Bank of Texas, Houston			1/29/88
102	**First RepublicBank Houston NA**	Republic Bank Houston NA	InterFirst Bank Houston NA	775,980,000	Jun. 6
			First RepublicBank Baytown	90,008,000†	Dec. 31
			First RepublicBank Braes Bayou NA, Houston	NA	Dec. 31
			First RepublicBank East Houston	157,327,000†	Dec. 31
			First RepublicBank Eldgridge NA, Houston	NA	Dec. 31
			First RepublicBank Fannin, Houston	352,519,000†	Dec. 31
			First RepublicBank Greenspoint, Houston	87,905,000†	Dec. 31
			First RepublicBank Nassau Bay NA, Houston	129,315,000†	Dec. 31
			First RepublicBank Post Oak, Houston (f)	52,583,000†	Dec. 31
			First RepublicBank San Felipe NA, Houston	NA	Dec. 31
			First RepublicBank SW Houston NA	NA	Dec. 31
			First RepublicBank Spring Branch, Houston	93,905,000†	Dec. 31
			First RepublicBank Kingwood NA	NA	Dec. 31
			First RepublicBank Pasadena	109,992,000†	Dec. 31
			First RepublicBank Tomball	87,574,000†	Dec. 31
85	**MBank Houston NA**		MBank Greenway, Houston	191,542,000	Jul. 1
			MBank Houston Southwest	47,845,000	Jul. 1
			MBank San Felipe NA, Houston	107,090,971	Jul. 1
			MBank Clear Lake NA, Houston	NA	Dec. 11
			MBank Copperfield NA, Houston	41,578,000†	Dec. 11
			MBank Greenspoint NA, Houston	72,803,000†	Dec. 11
			MBank Gulf Freeway NA, Houston	117,659,000†	Dec. 11
			MBank Long Point NA, Houston	142,161,000†	Dec. 11
			MBank Memorial NA, Houston	171,170,000†	Dec. 11
			MBank Westbury NA, Houston	98,920,000†	Dec. 11
			MBank Westchase NA, Houston	101,575,000†	Dec. 11
			MBank West Oaks NA, Houston	35,708,000†	Dec. 11
232	**NBC Bank-San Antonio NA, Tex.**		NBC Bank-Brooks Field NA, San Antonio	169,269,000	Jun. 30
			NBC Bank-Colonnade NA, San Antonio	38,587,000†	Sep. 30
			NBC Bank-Harlandale, San Antonio	87,757,000	Sep. 30
			NBC Bank-Ingram Park NA, San Antonio	52,418,000	Sep. 30
			NBC Bank-North NA, San Antonio	74,025,000	Sep. 30
			NBC Bank-Perrin Beitel NA, San Antonio	54,542,000	Sep. 30
			NBC Bank-Randolph NA, Universal City	45,431,000	Sep. 30

Acquiring Banks are listed in geographic order, with their respective deposit ranks for Dec. 31, 1987, shown in the left-hand column. Acquired banks are listed by date of acquisition. If several acquisitions occur on the same date, banks are listed geographically by city, and within a city, alphabetically. Unless otherwise noted, deposits shown are as of Dec. 31, 1986, and are for the acquired bank. **(d)**— Merged under the charter of Peconic Bank and title and location of Norstar Bank of Long Island Hempstead. **(e)**— Deposits are for Peconic Bank, the acquiring bank. **(f)**— Bank acquired First RepublicBank Post Oak NA, Houston, on Sept. 24. **N.A.**— Not available. **(†)**— Deposits are for 6/30/87. **(‡)**— Deposits are for 6/30/86. **Data sources:** American Banker survey data and the Federal Reserve Board's monthly G 4.5 Report: "Changes in Status of Banks and Branches."

Deposit Growth at Top Banks Increasingly Comes from Mergers

By KENNETH J. HICKS

NEW YORK — Deposit growth through mergers and acquisitions continued to rise among the largest commercial banks in 1987, according to an *American Banker* survey.

Acquired deposits made up more than three-quarters of the total deposit growth at the nation's top 300 banks as the number of mergers and acquisitions almost doubled.

Growth in acquired deposits, however, was smaller than a year earlier, when two large combinations had a tremendous impact. Acquired deposits increased 7.3% to $46 billion in 1987, compared with a 156% jump to $42.9 billion in 1986. The $46 billion figure is the largest since the *American Banker* began tracking mergers in 1980.

Partial acquisitions, such as branch purchases, are included in the newspaper's fifth annual survey of mergers and acquisitions by the top 300 U.S. banks. The survey also covers holding company acquisitions completed last year in which the lead banks were not affected by the mergers.

Total deposits of the top 300 was $1.4 trillion at yearend, an increase of $60.6 billion, or 4.4%, over yearend 1986. Fully 76% of that deposit growth came through mergers. In 1986, 40% of the deposit gain of $106.3 billion came through mergers, compared with only 17% of $97.4 billion in 1985.

Furthermore, 73 of the top 300 banks were involved in mergers in 1987, taking over the deposits of 243 banks. Both figures are new highs in this decade of consolidation.

In 1986, 65 banks acquired deposits of 123 banks, compared with 44 banks acquiring the deposits of 137 in 1985. The 156% jump in acquired deposits in 1986 can be attributed to two large California combinations. Wells Fargo Bank NA merged with Crocker National Bank, and Sanwa Bank California merged with Lloyds Bank California; the deals accounted for 41% of acquired deposits.

Since 1980, 1,004 banks have been acquired or merged, with deposits totaling $165.7 billion.

Texas Was Merger Center

In 1987, Texas voters approved a constitutional amendment that permitted limited branch banking. Banks were allowed to open as many as three new branches in each county, and bank holding companies were permitted to consolidate subsidiary banks into branches, as long as they retained a charter in each county. Several holding companies took advantage of the law, making Texas the most active merger state in the nation last year.

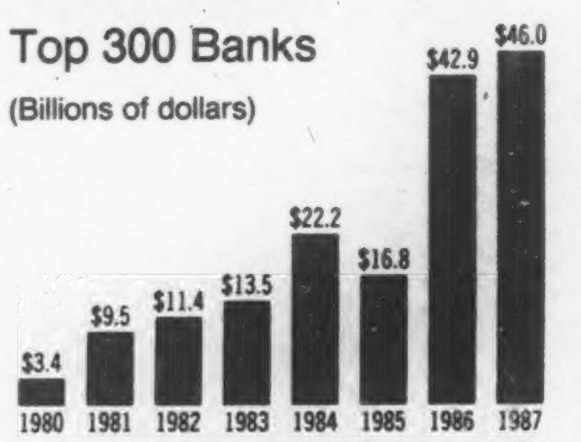
Ten of that state's banks acquired 90 other banks with $12.1 billion in deposits. That accounted for 26.3% of the total deposits taken over by the top 300 banks. Two banks — Texas Commerce Bank Houston NA and First RepublicBank Houston NA — merged 45 banks with $4.2 billion in deposits.

Texas Commerce merged 26 of its Houston-area banks and acquired four others in 1987. The 30 banks added $2.2 billion to the bank's deposits, moving it up eight places to 42d place in the nation. Texas Commerce Houston remained second in the state.

Deposits Acquired Through Mergers

Top 300 Banks

(Billions of dollars)



Source: American Banker

First Republic jumped 107 places to rank 102d in the nation and fifth in Texas. First Republic acquired $776 million-deposit InterFirst Bank Houston and merged 14 other First Republic banks, boosting its deposits to $1.9 billion. In 1986, the bank was the 10th largest in Texas.

AN American Banker SPECIAL REPORT

Texas Commerce Bank Dallas NA also made a significant jump through merged and acquired deposits. The bank merged 12 banks with $1.2 billion in deposits and moved into the top 300 at No. 236, up from 496 a year earlier. Eleven of the merged banks were Texas Commerce banks in Dallas, Garland, and Irving. The other was the $224.8 million-deposit Unitedbank-Houston. All told, Texas Commerce banks in the top 300 merged or acquired 44 banks with deposits of $3.5 billion.

MBanks of Dallas, El Paso, and Houston consolidated their banks as well. Those three banks acquired or merged 22 banks and brought in deposits of more than $2.4 billion.

The bank that acquired the most deposits last year was Michigan National Bank, Farmington Hills, which merged 16 other Michigan National banks with deposits of $7.1 billion. Michigan National was followed by First Bank NA, Minneapolis, which merged 13 banks with $5.0 billion; First RepublicBank Dallas NA, which acquired the $3.5 billion-deposit InterFirst Bank Dallas NA; Citizens and Southern National Bank of Florida, Ft. Lauderdale, which merged 14 banks with $3.5 billion in deposits; and First Union National Bank of Georgia, Atlanta, which acquired 9 banks and $2.6 billion in deposits. ■

Strategic Dates

April 3, 1989

STANDARD FORMAT: Effective today, the Federal Reserve Board implements a standard message format for all Fedwire funds transfers. The format concerns the processing of information in a message about the customer receiving funds in a transaction.

When it comes to progressive banking, Delaware legislators really have their acts together.

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As a result, you'll find Delaware banking legislation among the most advanced in the nation. So advanced, in fact, we've removed usury ceilings and established a regressive bank franchise tax as low as 2.7%. We've created more advantages for all banking operations in Delaware by allowing broader powers for dealing in securities. We've even expanded the opportunity for interstate banking.

Our laws, however, are not the only example of our innovative approach to business. Delaware offers an accessible state government, which allows decisions to be made quickly and fairly and information easy to obtain. Plus, a growing, productive labor force, and a strategic location.

So if you think you might want to locate in a state where legislators really have their acts together, call (302) 736-4271 and discuss it with Carolyn DePew of the Delaware Development Office. She'll tell you all about the progressive state your banking operations could be in.

DELAWARE
SMALL WONDER

MERGERS AND ACQUISITIONS

Acquisitions, Name and Location Changes

Among Top 300 Banks in Deposits on Dec. 31, 1987, Listed Geographically

Deposit Rank 12/87	Name of Acquiring Bank	Former Name of Bank, or City	Name of Bank Acquired	Deposits of Merged Banks 12/31/86	Date of Change
42	**Texas Commerce Bank NA, Houston**		Montgomery Cty. Bank NA, The Woodlands	115,735,000	Jan. 29
			Bank of North America, Houston	30,560,000	Aug. 28
			Texas Commerce Bank-Airline, Houston	115,673,987	Jun. 15
			Texas Cmrc Bk-Champions Pk NA, Houston	37,784,000	Jun. 15
			Texas Commerce Bank-Chemical, Houston	125,412,000	Jun. 15
			Texas Commerce Bank-Clear Lake NA, Houston	40,390,534	Jun. 15
			Texas Commerce Bank-Cyfair NA, Houston	31,914,000	Jun. 15
			Texas Cmrc Bk-Cypress Station NA, Houston	56,269,661	Jun. 15
			Texas Commerce Bank-Del Oro NA, Houston	71,402,973	Jun. 15
			Texas Cmrc Bk-Greens Crossing NA, Houston	28,860,000‡	Jun. 15
			Texas Cmrc Bk-Greenway Plaza NA, Houston	101,568,064	Jun. 15
			Texas Commerce Bank-Inwood NA, Houston	52,356,972	Jun. 15
			Texas Commerce Bank-Lakeside, Houston	103,534,193	Jun. 15
			Texas Commerce Bank-North Freeway, Houston	68,948,476	Jun. 15
			Texas Commerce Bank-Reagan, Houston	280,033,000	Jun. 15
			Texas Commerce Bk-Richmond/Sage, Houston	56,561,542	Jun. 15
			Texas Commerce Bank-River Oaks NA, Houston	46,294,000	Jun. 15
			Texas Commerce Bank-South Belt NA, Houston	44,538,811	Jun. 15
			Texas Commerce Bank-Southeast, Houston	86,189,140	Jun. 15
			Texas Commerce Bank-Tanglewood, Houston	126,503,000	Jun. 15
			Texas Commerce Bank-West Oaks NA, Houston	25,056,743	Jun. 15
			Texas Cmrc Bank-WestLake Park NA, Houston	60,971,226	Jun. 15
			Texas Commerce Bank-Westwood, Houston	50,256,000	Jun. 15
			Texas Commerce Medical Bank, Houston	183,138,889	Jun. 15
			Texas Commerce Bank-Kingwood, Humble	91,019,152	Jun. 15
			Texas Commerce Bank-Katy Freeway NA, Katy	43,558,000‡	Jun. 15
			Texas Commerce Bank-Pasadena	32,165,231	Jun. 15
			Texas Commerce Bank-Stafford	113,841,147	Jun. 15
			Western Bank Westwood NA, Houston	NA	Oct. 2
			Western Bank N. Wilcrest NA, Houston	NA	Oct. 2
145	**First Security Bank of Utah NA, Ogden**		First Security State Bank, Salt Lake City	20,337,000	Feb. 2
43	**Crestar Bank, Richmond**	United Virginia Bank			Sep. 1
			People's Bank of Chesapeake	81,730,000	Jan. 31
60	**Signet Bank/Virginia, Richmond**	Bank of Virginia			Mar. 30
201	**Puget Sound National Bank, Tacoma, Wash.**		Gig Harbor National Bank	NA	Oct. 17
117	**First Wisconsin NB, Milwaukee**		First National Bank, Glendale	90,244,410	Feb. 28
182	**M&I Marshall & Ilsley Bank, Milwaukee**		M&I Bank, Greenfield	48,715,000	Mar. 1
			M&I Silver Spring Bank, Milwaukee	59,680,100	Mar. 1
			M&I Bay View State Bank, Milwaukee	61,539,000	Apr. 1

Acquiring Banks are listed in geographic order, with their respective deposit ranks for Dec. 31, 1987, shown in the left-hand column. Acquired banks are listed by date of acquisition. If several acquisitions occur on the same date, banks are listed geographically by city, and within a city, alphabetically. Unless otherwise noted, deposits shown are as of Dec. 31, 1986, and are for the acquired bank. **(†)**— Deposits are for 6/30/87. **(‡)**— Deposits are for 6/30/86. **Data sources:** American Banker survey data and the Federal Reserve Board's monthly G 4.5 Report: "Changes in Status of Banks and Branches."

MERGERS AND ACQUISITIONS

Summary Statistics

Geographical Breakdown of Mergers Among Top 300 Banks

	Acquiring Banks 1987	Acquiring Banks 1986	Banks Acquired 1987	Banks Acquired 1986	Deposits Acquired[1] 1987	Deposits Acquired[1] 1986
Alabama	2	1	5	6	$203	$1,094
Alaska	1	0	1	0	187	0
Arizona	1	1	2	1	91	6
California	5	3	6	3	307	17,764
Connecticut	2	2	4	2	768	174
Florida	5	8	24	22	4,759	6,033
Georgia	4	2	13	2	2,766	125
Idaho	0	1	0	1	0	57
Indiana	2	2	3	2	358	201
Louisiana	2	2	7	3	1,841	491
Maryland	2	1	2	1	565	118
Massachusetts	2	2	8	10	2,321	2,166
Michigan	3	1	21	1	7,055	43
Minnesota	1	1	13	1	5,019	155
Mississippi	4	3	8	6	839	500
Missouri	3	6	4	22	160	2,958
Nevada	1	0	1	0	431	0
New Jersey	2	4	2	4	700	1,126
New York	4	3	5	3	4,293	835
North Carolina	1	0	1	0	73	0
Ohio	2	5	4	6	315	3,188
Oklahoma	1	3	2	4	138	1,065
Oregon	1	1	2	2	40	69
Pennsylvania	3	4	3	6	200	4,073
Puerto Rico	0	1	0	1	0	N.A.
South Carolina	2	2	2	3	28	188
South Dakota	1	0	1	0	N.A.	0
Tennessee	1	2	2	4	75	241
Texas	10	0	90	0	12,146	0
Utah	1	1	1	1	20	6
Virginia	1	1	1	2	82	48
Washington	1	2	1	4	N.A.	178
Wisconsin	2	0	4	0	261	0
Totals	**73**	**65**	**243**	**123**	**46,041**	**42,902**

American Banker follows the bank of charter when banks merge. The surviving bank is the bank whose charter has survived the merger.

[1] These totals represent the "deposits acquired through merger" in the respective states. In calculating the "deposits acquired through merger", when the affiliated banks of a holding company merge under the charter of the smaller bank, American Banker counts the deposits of the smaller of the two institutions merged. This avoids overstating the impact of internal mergers. Please note: the 1987 data column has total deposits as of 12/31/86, and the 1986 data column has total deposits as of 12/31/85.

Top 10 Banks in Acquired Deposits

	Deposits Acquired	Banks Acquired	Deposit Rank
1. Michigan National Bank, Farmington Hills	$7,055	16	39
2. First Bank NA, Minneapolis	5,019	13	19
3. First RepublicBank Dallas NA	3,525	1	30
4. Citizens & So. Nat'l Bank of Fla., Ft. Lauderdale	3,484	14	76
5. First Union National Bank of Ga., Atlanta	2,555	9	101
6. Bank of New England NA, Boston	2,223	7	25
7. Texas Commerce Bank NA, Houston	2,221	30	42
8. First RepublicBank Houston NA	1,938	15	102
9. Bank of New York	1,589	1	15
10. Norstar Bank NA, Buffalo, N.Y.	1,564	1	111
Totals for the Top 10	**31,173**	**107**	

Banks and Deposits Acquired Through Merger by Top 300 Banks

(In Billions of Dollars)	Acquiring Banks	Banks Acquired	Deposits Acquired
1987	73	243	$46.0
1986	65	123	42.9
1985	44	137	16.8
1984	68	130	22.2
1983	55	130	13.5
1982	59	93	11.4
1981	47	110	9.5
1980	36	38	3.4

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TOP HOLDING COMPANIES — TABLES BEGIN ON P. 13

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The Daily Financial Services Newsp
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STATISTICAL REFERENCE INDEX
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Today

Allied International Bancorp. may soon decide to liquidate. The 20-year-old firm, owned by 12 regional banks, was established under the Edge Act, which allows banks to open offices across state lines to assist in foreign trade financing. ______ 2

Three out of five people who work in the banking industry are employed by the nation's top 100 commercial bank holding companies, reveals an *American Banker* survey. ______ 3

Failure to report call report data accurately and on time will result in stiffer fines and, possibly, enforcement action, warn federal regulators. ______ 6

The weekly listing of financial services stocks features regional industry groups and price indexes. ______ 24

The FSLIC spent $169.4 million to shut down two Oklahoma thrifts and transfer their insured. ______ 26

Dissatisfied with the progress in debit card payments, the Electronic Funds Transfer Association is forming a task force to study obstacles and find ways to overcome them. ______ 32

The Bank of Boston has started marketing mutual funds to its private banking clients and discount brokerage customers. ______ 32

Executive Changes ______ 21
In the News ______ 3

CORPORATE FINANCE

Texaco and a group of 27 banks signed an agreement on a $3 billion loan to help repay the company's creditors. ______ 2

Citicorp investment bank is expected to announce it has sold a package of $29 million of loans made to McDonald's Corp. franchisees. ______ 2

Small businesses are a huge, potentially lucrative market that banks are neglecting, says Leo Lauzen, of Comprehensive Accounting Corp. The Illinois firm's accounting franchisees serve about 23,000 small clients. 10

Citicorp Savings of Illinois is seeking to expand its corporate business. The state's second largest thrift is courting Chicago-area businesses with less than $15 million in sales. ______ 10

The investment banking unit of Lepercq, de Neuflize & Co. prefers to finance leveraged buyouts and venture capital projects with local banks, saying the benefits outweigh the disadvantages. ______ 11

First Pennsylvania Bank says it has carved out the ultimate niche by lending to independent finance companies in the East. The companies typically have seven offices each, with an average commitment of $3 million. ___ 12

Worth Repeating

Defendants have no one but themselves to blame for their financial predicament. They incurred the debt, and it's time for the fat lady to sing.

Judge Garcia, ruling that Seattle-First could foreclose on a Texas ranch owned by oil baron Clinton Manges. [Page 1]

COMMENT

Nonoperating Losses Crimp Thrift Profits

By SANFORD ROSE

For the past five years, the fortunes of the average "good" savings and loan (read: an association not bedeviled by insoluble loan loss problems) have depended rather heavily on nonoperating results. In 1983 and 1984 operating profits were either nonexistent or nearly so. The very modest overall profits achieved in those years reflected gains on the sale of either bonds or loans, which, according to thrift accounting rules, are recorded as nonoperating income.

Operating profits improved in 1985 and 1986. Nonetheless, nonoperating results still contributed between 25% and 40% of the pretax net.

Last year witnessed a further gain in operating income. But for the first time in the last five years, nonoperating results were negative. That is, nonoperating expenses, which include such items as mark-to-market losses on mutual fund investments and loan-loss provisions, exceeded nonoperating income.

In consequence, the return on assets at 70 predominantly eastern

Comment: Page 4 ➸

Seattle-First Wins First Round in Effort To Collect $55 Million Insurance Claim

By MICHAEL J. PARKS

Litigation

SEATTLE — Seattle-First National Bank emerged victorious in the first phase of a battle to collect on a $55 million directors' liability policy issued by National Union Fire Insurance Company of Pittsburgh, Pa., in 1982.

On Friday, a six-member jury in U.S. district court here rejected National Union's contention that Seafirst's management had covered up the bank's financial difficulties in September 1982 on the application for the policy.

The verdict sets the stage for a second trial, during which Seafirst will try to prove that National Union acted in bad faith in rejecting the claim. Seafirst would be entitled to double the policy limits, or $110 million, if it can prove that case.

National Union indicated that it is likely to appeal the jury's verdict. "Our case was based on the strong belief that Seafirst did in fact misrepresent and conceal many important facts in applying for the insurance policy," spokeswoman Gayla Brewer said.

The lawsuits grew out of Seafirst's near collapse because of sour energy loans it had acquired in the early 1980s from Penn Square Bank, Oklahoma City. Penn Square failed in 1982. It had also brokered energy loans to the Continental Illinois National Bank and Trust Company of Chicago and Chase Manhattan Bank.

Seafirst: Page 31 ➸

Seidman Rebuts First Republic Cost Estimates

FDIC Chairman Predicts Bailout Under $2 Billion

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Federal Deposit Insurance Corp. Chairman L. William Seidman tried on Monday to refute rumors about the cost of righting the stumbling First RepublicBank Corp., predicting that the final agency tab will be less than $2 billion.

"We don't see losses that would reduce the fund by $5 [billion] or $6 billion," Mr. Seidman said, responding to press reports estimating the cost of bailing out the $33.2 billion-asset First Republic, based in Dallas. "We don't see any need to get any additional funds from the Treasury for the banking system," he said later.

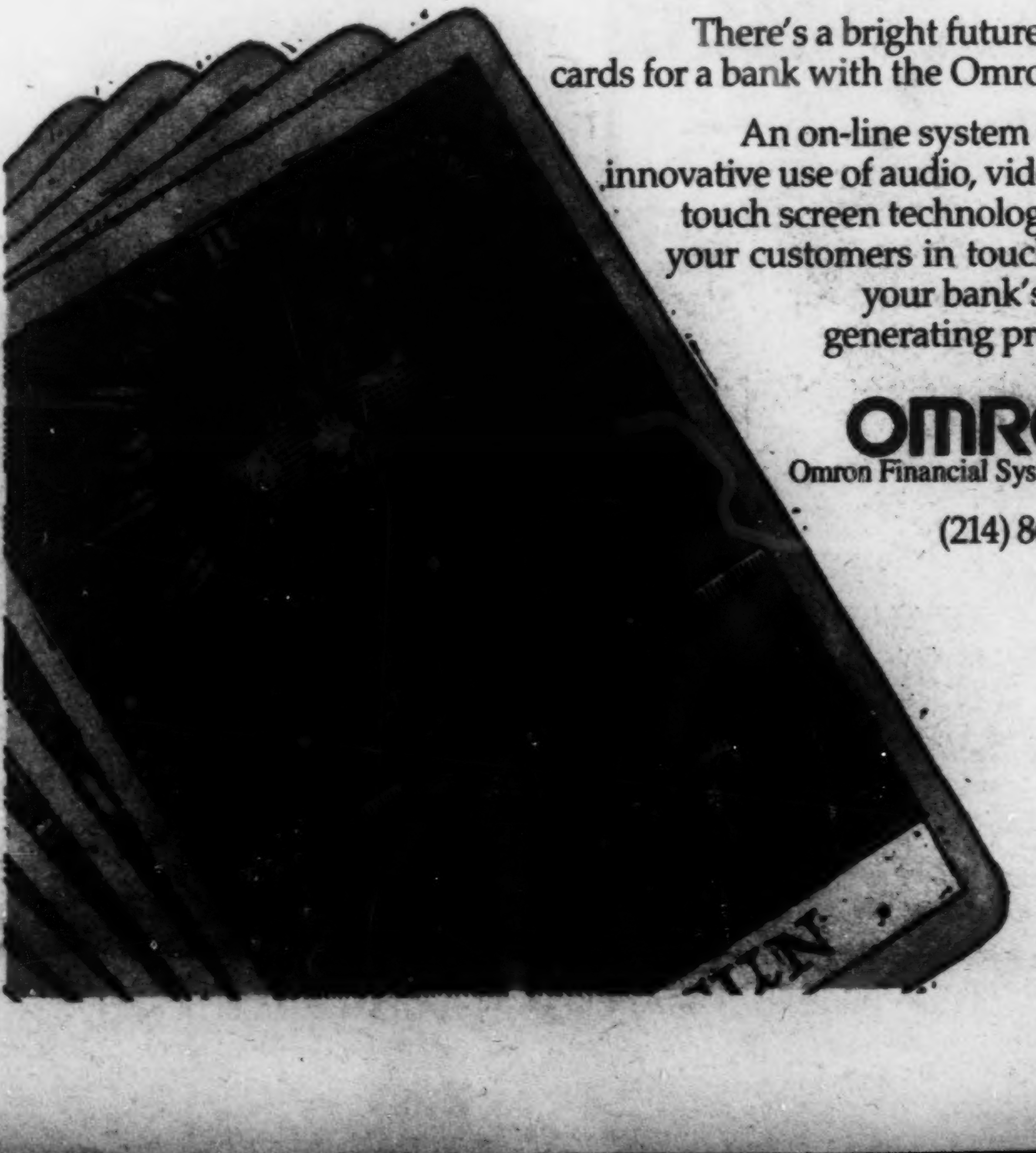
The FDIC chairman added that for the first time his agency may lose money this year. At most, a loss caused by First Republic would "certainly be less than $1 billion," when offset by other agency income, he said. The FDIC fund stands at $18.3 billion today.

Timely Call Reports Demanded
Page 6

Mr. Seidman hosted 21 reporters for lunch Monday at FDIC headquarters here. He put forth and then rebutted five myths he said are being spread about the First Republic deal specifically — and, in general, the FDIC's approach to the banking crisis in the Southwest.

The FDIC pumped $4.5 billion into Continental Illinois National Bank and Trust Company of Chicago in 1984. As problem loans have been worked out and assets sold, the cost of the Conti-

Seidman: Page 6 ➸



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IN THE NEWS

Irving Amends Merger Defense

NEW YORK — In their first communication in six months, Bank of New York Co. chairman J. Carter Bacot has asked Irving Bank Corp. chairman Joseph A. Rice to begin merger negotiations. Bank of New York has been trying to acquire Irving since September. Mr. Bacot noted Irving's talks with third parties, disclosed last week, and urged discussions with his firm "in the best interests of your shareholders."

Meanwhile, Irving amended its shareholder rights plan to deter a "street sweep" of its stock. The change was adopted in case Bank of New York drops a current tender offer and instead buys stock in the market or through privately negotiated sales. Existing Irving shareholders could buy additional shares at favorable prices if an unwanted bidder acquired more than 5% of the company's stock. The previous version of the so-called "poison pill" focused only on tender or exchange offers.

Salomon High on BankAmerica

NEW YORK — Salomon Brothers Inc. has placed BankAmerica Corp. on its list of recommended stocks, knocking Bankers Trust New York Corp. off the list. Salomon recommends 45 stocks, but only two are bank stocks: J.P. Morgan & Co. and BankAmerica. Salomon said BankAmerica's stock has more potential to rise in price than Bankers Trust's stock, based on Salomon's expectation of favorable earning news for the next few quarters. Salomon predicts San Francisco-based BankAmerica will earn $2.25 per share in 1988, compared with a loss of 56 cents per share in 1987.

Bank Failures Reach 44

WASHINGTON — The national total of federally insured bank failures rose to 44 on Friday when the First National Bank of Del City, Okla., was closed. The Federal Deposit Insurance Corp. arranged a transfer of the failed bank's $26.2 million of insured deposits to Lincoln National Bank, Oklahoma City. About $29,000 in 40 accounts were not covered by federal insurance.

Riggs Sells Foreign Loans

WASHINGTON — Riggs National Corp. here said it sold $44.8 million in Third World loans to another financial institution for $19.8 million in cash. The $6.15 billion holding company did not reveal the name of the company that bought the loans, which were in Brazil, Ecuador, and the Ivory Coast. Riggs said the sale will give it an after-tax gain of $2.4 million in the first quarter.

Connecticut Thrifts to Merge

WALLINGFORD, Conn. — Dime Savings Bank of Wallingford said it would acquire City Savings Bank of Meriden for $16 per share in cash, or about $25.4 million. Dime, with assets of $439 million, will create a holding company to buy the $147.7 million-asset City Savings.

Big Board Up, Firms Sag

NEW YORK — Net revenue at the New York Stock Exchange in 1987 soared to $34.1 million, up 54.3% from $22.1 million in 1986. However, profits at the exchange's 409 member firms that did business with the public dropped 97% after taxes — to $84 million in 1987 from $2.9 billion in 1986.

— Compiled by Dennis P. O'Connell

An American Banker Survey

Top 100 Firms Account for 60% of Employment

By L. MICHAEL CACACE

NEW YORK — Three out of five people that work in the banking industry are employed by the nation's top 100 commercial bank holding companies.

For the first time in its annual bank holding company review, the *American Banker* compiled employment data for the top 100 firms and compared them with employment figures for the industry. The tally showed that the top 100 banking firms employed 60.7% of all persons at commercial and savings banks at the end of 1987. A year earlier, the top 100 firms accounted for 58% of industry employment.

Top 100 Holding Companies
Tables Begin on Page 13

Acquisition and merger activity appears to be the main reason for the increased share at the leading firms. The top 100 firms in assets employed 1.053 million people at yearend 1987, up 4.1% from 1.012 million for the top 100 firms a year earlier. The number of people working in the industry was unchanged at 1.736 million, according to the U.S. Department of Labor's monthly "Payroll Survey."

Republic New York Corp. had the most assets per employee, according to the *American Banker*'s survey of the top 100 banking concerns. Republic, the nation's 28th largest banking company with assets of $22.4 billion, had 3,700 employees, or $6.1 million in assets per employee, on Dec. 31.

The company with the fewest assets per employee was State Street Boston Corp., the nation's 70th largest holding company. The firm had 6,943 employees and $7 billion in assets, or $1 million in assets per employee on Dec. 31.

Today's review consists of four major statistical listings: the top 100 bank holding companies in total assets, a geographical breakdown of the top 100 companies showing their total assets and employees, the top 100 bank

The Top 100: Page 15 ➝

Top Banking Firms

Dec. 31, 1987 (billions of dollars)

	Assets
1. Citicorp	$203.6
2. Chase Manhattan Corp.	99.1
3. BankAmerica Corp.	92.8
4. Chemical New York Corp.	78.2
5. J.P. Morgan & Co.	75.4

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COMMENT

➜ Continued from Page 1

and midwestern thrifts — representing 4% of industry assets — that are surveyed by Olson Research Associates of Greenbelt, Md., tumbled from 72 basis points in 1986 to 43 basis points last year.

In 1986, thrifts took the opportunity afforded by sharply declining interest rates to realize as many gains as possible in the loan and bond portfolios. Nonoperating income ballooned from 5.7% to 8.1% of gross operating revenue. But the associations were merely borrowing from the future.

Expanded Numerator

Last year, rates continued dropping, albeit less rapidly, but there were apparently few additional profits available for booking. Nonoperating income nosedived. At the same time, nonoperating expenses continued to rise at a strong clip. Ergo the squeeze on below-the-line or nonoperating profitability, with its predictable impact on overall results.

The thrift plight is illustrated by the behavior of the ratio of net overhead to earning assets. At banks, the numerator of this ratio is noninterest expense minus noninterest income. At savings and loans, the numerator includes, in addition, nonoperating profits and expenses.

Influenced by increases in operating costs resulting in part from entry into such expense-intensive activities as nonmortgage consumer lending as well as by the rise in loan-loss provisions, the thrift overhead burden has grown substantially in the last five years. The bank burden, which excludes loan-loss expense, has lightened.

But in 1986, the sharp increase in bond and loan-sales profits caused the thrift overhead ratio to level off at around 1.15%. With the decline in such profits last year, the ratio once again surged, rising to 1.55%. This increase overwhelmed the modest improvements in both the spread and the net interest margin.

Losing Efficiency

Although the thrift margin continues to improve — at 2.26% of earning assets in 1987, it was more than double what it had been five years earlier — progress is limited by the high and growing level of nonearning assets and by the increasing reliance on borrowed funds.

The ratio of earning to total assets now stands at only 90%. Five years ago, it totaled 92.3%. Unencumbered by float, thrifts used to be more efficient asset utilizers than banks. As the level of impaired assets has risen, however, many thrifts have become less efficient than the banks, which at the same time have made considerable progress in solving their float problems.

The proportion of thrift assets funded with borrowed money rose to 24.2% last year, a five-percentage-point increase over 1986 and nearly a ten-percentage-point rise over 1983. Most of the five-year increase in borrowed funds has been in the short-term category.

Thrifts are borrowing more because of difficulties in attracting and retaining savings deposits. Last year, savings deposits funded only 68.4% of assets compared to 83.2% five years ago.

To be sure, savings increased 6.5% last year, but that was only because of the interest credited to existing accounts. Net of this interest, savings money actually dropped, as it has in each of the last four years. Quite obviously, the relative decline in savings deposits and the increased reliance on short-term borrowings make thrift profits much more vulnerable to the threat of rising interest rates.

At the Olson sample of thrifts, mortgage loans as a percent of total assets amounted to 70.7% in 1987, about the same as in 1986. Total loans increased to 79.7% of total assets, the first increase in five years. Nonmortgage loans continued to rise, reaching a five-year high of 9%.

Investment securities fell from 12.3% to 10.3% of assets, a five-year low. Of particular note is the anemic yield on investment securities — 6.47%. This is obviously the consequence of having cleansed the portfolio of most of the high-yielding bonds acquired in previous years.

Smaller Thrifts Recover

While thrift returns are in the aggregate quite poor, the picture varies a bit by asset size. The very small savings and loans appear to be doing much better than the larger institutions. Return on assets at the 22 thrifts with less than $100 million in assets reached 52 basis points in 1987, a gain of 10 basis points over 1986.

However, ROA at the 32 associations with between $100 million and $500 million in assets plunged from 98 to 52 basis points. And at the large associations — 16 with assets in excess of $500 million — the ROA went from 68 to 41 basis points.

Suspect Formula

Based on the data presented above, there is much reason to question the future viability of a substantial segment of the savings and loan industry. In the short run, the industry profit picture is clouded by the specter of rising rates and by the impact of FASB 91, which forces thrifts to amortize loan fees instead of taking them immediately into income. In the longer run, the basic profit formula of the type of thrift included in the Olson sample seems suspect.

Although the Olson group of thrifts have plenty of bad loans — scheduled items represent 35% of net worth — credit woes are not nearly as serious as they are at the mortally wounded associations located primarily in the central and southwestern parts of the country and therefore not included in this sample. Nor does the sample include any of the large California thrifts — the mortgage-banking entities — many of which are faring handsomely.

Rather, the Olson sample of 70 is composed for the most part of traditional thrifts located in areas enjoying relatively buoyant economic conditions. Their basic modus operandi is to borrow short and earmark a high proportion of these funds to home mortgages and consumer loans, in the hope of profiting sufficiently from thin credit spreads and the return from mismatched maturities.

Despite the fact that we are currently in the benign phase of the interest rate cycle — rates having trended down for most of the past five years — the returns from pursuing a basically traditional strategy are quite disappointing. Spreads at the Olson group of thrifts approximate 200 to 250 basis points, appreciably lower than the average bank spread of around 330 basis points. And who knows what portion of that already inadequate thrift spread is attributable to mismatch earnings which will evaporate once rates begin an upward climb?

It is hard to blink the notion that there isn't enough opportunity to profit from the traditional thrift business. There is just too little risk in conventional real estate lending. And without very much risk, there cannot be very much profit.

On the other hand, there is just too much risk in many types of nontraditional real estate lending, as should now be obvious to failed thrifts as well as to some marginally profitable associations in the Olson group. And there is also too much risk in attempting to supplement the earnings from conventional activities with very expansive yield-curve gambles.

Four Imperatives

The upshot would seem to be that (1) thrifts must confine their maturity mismatches to the short end of the yield curve; (2) they must also severely limit the proportion of assets earmarked to such activities as acquisition and development lending; (3) they must continue expanding in the nonmortgage consumer lending area; and (4) they must become familiar with the new initiatives in commercial lending, which emphasize loan pooling to reduce borrower covariances and thus raise risk-adjusted returns.

The last imperative is especially important. Prosperity, nay survivability, for many associations depends ultimately on the capacity to diversify into areas, especially the business credit area, where there is more risk than in home mortgage lending, but where the risks are still eminently controllable if managed in an intelligent and sophisticated fashion. ■

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LETTERS TO THE EDITOR

Underwriting Requests Considered on Merit

To the Editor:

I am writing to clarify a report in the story entitled "Chase Securitizes Commercial Real Estate" (March 22, page 2).

The story reports that national banks are likely to file applications to underwrite assets bought from third parties, not originated by the bank itself. The story also notes that the Comptroller's office is concerned that the bank owns the asset, not how that ownership came about.

I did not say, however, that the Comptroller's office would approve all such applications. As always, we will consider each application on its merits before making a decision. I would appreciate it if you would make your readers aware of this correction.

J. Michael Shepherd
Senior Deputy Comptroller
Office of the Comptroller
Of the Currency
Washington, D.C.

Something to Say? We Want to Hear

The *American Banker* welcomes letters from our readers.

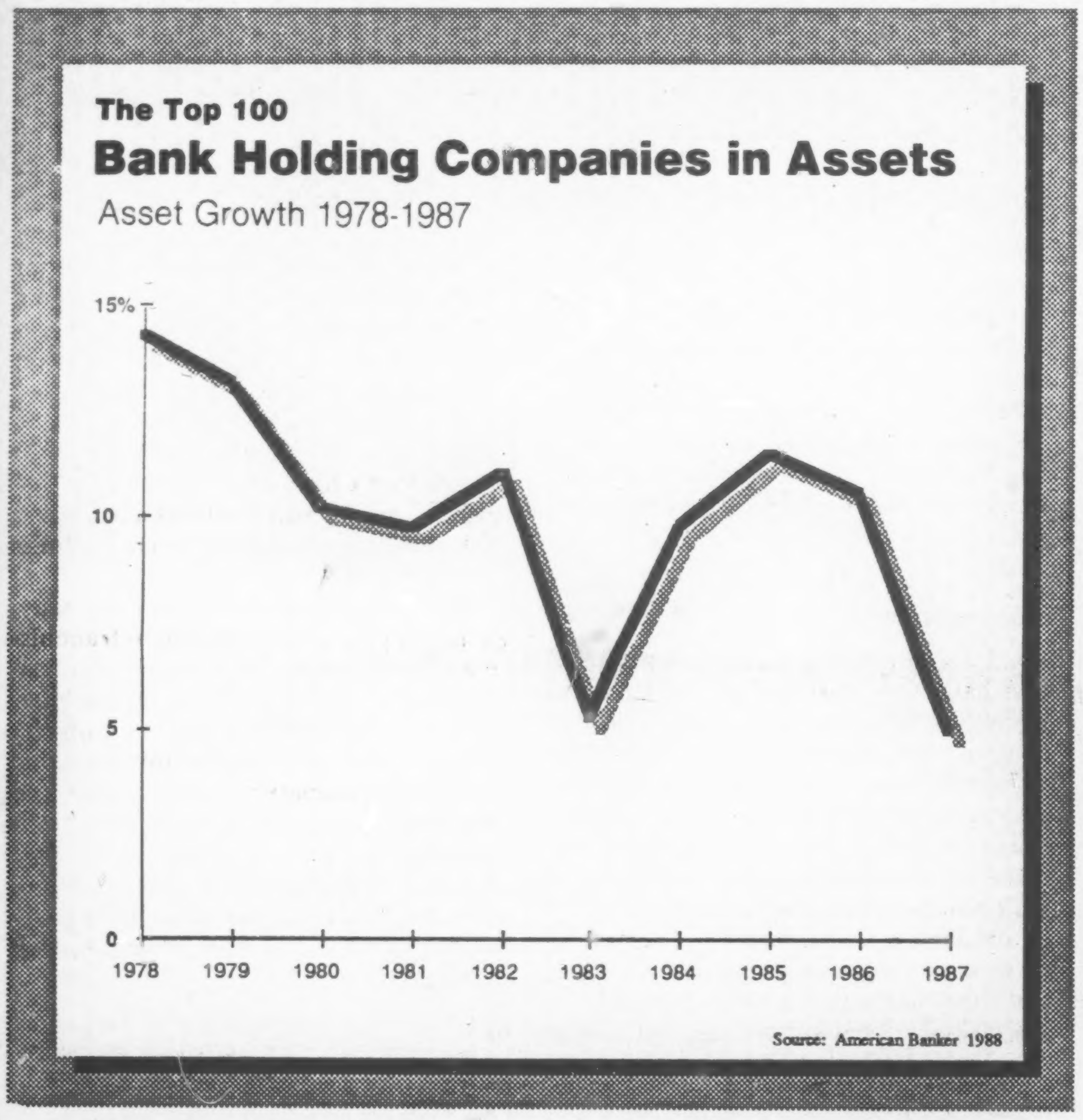
We would like our pages to reflect as wide a range of views and opinions as possible — no matter how provocative or controversial. The key goal is to factor your views into our own thinking so that both our newspaper and the executives who read us can do a better job running our organizations.

In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number.

Holding Company Review

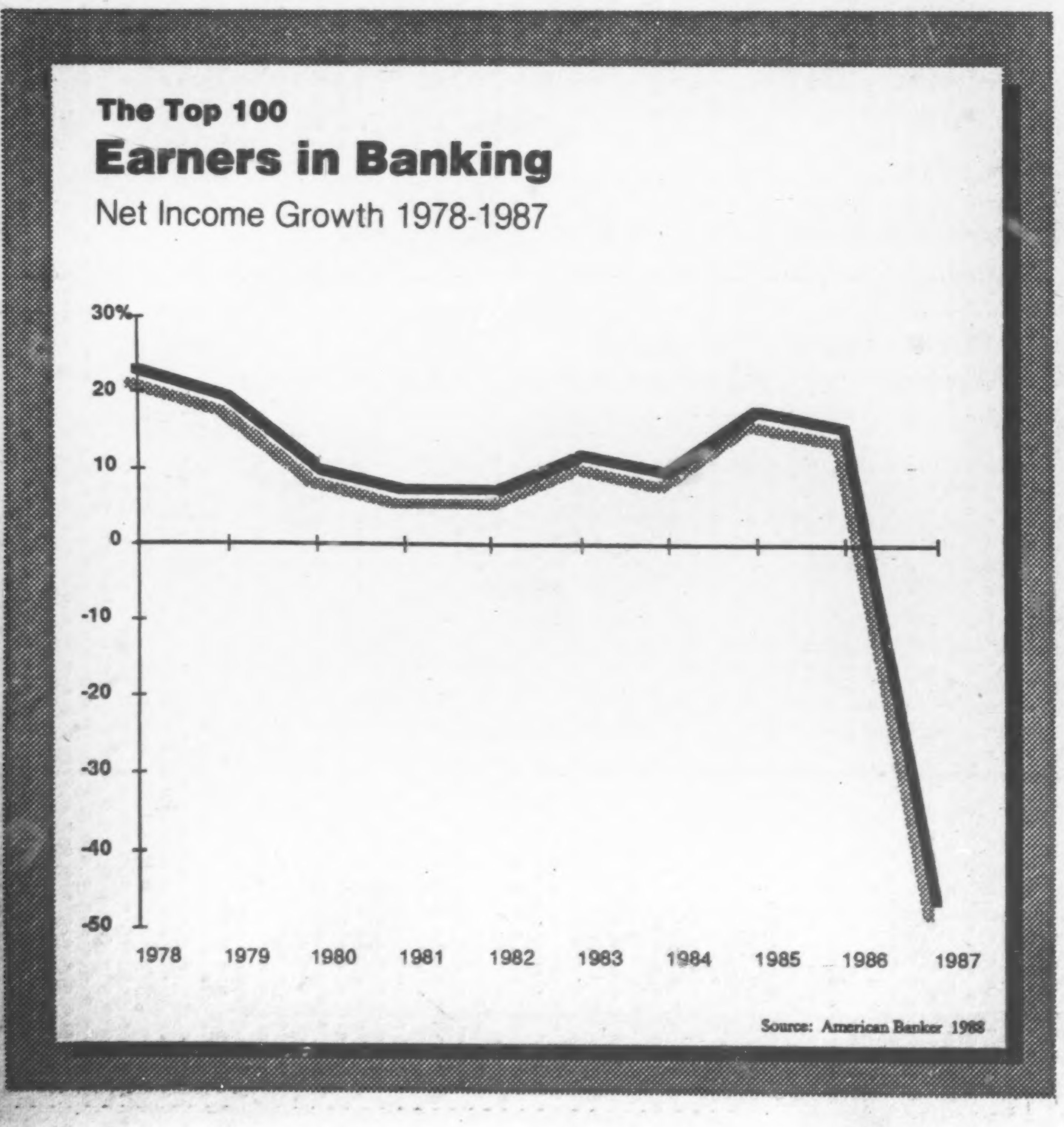
This review is a complete look at the top commercial banking firms in 1987, with comparable data for 1986. Included are rankings of the top 100 bank holding companies in assets; the top 100 bank holding companies in primary capital; and the top 100 firms in net income for 1987. In addition, the review contains a geographical breakdown of the top 100 firms in assets and a summary table which identifies the nation's superregional banking firms.


The Top 100

Bank Holding Companies in Assets

Asset Growth 1978-1987

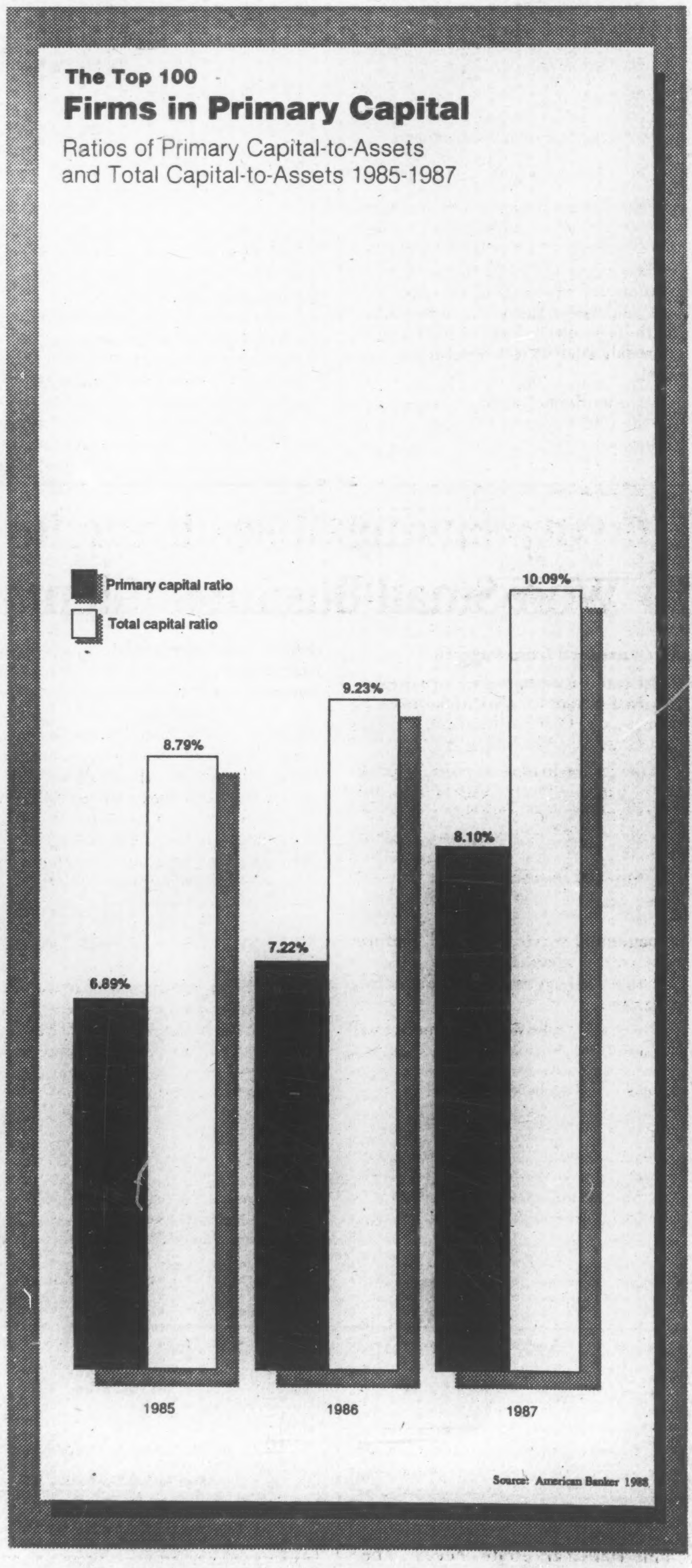
Source: American Banker 1988


The Top 100

Earners in Banking

Net Income Growth 1978-1987

Source: American Banker 1988


The Top 100

Firms in Primary Capital

Ratios of Primary Capital-to-Assets and Total Capital-to-Assets 1985-1987

Source: American Banker 1988

Top 100 U.S. Bank Holding Companies

Ranked by Assets Dec. 31, 1987, Compared with December 31, 1986

Rank 12/31/87	Bank Holding Company Largest Controlled Bank in Deposits	Total Assets 12/31/87	Total Assets 12/31/86	Rank 12/31/86	Gain	Total Deposits 12/31/87	Total Deposits 12/31/86	Controlled Banks	Controlled Branches
1	**Citicorp, New York (a)** Citibank NA, New York	203,607,000,000	196,124,000,000	1		119,561,000,000	114,689,000,000	7	350
2	**Chase Manhattan Corp., New York** Chase Manhattan Bank NA, New York	99,133,396,000	94,765,815,000	3	+1	68,578,043,000	66,002,844,000	7	339
3	**BankAmerica Corp., San Francisco** Bank of America NT&SA, San Francisco	92,833,000,000	104,189,297,000	2		76,290,000,000	82,205,359,000	2	1,040
4	**Chemical New York Corp.** Chemical Bank, New York	78,189,000,000	60,564,123,000	7	+3	55,509,000,000	39,054,910,000	4	280
5	**J.P. Morgan & Co., Inc., New York** Morgan Guaranty Trust Co., New York	75,414,000,000	76,039,000,000	4		46,557,000,000	42,960,000,000	2	3
6	**Manufacturers Hanover Corp., New York** Manufacturers Hanover Trust Co., New York	73,348,117,000	74,397,389,000	5		45,176,352,000	45,544,277,000	2	213
7	**Security Pacific Corp., Los Angeles** Security Pacific National Bank, Los Angeles	72,838,000,000	62,606,000,000	6		45,551,000,000	38,408,000,000	9	950
8	**Bankers Trust New York Corp.** Bankers Trust Co., New York	56,520,593,000	56,419,945,000	8		30,220,443,000	29,535,520,000	2	6
9	**First Interstate Bancorp., Los Angeles (b)** First Interstate Bank of California, Los Angeles	50,926,582,000	55,421,736,000	9		37,569,680,000	39,457,006,000	24	977
10	**First Chicago Corp.** First National Bank, Chicago	44,209,268,000	39,147,996,000	11	+1	31,537,743,000	27,024,943,000	16	0
11	**Wells Fargo & Co., San Francisco (c)** Wells Fargo Bank NA, San Francisco	44,183,300,000	44,577,100,000	10		32,319,800,000	32,992,800,000	1	439
12	**Bank of Boston Corp.** First National Bank, Boston	34,116,638,000	34,045,409,000	13	+1	22,471,649,000	21,724,988,000	4	268
13	**First RepublicBank Corp., Dallas** RepublicBank Dallas NA	33,210,686,000	20,944,300,000	26	+13	25,490,589,000	15,997,462,000	75	115
14	**Continental Illinois Corp., Chicago** Continental Illinois Nat'l Bank & Trust Co., Chicago	32,391,000,000	32,808,986,000	14		19,624,000,000	18,032,406,000	8	11
15	**PNC Financial Corp, Pittsburgh (d)** Pittsburgh National Bank	31,432,569,000	22,198,930,000	22	+7	20,347,701,000	14,315,971,000	16	338
16	**Mellon Bank Corp., Pittsburgh** Mellon Bank NA, Pittsburgh	30,525,000,000	34,499,370,000	12		21,548,000,000	21,647,152,000	7	349
17	**Bank of New England Corp., Boston** Bank of New England NA, Boston	29,474,763,000	22,472,935,000	21	+4	22,767,437,000	17,676,987,000	12	482
18	**NCNB Corp., Charlotte, N.C.** NCNB National Bank of North Carolina, Charlotte	28,915,438,000	27,472,434,000	16		19,550,026,000	18,519,315,000	6	607
19	**First Union Corp., Charlotte, N.C.** First Union National Bank, Charlotte	27,629,481,000	26,820,240,000	17		17,425,316,000	17,003,549,000	5	721
20	**SunTrust Banks, Inc., Atlanta** Trust Company Bank, Atlanta	27,187,889,000	26,165,455,000	18		22,493,297,000	21,284,007,000	52	578
21	**First Bank System, Inc., Minneapolis** First Bank NA, Minneapolis	26,849,592,000	28,011,495,000	15		15,798,755,000	16,260,609,000	34	89
22	**Marine Midland Banks, Inc., Buffalo, N.Y.** Marine Midland Bank NA, Buffalo	25,453,332,000	24,789,596,000	19		17,303,234,000	17,418,418,000	2	324
23	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (e)** Fleet National Bank, Providence, R.I.	24,530,611,000	....	...		17,531,452,000	....	8	541
24	**Irving Bank Corp., New York** Irving Trust Co., New York	23,533,516,000	24,232,521,000	20		15,151,552,000	15,327,955,000	14	143
25†	**Barnett Banks, Inc., Jacksonville, Fla.** Barnett Bank of South Florida NA, Miami	23,451,199,000	20,228,949,000	28	+3	20,167,180,000	17,736,767,000	33	502
26†	**NBD Bancorp., Inc., Detroit** National Bank of Detroit	23,353,573,000	21,176,031,000	25		18,166,042,000	15,011,323,000	31	351
27	**Bank of New York Co., Inc.** Bank of New York	23,064,895,000	20,708,850,000	27		17,126,384,000	15,112,849,000	2	189
28	**Republic New York Corp.** Republic National Bank, New York	22,387,555,000	17,464,897,000	33	+5	14,838,546,000	10,797,367,000	2	43
29	**Sovran Financial Corp., Norfolk, Va.** Sovran Bank NA, Richmond	21,238,490,000	14,952,156,000	35	+6	16,666,830,000	11,610,599,000	16	464
30	**Norwest Corp., Minneapolis** Norwest Bank Minneapolis NA	20,747,000,000	21,539,400,000	24		13,643,800,000	14,099,800,000	70	205
31	**Citizens & Southern Corp., Atlanta** Citizens & Southern National Bank, Atlanta	20,444,131,000	18,757,000,000	30		14,974,091,000	14,026,000,000	3	472
32	**MCorp, Dallas** MBank Dallas NA	20,228,360,000	21,886,812,000	23		16,631,617,000	17,492,106,000	35	27
33	**First Wachovia Corp., Winston-Salem, N.C.** Wachovia Bank & Trust Co. NA, Winston-Salem	19,342,241,000	18,689,550,000	31		14,341,922,000	13,780,612,000	4	339
34	**Banc One Corp., Columbus, Ohio** Bank One Columbus NA	18,729,995,000	12,662,000,000	40	+6	14,478,257,000	10,195,000,000	39	483
35	**Midlantic Corp., Edison, N.J.** Midlantic National Bank, Newark	17,791,809,000	11,873,756,000	42	+7	13,638,238,000	9,033,834,000	9	401
36	**MNC Financial, Inc., Baltimore** Maryland National Bank, Baltimore	16,658,377,000	9,513,341,000	54	+18	11,240,859,000	6,350,913,000	3	187
37	**First Fidelity Bancorporation, Newark, N.J. (f)** First Fidelity Bank NA, Newark	16,241,317,000	15,170,304,000	34		12,069,495,000	12,054,723,000	5	306
38	**Hartford National Corp., Conn. (g)** Connecticut National Bank, Hartford	15,690,714,000	13,879,294,000	38		11,579,612,000	10,778,917,000	12	244
39	**CoreStates Financial Corp., Philadelphia** Philadelphia National Bank	15,036,107,000	14,595,402,000	36		10,300,984,000	10,636,974,000	4	210
40	**National City Corp., Cleveland** National City Bank, Cleveland	14,912,397,000	14,107,259,000	37		11,426,524,000	10,427,356,000	9	330
41	**U.S. Bancorp., Portland, Ore.** United States National Bank of Oregon, Portland	13,352,686,000	9,491,354,000	55	+14	9,521,545,000	5,762,464,000	8	361
42	**Southeast Banking Corp., Miami** Southeast Bank NA, Miami	12,842,237,000	12,468,984,000	41		9,518,065,000	9,555,874,000	6	194
43	**Fidelcor, Inc., Philadelphia (h)** Fidelity Bank NA, Malvern	12,649,811,000	11,391,725,000	44	+1	8,869,179,000	9,026,105,000	3	186
44	**First City Bancorporation of Texas, Inc., Houston (i)** First City National Bank, Houston	11,781,000,000	13,681,179,000	39		9,387,000,000	11,045,079,000	60	3
45	**KeyCorp, Albany, N.Y.** Key Bank NA, Albany	11,596,368,000	9,072,750,000	60	+15	9,379,097,000	7,390,982,000	14	499
46	**Valley National Corp., Phoenix, Ariz.** Valley National Bank, Phoenix	11,299,994,000	10,715,497,000	47	+1	9,736,368,000	9,186,694,000	5	299
47	**Shawmut Corp., Boston (j)** Shawmut Bank NA, Boston	10,802,585,000	10,697,446,000	48	+1	7,575,592,000	7,751,252,000	9	195
48	**Signet Banking Corp., Richmond** Signet Bank/Virginia, Richmond	10,724,413,000	9,471,496,000	56	+8	7,624,872,000	6,664,928,000	3	239
49	**Harris Bankcorp, Inc., Chicago** Harris Trust & Savings Bank, Chicago	10,556,462,000	10,277,701,000	49		7,754,405,000	7,600,616,000	10	0
50	**AmeriTrust Corp., Cleveland** AmeriTrust Co. NA, Cleveland	10,333,747,000	11,068,113,000	46		7,755,432,000	7,972,168,000	15	217

Sources of Data: American Banker questionnaire, and banks' yearend earnings releases. **Assets** and **Deposits** include all consolidated subsidiaries, both domestic and foreign. Data for 1986 are as reported in 1987 and have not been restated for acquisitions, mergers, or changes in accounting principals. **Banks Controlled:** includes only domestic commercial banks controlled, according to definitions of Bank Holding Co. Act. **Branches Controlled** are domestic commercial bank branches only. **(a)**—Agreed to acquire United Bank, Phoenix, from Union Bancorp., Los Angeles, on 1/28/88. **(b)**—Acquired Allied Bancshares, Inc., Houston on 1/29/88. **(c)**—Agreed to acquire Barclays Bank of California, San Francisco, from Barclays Plc, London, on 1/15/88. **(d)**—Acquired Central Bancorp. Inc., Cincinnati, on 2/29/88. **(e)**—On 1/1/88, Fleet Financial Group, Providence, and Norstar Bancorp,, Albany, N.Y., merged to form Fleet/Norstar. **(f)**—On 2/29/88, acquired Fidelcor, Philadelphia. **(g)**—On 2/29/88, acquired Shawmut Corp., Boston. **(h)**—Acquired by First Fidelity Bancorp., Newark, on 2/29/88. **(i)**—Company is in the process of recapitalizing, and yearend 1987 data were not available. Data for Sept. 30, 1987, were used. **(j)**—Acquired by Hartford National Corp., Conn., on 2/29/88. **(†)**—Revised since publication on 2/1/88.

An American Banker Survey

The Top 100 Firms Account for 60% of Employment in Banking

Continued from Page 3

holding companies in primary capital, and the top 100 banks and bank holding companies in net income for 1987. Summary tables identify the nation's superregional firms, the 30 banking firms with the largest losses, and the large commercial banks that are not controlled by a U.S. bank holding company. Tables begin on page 13.

The government's "Payroll Survey" found that the finance industry — which includes commercial and savings banks, savings and loans, insurance companies, mortgage firms, and credit companies — employed 3.278 million people at yearend 1987, up 4% from 3.152 million a year earlier. Thus, the top 100 commercial banking firms account for 32% of all workers employed in the finance industry.

The *American Banker* survey also found that for the third year in a row, growth in primary capital at the nation's top 10 banking companies grew substantially faster than assets. Primary capital increased 20.6% at the top 10 banks last year, while assets rose by 3.4%.

In 1986, primary capital rose 15.8% at the top 10 firms, compared with a 7.8% gain in total assets.

The superior growth in primary capital was attributed to the sharp rise in the allowance for loan and lease losses at the top 10 firms last year. Such allowances — which account for more than 32% of primary capital at the top 10 firms — jumped 126% last year, offsetting declines in equity capital and representing all the gain in primary capital at these institutions.

The sharp rise in the allowance for loan and lease losses was attributed to the special reserves set aside for potential losses on problem loans to lesser-developed countries.

For the top 10 firms, the allowance for loan losses totaled $22.8 billion, up $12.7 billion from $10.1 billion in 1986. Primary capital rose by $12 billion at the top 10 last year to $70.3 billion, up from $58.3 billion in 1986.

The *American Banker* surveyed the 200 largest bank holding companies and banks in the United States to prepare its rankings. Listed below are some of the more important findings.

- Total assets of the top 100 bank holding companies were $2.027 trillion on Dec. 31, up 5% from $1.931 trillion a year earlier.
- These firms had $1.528 trillion in deposits, up 14.6% from $1.333 trillion on Dec. 31, 1986. They controlled 1,352 domestic banks with 22,685 domestic branches at yearend 1987.
- The top 100 earners among banks and bank holding companies had combined net income of $6.9 billion in 1987, down 47% from $13 billion among the top 100 earners in 1986. The plunge in earnings was attributed to the large losses posted last year by many firms that took special loan-loss provisions against Third World loans.
- The three largest losses in the banking industry were sustained by Manufacturers Hanover Corp., New York, which lost $1.14 billion; Citicorp, New York, which lost $1.138 billion; and BankAmerica Corp., San Francisco, which lost $955 million.
- The number of superregional banking companies in the United States increased by 10 last year to 48, as defined by the *American Banker*. A superregional banking firm is a non-money center banking company that is ranked among the top 100 banking firms in total assets and that has merged across state lines to establish a full commercial banking presence in another state. ■

Dear Reader,
How Are We Doing?

The *American Banker* wants to make sure our annual bank holding company review and tables meet your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

(2.) What do you like **best** about the survey?

(3.) What do you like **least** about it?

(4.) How do you use the survey in your work?

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Top 100 U.S. Bank Holding Companies

Ranked by Assets Dec. 31, 1987, Compared with December 31, 1986

Rank 12/31/87	Bank Holding Company Largest Controlled Bank in Deposits	Total Assets		Rank 12/31/86	Gain	Total Deposits		Controlled	
		12/31/87	12/31/86			12/31/87	12/31/86	Banks	Branches
51	**Comerica, Inc., Detroit** Comerica Bank-Detroit	10,115,965,000	9,982,511,000	50		8,402,663,000	8,310,549,000	17	191
52	**Boatmen's Bancshares, Inc., St. Louis, Mo.** Boatmen's National Bank, St. Louis	9,884,871,000	9,919,003,000	51		7,389,605,000	7,472,492,000	36	153
53	**Crestar Financial Corp., Richmond** Crestar Bank, Richmond	9,739,662,000	9,412,574,000	57	+4	7,356,325,000	6,896,462,000	3	245
54	**First American Bankshares, Washington, D.C.** First American Bank of Virginia, McLean	9,617,982,000	7,209,709,000	68	+14	7,662,867,000	5,917,510,000	9	280
55	**Northern Trust Corp., Chicago** Northern Trust Co., Chicago	9,325,686,000	9,090,107,000	59	+4	6,846,203,000	6,207,109,000	12	0
56	**Union Bancorp, Los Angeles (a)** Union Bank, Los Angeles	9,083,490,000	9,901,273,000	52		7,221,322,000	7,744,176,000	1	32
57	**Manufacturers National Corp., Detroit** Manufacturers National Bank of Detroit	9,077,263,000	8,110,207,000	62	+5	7,234,848,000	6,159,383,000	12	136
58	**Society Corp., Cleveland** Society National Bank, Cleveland	9,077,256,000	9,060,948,000	61	+3	7,280,326,000	7,327,461,000	4	222
59	**Huntington Bancshares, Inc., Columbus, Ohio** Huntington National Bank, Columbus	8,835,915,000	7,717,915,000	65	+6	6,601,825,000	5,952,839,000	9	210
60	**United Jersey Banks, Princeton, N.J. (b)** United Jersey Bank, Hackensack	8,754,535,000	8,023,961,000	63	+3	6,750,895,000	6,672,853,000	10	N.A.
61	**First of America Bank Corp., Kalamazoo, Mich.** First of America Bank-Michigan NA, Kalamazoo	8,679,927,000	7,869,918,000	64	+3	7,554,483,000	6,927,313,000	46	352
62	**BayBanks, Inc., Boston** BayBank Boston NA	8,506,308,000	7,627,668,000	67	+5	7,176,308,000	6,348,201,000	9	234
63	**Michigan National Corp., Farmington Hills** Michigan National Bank, Farmington Hills	8,481,131,000	7,672,215,000	66	+3	6,861,301,000	6,759,164,000	4	212
64	**Meridian Bancorp., Inc., Reading, Pa. (c)** Meridian Bank, Reading	8,388,649,000	6,801,115,000	72	+8	6,609,890,000	5,453,125,000	3	180
65	**Allied Bancshares, Inc., Houston (d)** Allied Bank of Texas, Houston	7,996,256,000	9,863,646,000	53		6,686,181,000	8,103,275,000	50	5
66	**Dominion Bankshares Corp., Roanoke, Va.** Dominion Bank NA, Roanoke	7,601,803,000	5,920,662,000	80	+14	5,819,069,000	4,460,769,000	11	239
67	**Florida National Banks of Florida, Inc., Jacksonville** Florida National Bank, Jacksonville	7,555,878,000	6,876,822,000	71	+4	5,949,465,000	5,816,445,000	2	184
68	**AmSouth Bancorporation, Birmingham, Ala.** AmSouth Bank NA, Birmingham	7,527,135,000	5,942,706,000	79	+11	5,718,380,000	4,449,827,000	5	168
69	**First Wisconsin Corp., Milwaukee** First Wisconsin National Bank, Milwaukee	7,381,948,000	7,090,197,000	70	+1	5,951,651,000	5,666,903,000	33	105
70	**State Street Boston Corp.** State Street Bank & Trust Co., Boston	6,955,225,000	7,189,818,000	69		4,537,942,000	5,269,596,000	1	6
71	**Riggs National Corp., Washington, D.C.** Riggs National Bank, Washington, D.C.	6,787,943,000	6,253,385,000	75	+4	5,226,045,000	4,988,877,000	3	38
72	**Mercantile Bancorporation, Inc., St. Louis, Mo.** Mercantile Bank NA, St. Louis	6,765,949,000	6,586,179,000	74	+2	5,433,572,000	5,057,652,000	32	106
73	**First American Corp., Nashville, Tenn.** First American National Bank, Nashville	6,494,145,000	5,950,777,000	78	+5	5,075,061,000	4,676,966,000	13	130
74	**Old Kent Financial Corp., Grands Rapids, Mich.** Old Kent Bank & Trust Co., Grand Rapids	6,455,079,000	5,582,276,000	83	+9	5,413,077,000	4,863,209,000	28	201
75	**European American Bancorp, New York** European American Bank, New York	6,406,131,000	6,744,465,000	73		4,467,405,000	4,539,610,000	1	87
76	**SouthTrust Corp., Birmingham, Ala.** SouthTrust Bank of Alabama NA, Birmingham	5,923,962,000	5,101,073,000	90	+14	4,702,371,000	3,973,842,000	34	179
77	**Bancorp Hawaii, Inc., Honolulu** Bank of Hawaii, Honolulu	5,826,278,000	5,060,018,000	92	+15	4,917,555,000	4,342,847,000	2	66
78	**First Pennsylvania Corp., Philadelphia** First Pennsylvania Bank NA, Philadelphia	5,803,546,000	5,887,589,000	81	+3	4,136,068,000	3,998,842,000	3	77
79	**First Tennessee National Corp., Memphis** First Tennessee Bank NA, Memphis	5,761,797,000	5,555,707,000	84	+5	4,477,268,000	4,250,695,000	2	149
80	**First Maryland Bancorp., Baltimore** First National Bank of Maryland, Baltimore	5,644,190,000	5,487,202,000	85	+5	4,095,343,000	3,906,087,000	2	147
81	**Marshall & Ilsley Corp., Milwaukee, Wis.** M&I Marshall & Ilsley Bank, Milwaukee	5,555,834,000	6,000,935,000	76		4,318,795,000	4,331,830,000	30	63
82	**United Banks of Colorado, Inc., Denver** United Bank of Denver NA	5,503,397,000	4,836,872,000	94	+12	4,370,177,000	3,705,554,000	41	0
83	**Indiana National Corp., Indianapolis** Indiana National Bank, Indianapolis	5,458,762,000	5,106,296,000	89	+6	3,959,719,000	3,815,917,000	6	93
84	**Trustcorp. Inc., Toledo, Ohio** Toledo Trust Co., Ohio	5,410,590,000	4,226,973,000	106	+22	4,389,410,000	3,940,083,000	16	189
85	**Commerce Bancshares, Inc., Kansas City, Mo.** Commerce Bank of St. Louis NA, Clayton, Mo.	5,269,272,000	5,293,463,000	87	+2	4,469,286,000	4,441,591,000	21	104
86	**Centerre Bancorp., St. Louis, Mo.** Centerre Bank NA, St. Louis	5,242,058,000	5,664,526,000	82		4,010,068,000	3,983,641,000	14	69
87	**First Empire State Corp., Buffalo, N.Y.** Manufacturers & Traders Trust Co., Buffalo	5,176,905,000	2,918,843,000	132	+45	4,377,358,000	2,522,693,000	3	75
88	**Texas American Bankshares, Inc., Fort Worth** Texas American Bank/Fort Worth NA	5,170,498,000	5,985,740,000	77		4,511,027,000	5,152,193,000	25	10
89	**First Kentucky National Corp., Louisville** First National Bank of Louisville	5,132,356,000	5,128,486,000	88		3,750,078,000	3,657,002,000	8	95
90	**First Security Corp., Salt Lake City, Utah** First Security Bank of Utah NA, Salt Lake City	5,073,655,000	5,079,578,000	91	+1	3,862,792,000	3,923,672,000	3	163
91	**Central Bancorporation, Inc., Cincinnati (e)** Central Trust Co. NA, Cincinnati	5,070,985,000	4,509,645,000	99	+8	3,647,439,000	3,541,594,000	7	125
92	**Equitable Bancorporation, Baltimore** Equitable Bank NA, Baltimore	5,060,826,000	4,253,994,000	105	+13	3,309,858,000	3,155,600,000	3	120
93	**First Florida Banks, Inc., Tampa** First Florida Bank NA, Tampa	4,927,281,000	4,845,177,000	93		4,089,471,000	4,043,714,000	2	141
94	**South Carolina National Corp., Columbia** South Carolina National Bank, Columbia	4,918,485,000	4,740,286,000	96	+2	3,451,107,000	3,327,023,000	1	161
95	**National Westminster Bancorp NJ, Jersey City (f)** First Jersey National Bank, Jersey City	4,894,637,000	4,365,604,000	102	+7	4,015,121,000	3,710,261,000	5	117
96	**Hibernia Corp., New Orleans, La.** Hibernia National Bank, New Orleans	4,846,631,000	4,288,470,000	104	+8	4,128,567,000	3,573,277,000	1	72
97	**First National Cincinnati Corp.** First National Bank, Cincinnati	4,533,466,000	4,367,674,000	101	+4	3,664,512,000	3,409,807,000	14	125
98	**First Virginia Banks, Inc., Falls Church** First Virginia Bank, Falls Church	4,432,843,000	3,881,248,000	110	+12	3,913,836,000	3,442,363,000	21	286
99	**First Alabama Bancshares, Inc., Montgomery** First Alabama Bank, Montgomery	4,390,861,000	4,396,627,000	100	+1	3,728,600,000	3,721,365,000	4	140
100	**Premier Bancorp, Inc., Baton Rouge, La.** Louisiana National Bank, Baton Rouge	4,348,963,000	4,740,502,000	95		3,674,149,000	4,046,520,000	7	100

Sources of Data: American Banker questionnaire, and banks' yearend earnings releases. **Assets** and **Deposits** include all consolidated subsidiaries, both domestic and foreign. Data for 1986 are as reported in 1987 and have not been restated for acquisitions, mergers, or changes in accounting principals. **Banks Controlled:** includes only domestic commercial banks controlled, according to definitions of Bank Holding Co. Act. **Branches Controlled** are domestic commercial bank branches only. **(a)**— Yearend data were not available, therefore Dec. 31, 1987 data for Union Bank were used. These data do not include Union Bancorp.'s subsidiary, United Bank, Phoenix. On 1/28/88, Citicorp agreed to acquire United Bank. On 2/16/88, Bank of Tokyo, Ltd. agreed to acquire Union Bancorp. The acquirer will be California First Bank, San Francisco, a Bank of Tokyo subsidiary. The seller of Union is Standard Chartered Plc, London. **(b)**— Acquired First Valley Corp., Bethleham, Pa., on 1/29/88. **(c)**— Acquired Delaware Trust Co., Wilmington, on 2/10/88. **(d)**— Acquired by First Interstate Bancorp., Los Angeles, on 1/29/88. **(e)**— Acquired by PNC Financial Corp., Pittsburgh, on 2/29/88. **(f)**— Formerly First Jersey National Corp. Changed title after being acquired by National Westminster Plc, London, on 2/1/88.

Top 100 U.S. Bank Holding Companies

Listed Geographically by Order of Size within States

Rank 12/87		Assets 12/31/87	Employees 12/31/87
	ALABAMA		
68	AmSouth Bancorporation, Birmingham★	7,527,135,000	4,828
76	SouthTrust Corp., Birmingham	5,923,962,000	3,718
99	First Alabama Bancshares, Inc., Montgomery	4,390,861,000	3,844
	ARIZONA		
46	Valley National Corp., Phoenix★	11,299,994,000	7,913
	CALIFORNIA		
3	BankAmerica Corp., San Francisco	92,833,000,000	59,500
7	Security Pacific Corp., Los Angeles★	72,838,000,000	43,260
9	First Interstate Bancorp., Los Angeles★	50,926,582,000	36,253
11	Wells Fargo & Co., San Francisco	44,183,300,000	20,100
56	Union Bancorp, Los Angeles (a)	9,083,490,000	4,455
	COLORADO		
82	United Banks of Colorado, Inc., Denver	5,503,397,000	4,095
	CONNECTICUT		
38	Hartford National Corp.★	15,690,714,000	7,479
	DISTRICT OF COLUMBIA		
54	First American Bankshares, Washington, D.C.★	9,617,982,000	5,715
71	Riggs National Corp., Washington, D.C.★	6,787,943,000	2,114
	FLORIDA		
25	Barnett Banks, Inc., Jacksonville★	23,451,199,000	17,987
42	Southeast Banking Corp., Miami	12,842,237,000	7,396
93	First Florida Banks, Inc., Tampa	4,927,281,000	3,929
67	Florida National Banks of Florida, Inc., Jacksonville	7,555,878,000	4,883
	GEORGIA		
20	SunTrust Banks, Inc., Atlanta★	27,187,889,000	20,047
31	Citizens & Southern Corp., Atlanta★	20,444,131,000	13,244
	HAWAII		
77	Bancorp Hawaii, Inc., Honolulu★	5,826,278,000	3,355
	ILLINOIS		
10	First Chicago Corp.	44,209,268,000	14,153
14	Continental Illinois Corp., Chicago	32,391,000,000	9,624
49	Harris Bankcorp, Inc., Chicago	10,556,462,000	4,882
55	Northern Trust Corp., Chicago	9,325,686,000	5,291
	INDIANA		
83	Indiana National Corp., Indianapolis	5,458,762,000	2,823
	KENTUCKY		
89	First Kentucky National Corp., Louisville★	5,132,356,000	5,031
	LOUISIANA		
96	Hibernia Corp., New Orleans	4,846,631,000	2,274
100	Premier Bancorp, Inc., Baton Rouge	4,348,963,000	3,121
	MARYLAND		
36	MNC Financial, Inc., Baltimore★	16,658,377,000	7,831
80	First Maryland Bancorp., Baltimore	5,644,190,000	3,976
92	Equitable Bancorporation, Baltimore	5,060,826,000	3,050
	MASSACHUSETTS		
12	Bank of Boston Corp.★	34,116,638,000	20,200
17	Bank of New England Corp., Boston★	29,474,763,000	18,752
47	Shawmut Corp., Boston★(b)	10,802,585,000	6,921
62	BayBanks, Inc., Boston★	8,506,308,000	5,684
70	State Street Boston Corp.	6,955,225,000	6,943
	MICHIGAN		
26	NBD Bancorp., Inc., Detroit★	23,353,573,000	11,931
51	Comerica, Inc., Detroit	10,115,965,000	6,014
61	First of America Bank Corp., Kalamazoo★	8,679,927,000	7,075
63	Michigan National Corp., Farmington Hills	8,481,131,000	6,600
57	Manufacturers National Corp., Detroit	9,077,263,000	5,156
74	Old Kent Financial Corp., Grands Rapids★	6,455,079,000	4,000
	MINNESOTA		
21	First Bank System, Inc., Minneapolis★	26,849,592,000	9,426
30	Norwest Corp., Minneapolis★	20,747,000,000	14,250
	MISSOURI		
52	Boatmen's Bancshares, Inc., St. Louis★	9,884,871,000	5,400
72	Mercantile Bancorporation, Inc., St. Louis★	6,765,949,000	4,618
85	Commerce Bancshares, Inc., Kansas City	5,269,272,000	3,810
86	Centerre Bancorp., St. Louis	5,242,058,000	3,682
	NEW JERSEY		
35	Midlantic Corp., Edison★	17,791,809,000	9,987
37	First Fidelity Bancorporation, Newark★	16,241,317,000	9,600
60	United Jersey Banks, Princeton★	8,754,535,000	6,254
95	National Westminster Bancorp NJ, Jersey City	4,894,637,000	3,986
	NEW YORK		
1	Citicorp, New York	203,607,000,000	90,000
2	Chase Manhattan Corp., New York	99,133,396,000	42,390
4	Chemical New York Corp.	78,189,000,000	28,597
5	J.P. Morgan & Co., Inc., New York	75,414,000,000	15,000
6	Manufacturers Hanover Corp., New York	73,348,117,000	29,125
8	Bankers Trust New York Corp.	56,520,593,000	12,292
22	Marine Midland Banks, Inc., Buffalo★	25,453,332,000	13,394
24	Irving Bank Corp., New York	23,533,516,000	10,400
27	Bank of New York Co., Inc.	23,064,895,000	10,249
28	Republic New York Corp.	22,387,555,000	3,700
45	KeyCorp, Albany★	11,596,368,000	8,514
75	European American Bancorp, New York	6,406,131,000	2,722
87	First Empire State Corp., Buffalo	5,176,905,000	2,410
	NORTH CAROLINA		
18	NCNB Corp., Charlotte★	28,915,438,000	13,785
19	First Union Corp., Charlotte★	27,629,481,000	20,284
33	First Wachovia Corp., Winston-Salem★	19,342,241,000	13,213
	OHIO		
34	Banc One Corp., Columbus★	18,729,995,000	13,865
40	National City Corp., Cleveland	14,912,397,000	9,076
50	AmeriTrust Corp., Cleveland★	10,333,747,000	5,987
58	Society Corp., Cleveland	9,077,256,000	5,993
59	Huntington Bancshares, Inc., Columbus★	8,835,915,000	5,195
84	Trustcorp. Inc., Toledo★	5,410,590,000	3,443
91	Central Bancorporation, Inc., Cincinnati (c)	5,070,985,000	3,500
97	First National Cincinnati Corp.	4,533,466,000	2,286
	OREGON		
41	U.S. Bancorp., Portland★	13,352,686,000	8,991
	PENNSYLVANIA		
15	PNC Financial Corp, Pittsburgh★	31,432,569,000	12,195
16	Mellon Bank Corp., Pittsburgh★	30,525,000,000	16,650†
39	CoreStates Financial Corp., Philadelphia★	15,036,107,000	8,955
43	Fidelcor, Inc., Philadelphia (d)	12,649,811,000	5,544
64	Meridian Bancorp., Inc., Reading★	8,388,649,000	6,124
78	First Pennsylvania Corp., Philadelphia	5,803,546,000	3,595
	RHODE ISLAND		
23	Fleet/Norstar Financial Group, Inc., Providence★	24,530,611,000	17,500
	SOUTH CAROLINA		
94	South Carolina National Corp., Columbia	4,918,485,000	3,958
	TENNESSEE		
73	First American Corp., Nashville★	6,494,145,000	3,719
79	First Tennessee National Corp., Memphis	5,761,797,000	4,222
	TEXAS		
13	First RepublicBank Corp., Dallas	33,210,686,000	15,239
32	MCorp, Dallas	20,228,360,000	10,943
44	First City Bancorporation of Texas, Inc., Houston (e)	11,781,000,000	N.A.
65	Allied Bancshares, Inc., Houston (f)	7,996,256,000	3,200
88	Texas American Bankshares, Inc., Fort Worth	5,170,498,000	2,961
	UTAH		
90	First Security Corp., Salt Lake City	5,073,655,000	4,091
	VIRGINIA		
29	Sovran Financial Corp., Norfolk★	21,233,490,000	14,358
48	Signet Banking Corp., Richmond★	10,724,413,000	6,482
53	Crestar Financial Corp., Richmond★	9,739,662,000	5,741
66	Dominion Bankshares Corp., Roanoke★	7,601,803,000	4,969
98	First Virginia Banks, Inc., Falls Church★	4,432,843,000	4,288
	WISCONSIN		
69	First Wisconsin Corp., Milwaukee★	7,381,948,000	6,042
81	Marshall & Ilsley Corp., Milwaukee★	5,555,834,000	4,475
	Total for Top 100 Firms of 1987	**$2,027 Billion**	**1,053,272**
	Total for Top 100 Firms of 1986	**$1,931 Billion**	**1,011,720**

(★)— A superregional banking firm. American Banker defines a superegional banking firm as a non-money center banking company that is ranked among the top 100 banking firms in total assets and has merged across sate lines to establish a full commercial banking presence in another state. **Employess:** Full-time equivalent employees for the holding company at yearend 1987, unless otherwise noted. **(†)**— Employee figure represents average staff paid.**(a)**— Data are Union Corp. were not available. Data are for Union Bank, Los Angeles. **(b)**— Acquired by Hartford National Corp., Conn., on 2/29/88. **(c)**— Acquired by PNC Financial Corp., Pittsburgh, on 2/29/68. **(d)**— Acquired by First Fidelity Bancorp., Newark, on 2/29/88. **(e)**— Company is in the process of recapitalizing, and yearend 1987 data were not available. Data for Sept. 30, 1987, were used. **(f)**— Acquired by First Interstate Bancorp., Los Angeles, on 1/29/88. **N.A.**— Not available.

Highest Assets-per-Employee Ratios

		Assets per Employee	Total Assets	Total Empl.	Asset Rank
1	Republic New York Corp.	$6,050,691	$22,387,555,000	3,700	28
2	J.P. Morgan & Co., Inc., New York	5,027,600	75,414,000,000	15,000	5
3	Bankers Trust New York	4,598,161	56,520,593,000	12,292	8
4	Continental Illinois Corp., Chicago	3,365,648	32,391,000,000	9,624	14
5	Riggs National Corp., Washington, D.C.	3,210,947	6,787,943,000	2,114	71
6	First Chicago Corp.	3,123,668	44,209,268,000	14,153	10
7	First Bank System, Inc., Minneapolis	2,848,461	26,849,592,000	9,426	21
8	Chemical New York Corp.	2,734,168	78,189,000,000	28,597	4
9	PNC Financial Corp., Pittsburgh	2,577,496	31,432,569,000	12,195	15
10	Manufacturers Hanover Corp., New York	2,518,390	73,348,117,000	29,125	6

Lowest Assets-per-Employee Ratios

		Assets per Employee	Total Assets	Total Empl.	Asset Rank
1	State Street Boston Corp., Boston	$1,001,761	$6,955,225,000	6,943	70
2	First Kentucky National Corp., Louisville	1,020,146	5,132,356,000	5,031	89
3	First Virginia Banks, Inc., Falls Church	1,033,779	4,432,843,000	4,288	98
4	First Alabama Bancshares, Inc.	1,142,264	4,390,861,000	3,844	990
5	First Wisconsin Corp., Milwaukee	1,221,772	7,381,948,000	6,042	69
6	First of America Bank Corp., Kalamazoo	1,226,845	8,679,927,000	7,075	61
7	Nat'l Westminster Bancorp NJ, Jersey City	1,227,957	4,894,637,000	3,986	95
8	First Security Corp., Salt Lake City	1,240,199	5,073,655,000	4,091	90
9	Marshall & Ilsley Corp., Milwaukee	1,241,527	5,555,834,000	4,475	81
10	South Carolina National Corp., Columbia	1,242,669	4,918,485,000	3,958	94

Top 100 Bank Holding Companies in Primary Capital

As of December 31, 1987, Compared with December 31, 1986

Primary Capital Rank 12/87		Primary Capital		1986 Rank	Gain in Rank	Ratio: Primary Capital to Total Assets (%)		Total Capital Funds		Total Assets	
		12/31/87	12/31/86			1987	1986	12/31/87	12/31/86	12/31/87	12/31/86
1	**Citicorp, New York**	16,771,000,000	13,490,000,000	1		8.24	6.88	24,462,000,000	21,531,000,000	203,607,000,000	196,124,000,000
2	**BankAmerica Corp., San Francisco**	8,040,000,000	7,361,423,000	2		8.66	7.07	9,328,000,000	8,606,402,000	92,833,000,000	104,189,297,000
3	**Chase Manhattan Corp., New York**	7,648,000,000	6,661,000,000	3		7.71	7.03	10,323,000,000	8,882,000,000	99,133,396,000	94,765,815,000
4	**J.P. Morgan & Co., Inc., New York**	7,336,000,000	6,407,000,000	4		9.73	8.43	8,806,000,000	7,728,000,000	75,414,000,000	76,039,600,000
5	**Manufacturers Hanover Corp., New York**	6,138,253,000	5,396,266,000	5		8.37	7.25	9,622,256,000	8,729,589,000	73,348,117,000	74,397,389,000
6	**Chemical New York Corp.**	6,081,000,000	4,407,000,000	6		7.78	7.28	7,084,000,000	5,192,000,000	78,189,000,000	60,564,123,000
7	**Security Pacific Corp., Los Angeles**	5,712,000,000	4,081,000,000	7		7.84	6.52	7,212,000,000	5,132,000,000	72,838,000,000	62,606,000,000
8	**Bankers Trust New York Corp.**	4,983,721,000	3,713,000,000	8		8.82	6.58	5,751,552,000	4,600,000,000	56,520,593,000	56,419,945,000
9	**Wells Fargo & Co., San Francisco**	4,046,100,000	3,551,200,000	9		9.16	7.97	6,369,500,000	6,094,700,000	44,183,300,000	44,577,100,000
10	**First Chicago Corp.**	3,848,396,000	3,311,832,000	11	+1	8.70	8.46	4,527,124,000	3,873,948,000	44,209,268,000	39,147,996,000
11	**First Interstate Bancorp., Los Angeles**	3,726,231,000	3,435,564,000	10		7.32	6.20	4,783,275,000	4,769,781,000	50,926,582,000	55,421,736,000
12	**Bank of Boston Corp.**	2,782,811,000	2,335,406,000	14	+2	8.16	6.86	3,505,920,000	3,135,381,000	34,116,638,000	34,045,409,000
13	**Mellon Bank Corp., Pittsburgh**	2,686,000,000	2,530,840,000	12		8.80	7.34	3,191,000,000	3,030,304,000	30,525,000,000	34,499,370,000
14	**First RepublicBank Corp., Dallas**	2,510,612,000	1,528,670,000	24	+10	7.56	7.30	3,240,650,000	1,970,468,000	33,210,686,000	20,944,300,000
15	**Continental Illinois Corp., Chicago**	2,502,000,000	2,493,423,000	13		7.72	7.60	2,969,000,000	3,148,423,000	32,391,000,000	32,808,986,000
16	**PNC Financial Corp, Pittsburgh**	2,380,824,000	1,665,886,000	22	+6	7.57	7.50	2,695,557,000	1,960,268,000	31,432,569,000	22,198,930,000
17	**Marine Midland Banks, Inc., Buffalo, N.Y.**	2,301,181,000	1,837,230,000	17		9.04	7.41	2,850,449,000	2,383,243,000	25,453,332,000	24,789,596,000
18	**First Union Corp., Charlotte, N.C.**	2,249,547,000	1,912,026,000	16		8.14	7.13	2,643,314,000	2,315,094,000	27,629,481,000	26,820,240,000
19	**Bank of New England Corp., Boston**	2,184,460,000	1,404,410,000	29	+10	7.41	6.25	2,408,696,000	1,649,223,000	29,474,763,000	22,472,935,000
20	**Fleet/Norstar Financial Group; Inc., Providence, R.I.**	2,171,802,000	....	...		8.85	....	2,626,531,000	....	24,530,611,000	....
21	**First Bank System, Inc., Minneapolis**	2,035,030,000	2,006,336,000	15		7.58	7.16	2,531,704,000	2,518,926,000	26,849,592,000	28,011,495,000
22	**SunTrust Banks, Inc., Atlanta**	1,964,044,000	1,763,868,000	18		7.22	6.74	2,349,302,000	2,073,382,000	27,187,889,000	26,165,455,000
23	**NCNB Corp., Charlotte, N.C.**	1,884,442,000	1,668,611,000	21		6.52	6.07	2,210,164,000	2,003,079,000	28,915,438,000	27,472,434,000
24	**Barnett Banks, Inc., Jacksonville, Fla.**	1,848,715,000	1,345,268,000	31	+7	7.88	6.65	1,874,851,000	1,371,744,000	23,451,199,000	20,228,949,000
25	**Norwest Corp., Minneapolis**	1,847,000,000	1,714,100,000	20		8.90	7.96	2,962,000,000	2,812,600,000	20,747,000,000	21,539,400,000
26	**Bank of New York Co., Inc.**	1,844,114,000	1,525,400,000	26		8.00	7.37	2,010,542,000	1,675,883,000	23,064,895,000	20,708,850,000
27	**Irving Bank Corp., New York**	1,804,616,000	1,551,985,000	23		7.67	6.40	2,181,024,000	1,879,037,000	23,533,516,000	24,232,521,000
28	**Republic New York Corp.**	1,713,879,000	1,243,147,000	33	+5	7.66	7.12	2,376,759,000	2,030,897,000	22,387,555,000	17,464,897,000
29	**NBD Bancorp., Inc., Detroit**	1,695,387,000	1,406,790,000	28		7.26	6.64	1,977,823,000	1,690,440,000	23,353,573,000	21,176,031,000
30	**Banc One Corp., Columbus, Ohio**	1,671,055,000	1,078,409,000	36	+6	8.92	8.52	1,793,193,000	1,127,830,000	18,729,995,000	12,662,000,000
31	**Sovran Financial Corp., Norfolk, Va.**	1,616,430,000	1,052,847,000	37	+6	7.61	7.04	1,784,840,000	1,200,908,000	21,233,490,000	14,952,156,000
32	**First Wachovia Corp., Winston-Salem, N.C.**	1,569,141,000	1,467,241,000	27		8.11	7.85	1,750,783,000	1,632,633,000	19,342,241,000	18,689,550,000
33	**Citizens & Southern Corp., Atlanta**	1,503,208,000	1,381,421,000	30		7.35	7.36	1,782,531,000	1,639,121,000	20,444,131,000	18,757,000,000
34	**Midlantic Corp., Edison, N.J.**	1,497,257,000	802,519,000	46	+12	8.42	6.76	1,649,450,000	1,001,140,000	17,791,809,000	11,873,756,000
35	**MCorp, Dallas**	1,409,604,000	1,715,796,000	19		6.97	7.84	1,781,282,000	2,065,173,000	20,228,360,000	21,886,812,000
36	**CoreStates Financial Corp., Philadelphia**	1,376,685,000	1,127,397,000	35		9.16	7.72	1,807,697,000	1,559,844,000	15,036,107,000	14,595,402,000
37	**MNC Financial, Inc., Baltimore**	1,280,873,000	725,654,000	52	+15	7.69	7.63	1,361,577,000	806,622,000	16,658,377,000	9,513,341,000
38	**First Fidelity Bancorporation, Newark, N.J.**	1,219,733,000	1,134,968,000	34		7.51	7.48	1,325,683,000	1,272,018,000	16,241,317,000	15,170,304,000
39	**Hartford National Corp., Conn.**	1,159,269,000	782,147,000	47	+8	7.39	5.64	2,515,329,000	884,147,000	15,690,714,000	13,879,294,000
40	**National City Corp., Cleveland**	1,104,353,000	1,009,755,000	39		7.41	7.16	1,298,900,000	1,202,727,000	14,912,397,000	14,107,259,000
41	**Southeast Banking Corp., Miami**	1,053,062,000	900,315,000	44	+3	8.20	7.22	1,141,294,000	1,001,246,000	12,842,237,000	12,468,984,000
42	**U.S. Bancorp., Portland, Ore.**	1,045,905,000	696,272,000	55	+13	7.83	7.34	1,271,610,000	911,977,000	13,352,686,000	9,491,354,000
43	**KeyCorp, Albany, N.Y.**	943,548,000	733,485,000	51	+8	8.14	8.08	1,022,918,000	809,356,000	11,596,368,000	9,072,750,000
44	**Fidelcor, Inc., Philadelphia**	891,317,000	844,486,000	45	+1	7.05	7.41	997,233,000	965,383,000	12,649,811,000	11,391,725,000
45	**AmeriTrust Corp., Cleveland**	879,796,000	916,270,000	43		8.51	8.28	1,081,035,000	1,122,563,000	10,333,747,000	11,068,113,000
46	**Harris Bankcorp, Inc., Chicago**	843,598,000	762,576,000	48	+2	7.99	7.42	872,848,000	792,076,000	10,556,462,000	10,277,701,000
47	**Comerica, Inc., Detroit**	817,238,000	706,958,000	54	+7	8.08	7.08	898,438,000	753,012,000	10,115,965,000	9,982,511,000
48	**Crestar Financial Corp., Richmond**	810,766,000	755,028,000	49	+1	8.32	8.02	846,287,000	786,338,000	9,739,662,000	9,412,574,000
49	**Valley National Corp., Phoenix, Ariz.**	775,343,000	694,271,000	56	+7	6.86	6.48	974,243,000	894,271,000	11,299,994,000	10,715,497,000
50	**Shawmut Corp., Boston**	773,892,000	713,274,000	53	+3	7.16	6.67	1,101,874,000	741,812,000	10,802,585,000	10,697,446,000
51	**Meridian Bancorp., Inc., Reading, Pa.**	762,450,000	626,678,000	61	+10	9.09	9.21	777,970,000	642,978,000	8,388,649,000	6,801,115,000
52	**Signet Banking Corp., Richmond**	748,025,000	645,354,000	58	+6	6.97	6.81	873,349,000	769,766,000	10,724,413,000	9,471,496,000
53	**First American Bankshares, Washington, D.C.**	732,611,000	496,956,000	71	+18	7.62	6.89	832,856,000	581,332,000	9,617,982,000	7,209,709,000
54	**Boatmen's Bancshares, Inc., St. Louis, Mo.**	732,604,000	684,302,000	57	+3	7.41	6.90	889,512,000	842,169,000	9,884,871,000	9,919,003,000
55	**First of America Bank Corp., Kalamazoo, Mich.**	721,242,000	607,426,000	62	+7	8.31	7.72	810,625,000	715,678,000	8,679,927,000	7,869,918,000
56	**United Jersey Banks, Princeton, N.J.**	712,619,000e	593,244,000	63	+7	8.14	7.39	735,381,000e	621,820,000	8,754,535,000	8,023,961,000
57	**Society Corp., Cleveland**	694,793,000	644,386,000	59	+2	7.65	7.11	872,952,000	828,613,000	9,077,256,000	9,060,948,000
58	**Union Bancorp, Los Angeles (a)**	693,075,000	972,255,000	40		7.63	9.82	848,075,000	1,277,255,000	9,083,490,000	9,901,273,000
59	**Northern Trust Corp., Chicago**	669,837,000	572,105,000	65	+6	7.18	6.29	844,837,000	673,605,000	9,325,686,000	9,090,107,000
60	**AmSouth Bancorporation, Birmingham, Ala.**	649,723,000	438,332,000	78	+18	8.63	7.38	651,995,000	440,399,000	7,527,706,000	5,942,706,000
61	**Dominion Bankshares Corp., Roanoke, Va.**	643,109,000	417,286,000	83	+22	8.46	7.05	652,809,000	429,763,000	7,601,803,000	5,920,662,000
62	**First Wisconsin Corp., Milwaukee**	640,357,000	523,513,000	70	+8	8.67	7.38	705,001,000	628,686,000	7,381,948,000	7,090,197,000
63	**Manufacturers National Corp., Detroit**	635,971,000	535,353,000	67	+4	7.01	6.60	684,000,000	588,340,000	9,077,263,000	8,110,207,000
64	**Florida National Banks of Florida, Inc., Jacksonville**	633,200,000	537,135,000	66	+2	8.38	7.81	633,200,000	537,135,000	7,555,878,000	6,876,822,000
65	**Michigan National Corp., Farmington Hills**	631,054,000	581,401,000	64		7.44	7.58	634,760,000	585,902,000	8,481,131,000	7,672,215,000
66	**Huntington Bancshares, Inc., Columbus, Ohio**	605,248,000	528,533,000	68	+2	6.85	6.85	755,922,000	679,525,000	8,835,915,000	7,717,915,000
67	**Mercantile Bancorporation, Inc., St. Louis, Mo.**	600,269,000	524,826,000	69	+2	8.87	7.97	691,440,000	615,997,000	6,765,949,000	6,586,179,000
68	**BayBanks, Inc., Boston**	548,937,000	463,749,000	74	+6	6.45	6.08	600,400,000	540,113,000	8,506,308,000	7,627,668,000
69	**Allied Bancshares, Inc., Houston**	524,766,000	743,614,000	50		6.56	7.54	591,757,000	812,688,000	7,996,256,000	9,863,646,000
70	**State Street Boston Corp.**	518,003,000	434,719,000	79	+9	7.45	6.05	614,627,000	466,947,000	6,955,225,000	7,189,818,000
71	**First Maryland Bancorp., Baltimore**	517,526,000	387,504,000	87	+16	9.17	7.06	652,661,000	503,792,000	5,644,190,000	5,487,202,000
72	**SouthTrust Corp., Birmingham, Ala.**	515,537,000	389,804,000	86	+14	8.70	7.64	579,579,000	436,672,000	5,923,962,000	5,101,073,000
73	**European American Bancorp, New York**	493,373,000	469,353,000	72		7.70	6.96	780,186,000	756,478,000	6,406,131,000	6,744,465,000
74	**United Banks of Colorado, Inc., Denver**	492,942,000	394,102,000	84	+10	8.96	8.15	532,942,000	434,102,000	5,503,397,000	4,836,872,000
75	**Riggs National Corp., Washington, D.C.**	487,248,000	464,431,000	73		7.18	7.43	598,343,000	568,420,000	6,787,943,000	6,253,385,000
76	**First American Corp., Nashville, Tenn.**	484,933,000	438,970,000	77	+1	7.47	7.38	500,026,000	474,063,000	6,494,145,000	5,950,777,000
77	**Old Kent Financial Corp., Grands Rapids, Mich.**	482,120,000	430,680,000	80	+3	7.47	7.72	544,117,000	495,941,000	6,455,079,000	5,582,276,000
78	**Marshall & Ilsley Corp., Milwaukee, Wis.**	481,385,000	439,345,000	76		8.66	7.32	550,025,000	520,689,000	5,555,834,000	6,000,935,000
79	**First Security Corp., Salt Lake City, Utah**	469,359,000	458,468,000	75		9.25	9.03	583,968,000	619,321,000	5,073,655,000	5,079,578,000
80	**First Tennessee National Corp., Memphis**	465,589,000	346,328,000	98	+18	8.08	6.23	523,413,000	404,983,000	5,761,797,000	5,555,707,000
81	**First Pennsylvania Corp., Philadelphia**	458,964,000	418,142,000	82	+1	7.91	7.10	523,982,000	483,190,000	5,803,546,000	5,887,589,000
82	**Canadian Imperial Holdings, Inc., New York**	456,433,000	230,931,000	125	+43	17.86	10.65	511,433,000	285,931,000	2,556,225,000	2,169,220,000
83	**First Alabama Bancshares, Inc., Montgomery**	451,188,000	420,303,000	81		10.28	9.56	464,473,000	405,734,000	4,390,861,000	4,396,627,000
84	**Fifth Third Bancorp, Cincinnati**	445,171,000	378,231,000	90	+6	10.99	10.83	445,171,000	378,231,000	4,051,476,000	3,492,052,000
85	**Trustcorp. Inc., Toledo, Ohio**	433,605,000	345,279,000	99	+14	8.01	8.17	483,605,000	395,279,000	5,410,590,000	4,226,973,000
86	**First Empire State Corp., Buffalo, N.Y.**	427,714,000	205,637,000	138	+52	8.26	7.05	437,352,000	215,375,000	5,176,905,000	2,918,843,000
87	**Indiana National Corp., Indianapolis**	426,161,000	375,871,000	91	+4	7.81	7.36	476,287,000	426,007,000	5,458,762,000	5,106,296,000
88	**Centerre Bancorp., St. Louis, Mo.**	419,475,000	392,233,000	85		8.00	6.92	480,022,000	454,483,000	5,242,058,000	5,664,526,000
89	**First Virginia Banks, Inc., Falls Church**	403,865,000	290,124,000	111	+22	9.11	7.48	403,865,000	320,353,000	4,432,843,000	3,881,248,000
90	**Bancorp Hawaii, Inc., Honolulu**	401,390,000	349,875,000	96	+6	6.89	6.91	415,283,000	366,313,000	5,826,278,000	5,060,018,000
91	**Commerce Bancshares, Inc., Kansas City, Mo.**	401,375,000	380,655,000	89		7.62	7.19	452,125,000	432,085,000	5,269,272,000	5,293,463,000
92	**South Carolina National Corp., Columbia**	394,584,000	343,047,000	100	+8	8.02	7.24	444,384,000	394,147,000	4,918,485,000	4,740,286,000
93	**First Florida Banks, Inc., Tampa**	388,135,000	350,806,000	95	+2	7.88	7.24	388,135,000	350,806,000	4,927,281,000	4,845,177,000
94	**First National Cincinnati Corp.**	387,828,000	351,736,000	94		8.55	8.05	402,828,000	351,736,000	4,533,466,000	4,367,674,000
95	**First Kentucky National Corp., Louisville**	381,817,000	341,672,000	101	+6	7.44	6.66	461,613,000	391,947,000	5,132,356,000	5,128,486,000
96	**Premier Bancorp, Inc., Baton Rouge, La.**	370,194,000	381,686,000	88		8.51	8.05	422,444,000	441,061,000	4,348,963,000	4,740,502,000
97	**Merchants National Corp., Indianapolis**	363,961,000	316,684,000	106	+9	8.67	8.12	371,864,000	320,848,000	4,200,197,000	3,902,347,000
98	**National Westminster Bancorp NJ, Jersey City**	361,752,000	332,000,000	102	+4	7.39	7.60	390,846,000	N.A.	4,894,637,000	4,365,604,000
99	**Mercantile Bankshares Corp., Baltimore**	349,400,000	307,703,000	109	+10	10.50	10.07	359,400,000	317,703,000	3,328,748,000	3,054,747,000
100	**Central Bancorporation, Inc., Cincinnati**	349,310,000	307,344,000	110	+10	6.89	6.82	364,985,000	319,246,000	5,070,985,000	4,509,645,000

Sources of Data: American Banker questionnaire, and banks' yearend earnings releases. **Primary capital** is the sum of total shareholders' equity; mandatory convertible debt; allowance for possible loan and lease losses; and minority interest in equity accounts of consolidated subsidiaries. **Total capital** is primary capital plus secondary capital. **Secondary capital** is limited-life preferred stock plus qualifying debt. **The primary capital ratio** is calculated by dividing primary capital on Dec. 31 by total assets on Dec. 31, expressed as a percentage. **Note:** The American Banker ratio is not calculated in the same manner as the Federal Reserve Board ratio. The American Banker does not add back the allowance for possible loan and lease losses to total assets, as the Fed does. For most of the firms listed, the American Banker ratio will be from 5-to-20 basis points higher than the Fed ratio, depending on the size of the bank's allowance for possible loan and lease losses. **(a)—** Union Bancorp. data for 12/31/87 were not available, therefore, Data for its lead bank, Union Bank, were used. **(e)—** Estimated by American Banker from capital ratios reported on firm's earnings release. **N.A.—** Not available. **Note:** Yearend 1987 capital data for First City Bancorporation of Texas, Inc., Houston, were not available, therefore First City has been excluded from this listing. At yearend 1986, First City ranked 41st in primary capital with $972.3 million.

BANK HOLDING COMPANIES

Top 100 Earners in Banking

Banks and Bank Holding Companies Ranked by 1987 Net Income

Rank 1987		Net Income For Full Year				Adjusted Net Income		Profitability Ratios			
								Return on Assets		Return on Equity	
		1987	1986	Rank 1986	Gain In Rank	1987	1986	1987	1986	1987	1986
1	**First Union Corp., Charlotte, N.C. (c)**	283,122,000	278,695,000	9	+8	283,122,000	261,560,000	1.10	1.21	16.54	18.39
2	**SunTrust Banks, Inc., Atlanta (c)**	282,839,000	245,118,000	12	+10	282,839,000	238,547,000	1.11	1.03	17.81	16.76
3	**Sovran Financial Corp., Norfolk, Va. (c)**	217,437,000	147,956,000	26	+23	202,801,000	141,821,000	1.10	1.08	17.85	18.10
4	**Banc One Corp., Columbus, Ohio (c)**	208,867,000	164,738,000	20	+16	208,867,000	164,738,000	1.19	1.36	15.12	17.71
5	**PNC Financial Corp, Pittsburgh (c)**	204,848,000	222,600,000	14	+9	196,741,000	222,600,000	0.73	1.14	11.35	17.41
6	**Barnett Banks, Inc., Jacksonville, Fla. (c)**	195,584,000	161,951,000	21	+15	195,584,000	161,951,000	0.91	0.92	16.13	16.77
7	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (c)**	185,054,000	....	...		197,401,000	....	0.80	.....	11.68	.....
8	**First Wachovia Corp., Winston-Salem, N.C. (c)**	176,561,000	193,780,000	17	+9	176,561,000	187,878,000	0.97	1.15	14.25	17.67
9	**NCNB Corp., Charlotte, N.C. (c)**	166,852,000	198,765,000	16	+7	166,852,000	198,765,000	0.62	0.84	11.70	16.31
10	**CoreStates Financial Corp., Philadelphia (c)**	162,296,000	148,127,000	25	+15	162,296,000	148,127,000	1.04	1.02	16.04	15.80
11	**NBD Bancorp., Inc., Detroit (c)**	162,229,000	145,805,000	27	+16	162,229,000	145,805,000	0.73	0.83	12.74	13.97
12	**Midlantic Corp., Edison, N.J. (c)**	161,478,000	112,795,000	36	+24	161,478,000	112,795,000	0.96	1.06	15.05	18.04
13	**Citizens & Southern Corp., Atlanta (c)**	157,933,000	155,848,000	22	+9	157,933,000	155,848,000	0.84	0.95	15.03	17.20
14	**MNC Financial, Inc., Baltimore (c)**	148,827,000	91,756,000	40	+26	148,827,000	91,756,000	1.00	1.11	16.56	17.67
15	**Bank of New England Corp., Boston (c)**	140,545,000	171,803,000	19	+4	136,346,000	170,560,000	0.52	0.93	9.86	16.66
16	**Boston Safe Deposit & Trust Co. (m)**	135,725,000	117,789,000	34	+18	135,725,000	117,789,000	1.32*	2.06*	23.45*	38.39*
17	**Hartford National Corp., Conn. (c)**	125,444,000	114,000,000	35	+18	125,444,000	114,000,000	0.90	1.11	15.37	16.66
18	**Bank of New York Co., Inc. (c)**	103,432,000	155,218,000	23	+5	75,666,000	145,018,000	0.46	0.85	8.85	15.24
19	**U.S. Bancorp., Portland, Ore. (c)**	99,638,000	77,165,000	49	+30	101,623,000	72,065,000	0.90	0.90	13.39	12.80
20	**National Citv Corp., Cleveland (c)**	96,945,000	134,553,000	30	+10	96,945,000	134,553,000	0.69	1.09	10.86	16.76
21	**Society Corp., Cleveland (c)**	90,935,000	84,122,000	44	+23	86,675,000	82,464,000	1.03	0.97	15.08	15.16
22	**United Jersey Banks, Princeton, N.J. (c)**	86,593,000	71,505,000	50	+28	86,593,000	71,505,000	1.07	1.00	15.81★	15.28
23	**J.P. Morgan & Co., Inc., New York (c)**	83,300,000	872,500,000	2		83,300,000	872,500,000	0.10	1.19	1.64	18.25
24	**State Street Boston Corp., Boston (d)**	83,133,000	71,395,000	51	+27	83,133,000	67,823,000	1.20	1.08	19.20	19.00
25	**Boatmen's Bancshares, Inc., St. Louis, Mo. (c)**	81,360,000	78,052,000	48	+23	81,360,000	78,052,000	0.86	0.88	12.55	13.02
26	**KeyCorp, Albany, N.Y. (c)**	79,973,000	82,190,000	45	+19	55,403,000	82,190,000	0.76	1.09	11.42	15.36
27	**Meridian Bancorp., Inc., Reading, Pa. (c)**	79,537,000	69,100,000	53	+26	79,537,000	69,100,000	1.00	1.09	13.61	15.57
28	**First of America Bank Corp., Kalamazoo, Mich. (c)**	78,262,000	52,904,000	71	+43	78,262,000	52,904,000	0.97	0.97	15.75	16.20
29	**Michigan National Corp., Farmington Hills (c)**	73,930,000	52,220,000	74	+45	66,358,000	52,220,000	0.92	0.70	15.09	12.03
30	**Comerica, Inc., Detroit (c)**	71,432,000	61,911,000	58	+28	68,095,000	61,911,000	0.74	0.67	12.21	12.02
31	**Dominion Bankshares Corp., Roanoke, Va. (c)**	70,588,000	47,420,000	80	+49	70,588,000	47,420,000	0.98	0.92	15.80	15.40
32	**BayBanks, Inc., Boston (c)**	69,402,000	58,852,000	62	+30	69,402,000	58,852,000	0.89	0.88	15.20	15.20
33	**Old Kent Financial Corp., Grands Rapids, Mich. (c)**	63,390,000	60,585,000	60	+27	63,390,000	59,967,000	1.12	1.17	15.72	16.94
34	**SouthTrust Corp., Birmingham, Ala. (c)**	60,425,000	53,737,000	68	+34	60,425,000	53,737,000	1.15	1.17	16.26	17.11
35	**AmSouth Bancorporation, Birmingham, Ala. (c)**	60,226,000	61,102,000	59	+24	54,240,000	61,102,000	0.90	1.17	13.36	16.64
36	**Fifth Third Bancorp, Cincinnati (c)**	60,055,000	55,125,000	64	+28	52,600,000	55,125,000	1.82	1.80	18.40	18.50
37	**Marshall & Ilsley Corp., Milwaukee, Wis. (c)**	57,907,000	55,018,000	65	+28	57,081,000	51,242,000	1.05	1.02	15.58	16.56
38	**Union Bancorp, Los Angeles (f)**	57,295,000	48,329,000	77	+39	57,295,000	45,129,000	N.A.	0.53	N.A.	6.76
39	**Crestar Financial Corp., Richmond (c)**	56,724,000	81,927,000	46	+7	54,874,000	81,927,000	0.60	0.97	9.56	15.30
40	**First Virginia Banks, Inc., Falls Church (c)**	56,293,000	47,709,000	78	+38	55,713,000	47,826,000	1.31	1.35	16.12	17.43
41	**First Alabama Bancshares, Inc., Montgomery (c)**	56,206,000	54,078,000	66	+25	56,206,000	54,026,000	1.31	1.36	13.81	14.62
42	**Bancorp Hawaii, Inc., Honolulu (c)**	53,943,000	46,185,000	82	+40	53,943,000	20,556,000	1.03	1.01	16.20	16.19
43	**South Carolina National Corp., Columbia (d)**	52,918,000	43,781,000	83	+40	52,918,000	39,095,000	1.12	1.00	16.10	15.27
44	**First American Bankshares, Washington, D.C. (c)**	51,226,000	41,100,000	86	+42	51,226,000	41,100,000	0.70	0.76	10.21	11.84
45	**Trustcorp. Inc., Toledo, Ohio (c)**	51,017,000	32,448,000	106	+61	49,467,000	32,448,000	0.98	0.91	13.70	12.37
46	**Wells Fargo & Co., San Francisco (d)**	50,800,000	273,500,000	11		50,800,000	268,000,000	0.11	0.73	1.47	14.81
47	**First Bank System, Inc., Minneapolis (c)**	49,597,000	202,921,000	15		46,477,000	236,901,000	0.18	0.76	3.30	15.99
48	**First American Corp., Nashville, Tenn. (c)**	48,855,000	53,294,000	69	+21	48,855,000	47,294,000	0.80	1.01	11.68	15.04
49	**First Fidelity Bancorporation, Newark, N.J. (c)**	48,537,000	119,543,000	33		48,537,000	119,543,000	0.32	0.90	5.30	14.37
50	**First Florida Banks, Inc., Tampa (c)**	48,337,000	47,152,000	81	+31	48,337,000	46,265,000	1.05	1.31	14.47	15.95
51	**Huntington Bancshares, Inc., Columbus, Ohio (c)**	47,827,000	64,691,000	57	+6	41,769,000	64,691,000	0.60	0.94	9.26	14.87
52	**Central Fidelity Banks Inc., Richmond (c)**	47,300,000	41,653,000	85	+33	46,055,000	41,162,000	1.20	1.16	15.47	15.76
53	**Hibernia Corp., New Orleans, La. (d)**	46,516,000	35,323,000	99	+46	46,516,000	35,323,000	1.02	1.02	17.02	17.08
54	**Mercantile Bankshares Corp., Baltimore (c)**	46,053,000	39,467,000	88	+34	46,053,000	39,467,000	1.50	1.50	15.40	14.90
55	**First National Cincinnati Corp. (c)**	45,803,000	10,885,000	160	+105	45,803,000	10,885,000	1.08	1.01	13.62	12.94
56	**First Maryland Bancorp., Baltimore (c)**	45,340,000	36,054,000	96	+40	41,612,000	32,485,000	0.84	0.77	13.52	12.34
57	**Horizon Bancorp., Morristown, N.J. (c)**	44,478,000	34,639,000	102	+45	43,367,000	34,639,000	1.24	1.10	18.50	16.30
58	**Wilmington Trust Co., Del.**	43,363,000	34,044,000	104	+46	43,363,000	34,044,000	1.61	1.37	23.67	21.84
59	**Harris Bankcorp, Inc., Chicago (c)**	42,617,000	68,167,000	54		42,617,000	68,167,000	0.40	0.69	6.08	10.40
60	**National Westminster Bancorp NJ, Jersey City (c)**	42,044,000	37,425,000	92	+32	42,044,000	37,425,000	0.95	0.99	15.89	15.80
61	**City National Corp., Beverly Hills, Calif. (d)**	40,851,000	29,734,000	119	+58	35,488,000	27,703,000	1.37	1.13	22.20	18.80
62	**Equitable Bancorporation, Baltimore (c)**	40,675,000	36,533,000	94	+32	38,700,800	31,601,000	0.86	0.94	16.90★	17.85
63	**First Empire State Corp., Buffalo, N.Y. (c)**	40,258,000	26,215,000	126	+63	33,873,000	25,607,000	0.86	1.02	13.84	16.51
64	**California First Bank, San Francisco**	40,132,000	30,733,000	113	+49	40,132,000	30,733,000	0.68	0.57	12.03	10.19
65	**Commerce Bancshares, Inc., Kansas City, Mo. (c)**	40,073,000	39,178,000	89	+24	40,073,000	38,867,000	0.79	0.80	11.56	11.72
66	**Southeast Banking Corp., Miami (c)**	38,388,000	86,522,000	42		38,017,500	82,771,000	0.31	0.81	5.51	14.09
67	**Fidelcor, Inc., Philadelphia (c)**	37,720,000	92,267,000	39		37,720,000	91,067,000	0.32	0.90	5.29	16.10
68	**Banco Popular de Puerto Rico, San Juan**	37,534,576	37,456,774	91	+23	37,534,576	37,456,774	0.76	0.88	13.09	15.12
69	**First Hawaiian, Inc., Honolulu (d)**	35,495,000	30,750,000	112	+43	35,495,000	30,750,000	0.97	0.92	17.86	17.35
70	**Dauphin Deposit Corp., Harrisburg, Pa. (c)**	34,847,000	30,031,000	117	+47	34,847,000	30,031,000	1.24	1.06	16.05	14.31
71	**National Community Bank, Rutherford, N.J.**	34,533,000	28,224,000	122	+51	34,533,000	28,224,000	1.24	1.25	22.75	22.11
72	**U.S. Trust Corp., New York (d)**	34,354,000	29,864,000	118	+46	34,354,000	29,864,000	1.40	1.27	18.33	18.33
73	**First Bancorporation of Ohio, Akron (c)**	33,897,000	31,385,000	108	+35	33,535,717	31,440,000	1.37	1.31	14.96	15.32
74	**Branch Corp., Wilson, N.C. (c)**	33,545,000	28,044,000	124	+50	33,545,000	28,044,000	0.92	0.96	14.07	14.59
75	**Central Bancshares of the South, Inc., Birmingham, Ala. (c)**	33,482,000	36,461,000	95	+20	30,902,000	36,461,000	0.91	1.05	13.35	16.40
76	**Shawmut Corp., Boston (c)**	33,465,000	78,642,000	47		33,465,000	78,642,000	0.33	0.88	5.34	13.42
77	**Pennbancorp, Titusville, Pa. (c)**	33,117,000	11,740,000	159	+82	33,117,000	11,740,000	1.03	1.10	14.27	16.81
78	**First Tennessee National Corp., Memphis (c)**	32,850,000	47,446,000	79	+1	24,669,000	47,446,000	0.58	0.93	10.28	16.50
79	**Florida National Banks of Florida, Inc., Jacksonville (c)**	32,543,000	34,389,000	103	+24	23,481,000	34,389,000	0.46	0.53	7.28	8.18
80	**First Kentucky National Corp., Louisville (c)**	32,378,000	50,061,000	75		32,378,000	49,052,000	0.69	1.15	10.10	17.61
81	**United Missouri Bancshares, Inc., Kansas City, Mo. (c)**	32,345,000	31,080,000	110	+29	32,345,000	31,080,000	1.01	1.08	11.93	12.49
82	**Sunwest Financial Services, Inc., Albuquerque, N.M. (c)**	32,263,000	28,300,000	121	+39	32,263,000	28,300,000	1.27	1.16	16.62	16.31
83	**Valley National Bancorp, Clifton, N.J. (d)**	30,416,670	....	...		30,416,670	....	2.06	.....	23.34	.....
84	**Union National Corp., Mt. Lebanon, Pa. (c)**	30,257,000	27,225,000	125	+41	30,257,000	27,225,000	0.96	0.92	12.24	11.65
85	**Northeast Bancorp., Inc., New Haven, Conn. (c)**	30,151,000	34,838,000	100	+15	30,151,000	34,838,000	1.13	1.38	14.37	17.57
86	**Summit Bancorporation, Summit, N.J. (c)**	30,041,000	24,638,000	127	+41	30,041,000	24,638,000	1.20	1.18	15.40	14.64
87	**Citizens Bancorp, Riverdale, Md. (d)**	29,996,000	24,304,000	128	+41	29,847,000	24,400,000	1.82	1.73	16.35	16.00
88	**Lomas Bank USA, Wilmington, Del.**	27,123,000	....	...		27,123,000	....	3.22	.....	26.81	.....
89	**Indiana National Corp., Indianapolis (c)**	27,052,000	43,008,000	84		27,052,000	43,008,000	0.55	0.93	7.82	13.83
90	**First Security Corp., Salt Lake City, Utah (c)**	27,032,000	5,093,000	169	+79	27,032,000	(66,650,000)	0.56	0.10	7.49	1.41
91	**Bank South Corp., Atlanta (c)**	26,957,000	29,011,000	120	+29	26,957,000	29,011,000	0.68	0.97	12.16	17.06
92	**Merchants Bancorp, Inc., Allentown, Pa. (c)**	26,879,000	24,261,000	129	+37	26,879,000	24,261,000	1.18	1.20	16.47	16.44
93	**Independence Bancorp., Inc., Perkasie, Pa. (c)**	26,767,000	23,006,000	132	+39	26,767,000	23,006,000	0.98	1.22	15.27	17.99
94	**Fourth Financial Corp., Wichita, Kan. (c)**	26,608,000	30,466,000	114	+20	26,608,000	29,288,000	1.07	1.24	12.64	15.91
95	**Citizens First Bancorp., Inc., Ridgewood, N.J. (d)**	26,541,000	21,742,000	135	+40	26,541,000	21,742,000	1.28	1.20	19.83	18.86
96	**First Capital Corp., Jackson, Miss. (d)**	26,217,000	23,528,000	130	+34	25,826,000	23,528,000	0.99	1.03	14.16	15.50
97	**Whitney Holding Corp., New Orleans, La. (d)**	25,692,000	28,104,000	123	+26	25,692,000	28,104,000	0.98	1.10	9.80	11.11
98	**Deposit Guaranty Corp., Jackson, Miss. (c)**	25,640,000	31,146,000	109	+11	28,400,000	30,518,000	0.79	1.04	11.72	16.76
99	**Liberty National Bancorp., Inc., Louisville, Ky. (c)**	25,413,000	22,671,000	133	+34	25,245,000	22,656,000	1.02	0.95	14.31	14.50
100	**First Citizens BancShares, Raleigh, N.C. (d)**	25,135,000	23,292,000	131	+31	25,135,000	23,292,000	0.84	0.83	12.91	13.58

Sources of Data: American Banker questionnaire, and banks' yearend earnings releases. Top 100 earners based on net income for banks and bank holding companies. **Net Income** is income after taxes and minority interest, but before preferred dividends, extraordinary items, and significant and unusual transactions. The 1986 net income is as reported in 1987 and has not been restated. **Adjusted net income** is net income for certain non-recurring items such as: gains (losses) from sales of buildings, branches, subsidiaries, securities sold to settle loans or debt, proceeds from equity/debt swaps, and other nonrecurring items such as venture capital profits (losses). All non-recurring items, which are subtracted from net income, are on an after-tax basis, wherever possible. The **"special" loan loss provisions** related to LDC (loans to developing countries) lending taken by banks wikth a large international presence are not considered non-recurring items by American Banker. **Return on Assets** is net income divided by average assets. **Return on equity** is net income divided by average total equity capital, unless otherwise indicated. **(★)**— Return on common equity capital. **(*)**— Calculated by American Banker. **(c)**— A multibank holding company. **(d)**— A one-bank holding company. **(f)**— Net income for 1987 were not available for Union Bancorp., therefore, data for its lead bank, Union Bank, were used, **(m)**— A subsidiary of Boston Co. Inc., which in turn, is a subsidiary of Shearson Lehman Brothers.taken by banking firms. **Please note: Central Bancorp., Inc., Cincinnati** is not included in this table because net income for the full year 1987 were not made public. Central ranked 70th in net income in 1986 with $53.1 million. For the nine months ended Sept. 30, 1987, Central reported net income of $41.1 million. Central Bancorp. was acquired by PNC Financial Corp., Pittsburgh, on 2/29/88.

Summary Statistics

Top 100 Bank Holding Companies

Dollar amounts in billions

	Dec. 31, 1987	Dec. 31, 1986	% Chg.
Total Assets[1]	$2,027	$1,931	+ 5.0%
Total Deposits[1]	$1,528	$1,333	+14.6
Number of Employees[1]	1,053,270	1,011,722	+ 4.1
Domestic Banks Controlled[1]	1,352	1,428	- 5.3
Domestic Bank Branches[1]	22,685	20,739	+ 9.4
Primary Capital[2]	$163.0	$139.4	+16.9
Ratio of Primary Capital to Total Assets[2]	8.10%	7.22%	
Total Capital[2]	$203.2	$178.2	+14.0
Ratio of Total Capital to Total Assets[2]	10.09%	9.23%	
Net Income-Top 100 Earners[3]	$6.938	$13.015	–46.7

All data for 1986 are for the top 100 firms for that year. **(1)**— Data are for the top 100 bank holding companies in assets. **(2)**— Data are for the top 100 bank holding companies in primary capital. **(3)**— Data are for the top 100 bank holding companies and banks that are not controlled by a U.S. holding company.

10 Largest Gains in Net Income

Among the nation's top banking firms

	Net Income 1987	Net Income 1986	% Gain	1987 Rank
1. Moore Financial Group, Inc., Boise, Idaho	16,906,000	(3,269,000)	617%	124
2. First Commerce Corp., New Orleans	19,210,000	3,552,000	441	115
3. First Security Corp., Salt Lake City	27,032,000	5,093,000	431	90
4. First National Cincinnati Corp.	45,803,000	10,885,000	321	55
5. Pennbancorp, Titusville, Pa.	33,117,000	11,740,000	182	77
6. Cullen/Frost Bankers, Inc., San Antonio	1,983,000	(6,565,000)	130	163
7. Baltimore Bancorp	22,437,000	10,452,000	115	104
8. BancOklahoma Corp., Tulsa	(35,513,000)	(139,354,000)	75	198
9. Worthen Banking Corp., Little Rock, Ark.	(7,169,000)	(23,811,794)	70	205
10. MNC Financial, Inc., Baltimore	148,827,000	91,756,000	62	14

Largest 1987 Losses in Banking

Among the nation's top banks and bank holding companies

	1987 Loss	1986 Net Income
1. Manufacturers Hanover Corp., New York	(1,140,239,000)	410,674,000
2. Citicorp, New York	(1,138,000,000)	1,058,000,000
3. BankAmerica Corp., San Francisco	(955,000,000)	(517,615,000)
4. Chase Manhattan Corp., New York	(894,793,000)	585,363,000
5. Chemical New York Corp.	(853,700,000)	402,431,000
6. Mellon Bank Corp., Pittsburgh	(844,000,000)	183,253,000
7. First RepublicBank Corp., Dallas	(656,833,000)	53,969,000
8. Continental Illinois Corp., Chicago	(609,500,000)	98,663,000
9. First Chicago Corp.	(570,660,000)	276,202,000
10. First Interstate Bancorp., Los Angeles	(556,223,000)	337,934,000
11. Marine Midland Banks, Inc., Buffalo	(408,765,000)	144,944,000
12. Allied Bancshares, Inc., Houston	(317,963,000)	(17,593,000)
13. First City Bancorp. of Texas, Inc. Houston	(269,316,000)‡	(401,962,000)
14. MCorp, Dallas	(258,293,000)	(82,098,000)
15. National Westminster Bank USA, New York	(212,008,000)	67,673,000
16. Irving Bank Corp., New York	(193,279,000)	128,107,000
17. European American Bancorp, New York	(110,481,000)	10,483,000
18. Greenwood Trust Co., New Castle, Del.	(104,000,000)	(97,256,000)
19. Texas American Bankshares, Inc., Fort Worth	(78,000,000)	(115,159,000)
20. First Pennsylvania Corp., Philadelphia	(73,053,000)	21,526,000
21. Northern Trust Corp., Chicago	(65,059,000)	52,290,000
22. National Bancshares Corp. of Texas, San Antonio	(64,019,000)	(32,079,000)
23. Valley National Corp. Phoenix, Ariz.	(44,359,000)	65,233,000
24. Banks of Mid-America, Inc., Oklahoma City	(39,556,000)	(49,482,000)
25. BancOklahoma Corp., Tulsa	(35,513,000)	(139,354,000)
26. Central Bancorporation, Inc., Denver	(30,093,000)	950,000
27. Norwest Corp., Minneapolis	(29,800,000)	121,700,000
28. Mercantile Bancorporation, Inc., St. Louis	(24,490,000)	55,264,000
29. Premier Bancorp, Inc., Baton Rouge, La.	(18,378,000)	(6,318,000)
30. Zions Utah Bancorporation, Salt Lake City	(14,363,000)	20,645,000

(‡)— Losses are for the first nine months of 1987. **( )**— Indicates a loss.

Superregional Banking Firms

Listed by assets within region (billions of dollars)

Rank		Assets
	New England	
12	**Bank of Boston Corp.**	34.1
17	**Bank of New England Corp., Boston**	29.5
23	**Fleet/Norstar Financial Group, Inc., Providence**	24.5
38	**Hartford National Corp.**	15.7
47	**Shawmut Corp., Boston (a)**	10.8
62	**BayBanks, Inc., Boston**	8.5
	Mid-Atlantic	
15	**PNC Financial Corp, Pittsburgh**	31.4
16	**Mellon Bank Corp., Pittsburgh**	30.5
22	**Marine Midland Banks, Inc., Buffalo**	25.5
35	**Midlantic Corp., Edison**	17.8
37	**First Fidelity Bancorporation, Newark**	16.2
39	**CoreStates Financial Corp., Philadelphia**	15.0
45	**KeyCorp, Albany**	11.6
54	**First American Bankshares, Washington, D.C.**	9.6
60	**United Jersey Banks, Princeton**	8.8
64	**Meridian Bancorp., Inc., Reading**	8.4
71	**Riggs National Corp., Washington, D.C.**	6.8
	Southeast	
18	**NCNB Corp., Charlotte**	28.9
19	**First Union Corp., Charlotte**	27.6
20	**SunTrust Banks, Inc., Atlanta**	27.2
25	**Barnett Banks, Inc., Jacksonville**	23.5
29	**Sovran Financial Corp., Norfolk**	21.2
31	**Citizens & Southern Corp., Atlanta**	20.4
33	**First Wachovia Corp., Winston-Salem**	19.3
36	**MNC Financial, Inc., Baltimore**	16.7
48	**Signet Banking Corp., Richmond**	10.7
53	**Crestar Financial Corp., Richmond**	9.7
66	**Dominion Bankshares Corp., Roanoke**	7.6
68	**AmSouth Bancorporation, Birmingham**	7.5
73	**First American Corp., Nashville**	6.5
98	**First Virginia Banks, Inc., Falls Church**	4.4
	Midwest	
21	**First Bank System, Inc., Minneapolis**	26.8
26	**NBD Bancorp., Inc., Detroit**	23.4
30	**Norwest Corp., Minneapolis**	20.7
34	**Banc One Corp., Columbus**	18.7
50	**AmeriTrust Corp., Cleveland**	10.3
52	**Boatmen's Bancshares, Inc., St. Louis**	9.9
61	**First of America Bank Corp., Kalamazoo**	8.7
69	**First Wisconsin Corp., Milwaukee**	7.4
72	**Mercantile Bancorporation, Inc., St. Louis**	6.8
74	**Old Kent Financial Corp., Grands Rapids**	6.5
81	**Marshall & Ilsley Corp., Milwaukee**	5.6
84	**Trustcorp. Inc., Toledo**	5.4
89	**First Kentucky National Corp., Louisville**	5.1
	West	
7	**Security Pacific Corp., Los Angeles**	72.8
9	**First Interstate Bancorp., Los Angeles**	50.9
41	**U.S. Bancorp., Portland**	13.4
77	**Bancorp Hawaii, Inc., Honolulu**	5.8
	Southwest	
46	**Valley National Corp., Phoenix**	11.3

A superegional banking firm as a non-money center banking company that is ranked among the top 100 banking firms in total assets and has merged across sate lines to establish a full commercial banking presence in another state. **(a)**— Acquired by Hartford National Corp. on 2/29/88.

Large Banks Not Controlled by U.S. Bank Holding Companies

Banks with assets greater than $3 billion on Dec. 31, 1987 (dollar amounts in millions)

Name of Bank	Assets 12/31/87	Deposits 12/31/87	Net Income 1987	Primary Capital 12/31/87	Name of Parent Company
Boston Safe Deposit & Trust Co. (a)	12,747.0	11,445.0	135.7	766.8	Shearson Lehman Brothers, New York (b)
National Westminster Bank USA, New York (c)	11,571.4	9,543.9	(212.0)	816.8	National Westminster Bank PLC. London
Bank of Tokyo Trust Co., New York	6,406.8	5,361.5	10.5	420.2	Bank of Tokyo Ltd., Japan
California First Bank, San Francisco	6,051.6	5,372.1	40.1	442.3	Bank of Tokyo Ltd., Japan
Banco Popular de Puerto Rico, San Juan	5,353.3	4,492.2	37.5	329.8	None
Sanwa Bank California, San Francisco	5,324.6	4,202.9	22.2	393.5	Sanwa Bank Ltd., Osaka, Japan
Bank of California NA, San Francisco (d)	4,725.7	3,211.1	(2.9)	347.3	Mitsubishi Bank Ltd., Tokyo, Japan
Fuji Bank & Trust Co., New York	4,690.6	3,156.3	8.0	261.7	Fuji Bank, Ltd., Tokyo, Japan
Industrial Bank of Japan Trust Co., New York	4,069.9	3,203.0	1.1	247.1	Industrial Bank of Japan, Ltd., Tokyo
Israel Discount Bank of New York	3,940.2	3,590.3	15.1	233.9	Israel Discount Bank Ltd., Tel Aviv
Greenwood Trust Co., New Castle, Del.	3,582.8	2,630.7	(104.0)	467.8	Dean Witter Financial Services, Inc., New York (e)
Sumitomo Bank of California, San Francisco	3,575.9	3,311.8	20.4	212.2	Sumitomo Bank Ltd., Osaka, Japan
IBJ Schroder Bank & Trust Co., New York	3,246.5	1,425.3	(58.3)	223.4	Industrial Bank of Japan, Ltd., Tokyo

These banks do not appear on the listing of the Top 100 Bank Holding Companies in the U.S., because parent companies are not U.S. bank holding companies. **(a)**— The bank is a wholly-owned subsidiary of Boston Co., Inc. That company, in turn, is owned by Shearson Lehman Brothers. **(b)**— Shearson Lehman Brothers is an American Express company. **(c)**— Has a second-tier U.S. holding company, Natwest Holdings Inc., New York. Data for Natwest Holdings are not available to the public. **(d)**— Has a second-tier U.S. holding company, Ban-Cal Tri-State, San Francisco. Data for Ban-Cal Tri-State are not available to the public. **(e)**— Dean Witter is a subsidiary of Sears, Roebuck & Co., Chicago. **( )**— Indicates a loss. N.A.— Not available.

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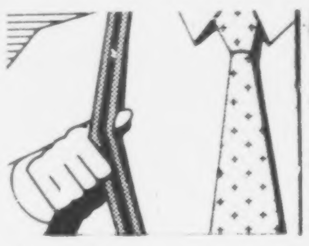
An American Banker Special Report

Banks Encroach on Wall Street's Turf

By DAVID NEUSTADT



Since the early 1980s, commercial banks have made a concerted effort to reap investment banking fees from activities not expressly prohibited by regulators and the Glass-Steagall Act. For the big banks, these areas are crucial for maintaining relationships with major corporations. In a five-part series beginning today, the *American Banker* looks at how banks have progressed in key areas: private placements, international mergers advice, domestic merger and acquisition advice, municipal bonds, and swaps, including currency and interest rate protection.

NEW YORK

COMMERCIAL banks have passed a major test of their ability to compete on Wall Street's turf. They have become major competitors in the private placements market.

In no other area traditionally dominated by investment banks have the commercial banks done as well.

In 1983, Bankers Trust Co. — the commercial bank most active in private financings — had only 11% of the volume of Salomon Brothers Inc., that year's market leader. In 1986, the leading commercial bank in the field, Citibank, had only a third of the volume of the top firm, Goldman, Sachs & Co.

The figures for 1987 show that the gap between the top investment bank and the top commercial bank can no longer be considered insurmountable. Bankers Trust, again the top commercial bank, had $9 billion in private financing, which amounted to 60% of top-ranked Salomon's $14.9 billion. And Bankers Trust, which more than doubled its 1986 volume, is now within reach of second place First Boston, which was agent on $11.5 billion and sixth place Merrill Lynch Capital Markets, with $9.3 billion.

"We are right up there next to Merrill and Goldman," crows Neil Powell Jr., a Bankers Trust managing director.

After seven years of false starts, commercial banks made a sustained push in the private placement market that carried them to a solid 26% market share in 1987, from 12.3% in 1984, according to IDD Information Services.

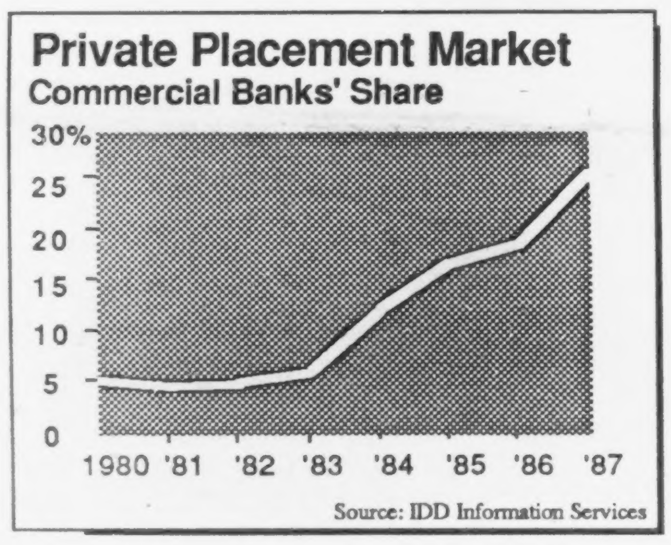
WHILE only two commercial banks, Bankers Trust and Morgan Guaranty Trust Company of New York, were among IDD's top 10 private placement agents, banks represented eight of the top 20.

"They have become a substantial force," says Ralph Fletcher, a Salomon Brothers director.

A private placement is the sale to a limited number of investors of a security not registered with the Securities and Exchange Commission. The key to success is matching the needs of institutional buyers and corporate issuers. Since there is no need for registration, deals can be done quickly, and personal relationships are important.

"Hundreds of millions of dollars worth of deals have been done on basically an oral handshake over the phone," says John Plover, an investment officer at the Travelers.

Private Placement Market
Commercial Banks' Share



Source: IDD Information Services

The market is growing fast. Private financings totaled $135 billion in 1987, up from $73 billion in 1985, according to IDD.

"The private market is anywhere from 25% to 40% of the total capital raised in the U.S. capital markets, so just by being good in that business we can cover, say, one-third of the U.S. long-term capital market," says Robert Lawrence, who runs Citibank's private placement unit.

Insurance companies say they often cannot find enough good placement deals. "From way back we sought out the banks" to educate them about private deals, says Mr. Plover. "We need more sources of deals."

Private placements are attractive for several reasons.

- Banks can provide financing without using their own capital. A private placement agent does not buy securities, but acts as intermediary bringing together the corporate borrower and the institutional investor.
- Banks can garner fee income with relatively few expenses. Fees range from one-eighth of one percent on simple debt issues up to 2% or even higher on complex structured deals. As much as 80% of the fees drop to the bottom line.

Assuming an average fee of 1%, revenues on Bankers Trust's $9 billion of placements could have been $90 million, and profits could have been as high as $70 million. "It's highly profitable," says Mr. Powell, who would not confirm or deny the estimate.

- Institutions can develop investment banking skills in anticipation of the repeal of Glass-Steagall Act. "Glass-Steagall leaves us with a more limited set of tools domestically, which means we want to be very, very strong and very, very capable with those tools that we have," says Tracy Lavery, a Chemical Bank managing director.

Despite the enticements, banks have

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Today

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COMMENT

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NEWS MONDAY

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Early Retirement Offers Pros and Cons for Banks

By DR. PAUL S. NADLER

MANDATING retirement dates is a tough decision for most banks. It is certainly true as far as members of boards of directors are concerned.

All too often, a bank has a board whose outside members are no longer active in their businesses. The telltale clue is when the identification next to the name says "investments" or simply "ex-president" or "retired."

In some instances, the contacts, experience, and wisdom of these people can help the bank markedly. But in other cases, their aging can be a decided drawback. Many of them have honestly become out of date and therefore cannot deal with the complex issues that a board should handle. Other retirees look at their board status as just something to do, so they take up board time with reminiscences and reminders of how it was done better in the past.

Also, they are often afraid of losing the seat, because it is the one business tie they keep. So they go along with management a little too readily out of fear of not being renominated. Thus they end up not doing the job they are supposed to do as individuals who can question management's decisions.

Nadler Says:

It's a tough call: youth and its boundless enthusiasm — or older people with contacts, experience, memories, and justified fears of what might happen.

Finally, the basic reasons why outside board members are appointed are their knowledge of outside industry and professions and their contacts. But the fact that they have retired from their regular businesses makes them far less useful to the bank than they were when they were active.

Thus some banks have a policy of requiring that board members resign when they leave their outside employment, no matter what their age. Nothing burns a chief executive officer more than to have a member of a director's family call up and say, "What will Dad do if you throw him off the board?" A board membership is not the recreation department of a retirement home; it is the basic guts of a bank.

More Prevalent

In any event, the establishment of a mandatory retirement age for all board members, whether or not they are still active in their businesses, is becoming more and more prevalent, both because of regulatory demands and changed bank policy. Undoubtedly these policies can be hard to implement when it means throwing a good friend off the board after many years of association.

But as lawsuits against boards multiply and board members become more and more aware of their responsibilities, they also have to think of their own positions. This often means accepting the fact that a board post cannot be an honorary award. Each board member must help push the board along.

While we are seeing retirement age of board members scaled down in our highly competitive and litigious banking environment, what about the age for retirement of bank officers and employees?

In many instances, the requirements are set by law or tradition, and there is little the bank can do about them.

But are early retirement policies sensible?

Some banks have instituted a policy of offering early retirement at, say, 55, to clear the path for younger people who otherwise might leave out of frustration.

In some instances, this has been marvelous for the bank. It has cleared the way for bright, aggressive tigers with new ideas to sweep into top positions without making the people formerly in these positions bitter.

But is this always smart for the bank?

Some fear that the good people, who can get other jobs, will take early retirement, while the dead wood that knows it can't go elsewhere will hang in there — so the bank's staff quality will be reduced rather than aided by the early retirement policy.

I have seen many instances in which top officers of major banks that offered early retirement soon are working their tails off for some smaller institution. Not only are they having more fun than they have had in years, they are also bringing to the smaller organization both ideas and experience that should rightfully have been used for the benefit of the bank they had served for so long.

For example, one man who had been head of correspondent banking at a major money center organization was pushed aside at age 55. He simply took his talents and valuable contacts to another organization and started generating business as soon as he had learned where the coffee machine was. In this instance, contacts and years of friendship were sacrificed by the major bank for the opportunity to get a younger man in the top correspondent spot. But it appeared to be a bad bargain for the bank, all things considered.

Best of Both Worlds

How can a bank get the best of both worlds? How can it offer to retire people at 55 and still keep the ones who can be truly helpful to the organization?

Some banks say that the chief executive has gone to the people the company wants to keep and indicated to them privately that the bank would not be sorry if they turn down early retirement, even though it looks beneficial at the present time. Other banks have offered consulting positions to those who are truly valuable.

And yet others have simply looked at the benefits of turning over positions and giving new blood a chance, and they decided that if it meant the loss of talent, experience, and contacts, so be it.

But outside observers fear that along with promoting the bright young talent, banks will develop a void as far as those who have seen troubles in the past that match those we may be headed for today.

"You don't remember the Depression," was a cry that young lending officers scoffed at, as the old-timers warned them when real estate investment trust loans, international loans, tanker loans, and the like were placed on the books a decade or so ago. But after the debacles we experienced in these fields, many bankers, looking at their losses, felt like calling up the retirement homes and saying, "Can you let Gridley out on Wednesday afternoons for loan policy meetings?"

It's a tough call: youth and its boundless enthusiasm, or older people with contacts, experience, memories, and justified fears of what might happen.

As usual, the answer has to be compromise, and the banks that try to get rid of all older people in a spring housecleaning may well be the losers.■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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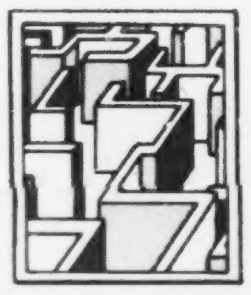
Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

Remember, we need your views to be a true community newspaper.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 6.

1. Bogus checks, apparently treated with an undetermined chemical or written with tainted ink, have been used in recent days to bilk banks in the Chicago area out of nearly $50,000. What property of these checks makes them useful for swindling banks?



2. Salomon Brothers Inc. has bumped Bankers Trust New York Corp. from its roster of 45 recommended companies whose earnings and stock prices are expected to increase in the next few quarters. Name the two banking companies that Salomon deemed worthy of including in its list of 45 potential rising stars.

3. Federal regulators are griping to bank executives about the timeliness and accuracy of their call reports. Several thousand banks that missed last quarter's submission deadline for call reports exposed themselves to the current penalty of $100 a day. Stressing the indispensability of this data to effective bank supervision, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. have asked Congress to raise the late-filing penalty to $..... a day.

4. Continuing his inquiry into the causes of the October stock market crash — and the likelihood of a recurrence — commentator Martin Mayer draws some disquieting conclusions from a study of the margin-lending habits of banks. He marshals evidence suggesting that many nonspecialists and arbitragers were regularly able to finance their stock positions by borrowing from banks on "good faith" margins — as low as 20%. Mr. Mayer links this revelation to the fact that total margin credit in early October 1987 was about 2% of the market capitalization of listed shares. How does this recent margin figure compare with market conditions in October 1929?

5. What change in Japanese banking regulations, effective April 1, will be felt by consumer savers in Japan's maruyu system, whose combined deposits are estimated at $2.42 trillion?

6. Now that Sears, Roebuck and Co. — for the first time — has released 1987 volume figures for its Discover all-purpose credit card, it is possible to draw some meaningful comparisons with Visa and MasterCard. The Sears annual report reveals, for example, that usage by the average Discover cardholder nearly doubled from 1986 to 1987. Match these 1987 yearly usage figures with the appropriate credit cards: $273, $840, $909.

7. A survey conducted by the University of Virginia shows that new car loan volume declined 14% last year at member banks of the Consumer Bankers Association. With inventory of both domestic and imported automobiles expected to exceed demand this summer, association members have been warned to be on the lookout for the practice of subvention. Define this term.

— Robert Paul Molay

Commercial Banks Nudge Wall Street

Continued from Page 1

been slow at getting their act together. "It is a surprising thing that banks were not a bigger and a more important factor a long time ago," says Homer Rees, a managing director at Prudential Insurance Company of America, probably the biggest single investor in private placements.

Banks have a natural advantage, Mr. Rees says: "They have a tremendous client base and an army of calling officers."

But for a long time, banks had trouble tapping the market. After the Federal Reserve Board confirmed that commercial banks could act as agents for private placements in 1977, a number of banks set up specialized units and talked about taking on the investment banks. Banks experienced some initial success, but their efforts were inconsistent and their gains limited.

"A lot of banks tried the business and then backed away," says Foster Aborn, president of John Hancock Mutual Life Insurance Co.'s investment and pension sector.

Banks faced a number of obstacles, including a lack of credibility. Most companies viewed private placements as falling within the province of investment banking services and tended to give the assignment to investment banking firms.

But the most serious problems were not the perceptions of outsiders. "We had a harder sell internally than externally," says Michael Neilson, a Manufacturers Hanover Trust Co. senior managing director. Bank calling officers were geared to booking loans. They did not understand private placements, and they did not like turning over their clients to investment bankers, even within their own institution.

Banks also had trouble keeping private placement professionals because they were not willing to offer compensation competitive with Wall Street. "The inability to build and keep good people was the principal reason why some banks have not been able to climb up the league tables any more than they have," says Mr. Powell.

In 1980, Citibank was the top commercial bank on IDD's rankings, finishing No. 10 overall with a 2.5% market share. But the bank dropped to No. 21 with a 0.5% share in 1981, and it did not recover for three years.

"Until about 1984, the bank's private placement business was caught up in the bank's general ebb and flow of seriousness about the investment banking-merchant banking business," says Citibank's Mr. Lawrence.

INVESTMENT BANKING: How Are Banks Doing?

The situation began to change in the mid-1980s. Banks were losing corporate lending business and were under pressure to reduce use of their own capital. So they made a big push in investment banking, and especially in private placements.

"Banks have had a tough time for a number of years," says Mr. Rees. "It is only recently — after they hired experienced people, paid them as if they were investment bankers, motivated them properly, and turned the entire organization into an investment bank — that they have gotten the right focus and people, and culture, and now some are doing very well."

Commercial banks finally began to take advantage of their valuable base among middle-market companies.

"The lines of communication [with companies] are open," says Chemical's Mr. Lavery. The key now "is pushing the investment banking ideas, investment banking judgments, and investment banking expertise through the pipeline."

"In traditional fixed-rate medium- to long-term corporate placements, the commercial banks have made very little headway; the investment banks dominate that," says John D. Miller, an executive vice president at Equitable Capital Management Corp., a subsidiary of Equitable Life Insurance Co. "Where they have made headway is in specialized kinds of transaction, like leveraged leases, mortgage-backeds, off-balance-sheet deals, and structures that are not straightforward private placements."

"It just is kind of natural for us to do deals that are not plain vanilla broadly-distributed deals," says Mr. Lawrence of Citibank. "And, of course, the whole market has been moving that way, so it has kind of been in our favor."

Investors, under pressure to increase their returns, value unusual deals if they are well structured. "A deal source that can produce higher-rate-of-return deals is more highly prized by us than a source of just plain vanilla deals," says the Travelers' Mr. Plover.

Two banks showed substantial gains in 1987 on IDD's list, but neither had provided data in the past. Chemical was No. 14 with $3.4 billion in financing in 1987, up from No. 27 with $137 million the previous year. Security Pacific National Bank, which was not on IDD's list in 1986, handled $1.8 billion in financings to grab the No. 18 spot. The other big gainer was Manufacturers Hanover, which surged to No. 22 with $869 million in financings, from No. 26 with $146 million in 1986.

Not every bank gained. Bank of America continued a three-year slide, dropping to No. 19 with $1.4 billion, from No. 16 with $2 billion in 1986. In

Commercial: Page 15

Demystifying The Numbers

Tallying private placements is difficult because the deals are private, forcing firms like IDD Information Services to rely primarily on banks and brokers for information. It also is becoming increasingly difficult to define a private placement.

Traditionally, private placements were corporate debt securities bought by insurance companies. Securities sold privately now include many unusual asset-backed securities, equities, subordinated debt, debt with registration rights, and lease financings. And buyers are many types of financial institutions.

There are tallies done by firms that are not even close to IDD's numbers. Almost every private placement professional accuses at least some competitor of padding numbers, all the time maintaining that his or her firm's numbers are pristine.

IDD has a list of criteria and analyzes submitted deals to be sure they qualify. For example, the securities must have a maturity of at least one year and be placed with a nonbank third party.

Bridge loans were not included in 1987. Bank loans and participations also were not included, though it is increasingly difficult to distinguish that market from the private placement market.

IDD changed its criteria for 1987, so 1986 figures are not directly comparable.

— David Neustadt

Banks' Private Placement Rankings

Dollar amounts in millions

	1987 Rank	1987 Amount	1987 No. Issues	1986 Rank	1986 Amount	1986 No. Issues
Salomon Brothers	1	$14,945	244	3	14,560	323
1. Bankers Trust	7	9,028	210	10	4,311	160
2. Morgan Guaranty	10	6,834	83	9	4,402	64
3. Citibank	11	5,954	147	7	6,696	159
4. Chemical Bank	14	3,408	132	27	137	3
5. First Chicago	15	3,287	81	13	2,754	101
6. Chase Manhattan	17	2,437	82	14	2,549	98
7. Security Pacific	18	1,809	17	NA	NA	NA
8. Bank of America	19	1,368	85	16	1,973	123
9. Manufacturers Hanover	22	869	41	27	146	10
10. Bank of Boston	29	203	7	29	93	7

Source: IDD Information Services

Acquisition-Related Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Drexel Burnham Lambert	1	$5,347	88
1. Morgan Guaranty	5	744	6
2. Bankers Trust	9	581	14
3. Chemical Bank	11	479	17
4. First Chicago	15	120	6

Source: IDD Information Services

Lease-Related Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Salomon Brothers	1	$2,432	41
1. Bankers Trust	5	1,552	18
2. Citibank	10	469	13
3. Bank of America	12	378	51
4. Chase Manhattan	13	316	12
5. First Chicago	14	253	4
6. Chemical Bank	15	198	5
7. Morgan Guaranty	18	23	1
8. Manufacturers Hanover	19	11	1

Source: IDD Information Services

Securitized Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
First Boston	1	$3,404	54
1. Bankers Trust	3	1,974	19
2. Citibank	4	1,816	49
3. Chase Manhattan	9	1,371	38
4. Chemical Bank	11	1,036	9
5. Morgan Guaranty	12	803	3
6. Security Pacific	15	475	4
7. Bank of America	16	225	20
8. First Chicago	19	157	2

Source: IDD Information Services

Certificate of Deposit Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Shearson Lehman Hutton	1	$3,330	31
1. Bankers Trust	3	1,125	53
2. Citibank	4	535	23
3. Chemical Bank	5	315	54
4. Manufacturers Hanover	8	179	11
5. Morgan Guaranty	9	150	5
6. Chase Manhattan	11	75	3
7. Bank of America	15	7	2

Source: IDD Information Services

Plain Vanilla Debt Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Salomon Brothers	1	$9,181	112
1. Morgan Guaranty	4	4,001	56
2. Bankers Trust	9	3,075	82
3. First Chicago	11	2,748	66
4. Citibank	12	2,626	51
5. Chemical Bank	15	1,456	49
6. Security Pacific	16	1,334	13
7. Bank of America	20	691	10

Source: IDD Information Services

Commercial Banks Capture 26% of Private Placement Market

➧ Continued from Page 14

1985, it was 12th with $2.2 billion. Citibank also dropped, ranking 11th with $5.9 billion, down from seventh place with $6.7 billion in 1986.

The private placement market is quite diverse, and banks are finding different roads to success as illustrated below:

Bankers Trust: "People really don't regard Bankers Trust as a commercial bank anymore," Mr. Powell says explaining the bank's success in private placements.

Mr. Powell claims that Bankers Trust, which finished seventh overall, was robbed of the No. 6 spot. IDD combined the 1987 figures for Shearson Lehman Brothers Inc. with those of E.F. Hutton & Co., even though the two firms did not merge until this year, pushing Shearson ahead of Bankers Trust.

"We have more distribution capability than product to distribute," Mr. Powell says. As one solution to that problem, the bank has developed exclusive partnerships with six very strong, well-positioned regional banks," he says, including "the strongest regional in the South, a very strong one in the Midwest, one in Ohio, and one in New England." Bankers Trust provides the private placement expertise, and the regionals provide the clients. Mr. Powell would like to add three or four more banks, but no more, because he wants to avoid conflicts.

Citibank: If the bank's tally was down at IDD, that is because the financial data firm changed its criteria, according to Mr. Lawrence. "Our revenues were up very substantially," he says.

Mr. Lawrence says the bank's biggest deal in 1987, raising $400 million for an issuer he would not identify, exemplifies the bank's direction: toward value-added, innovative deals. Most securitized deals involve the sale of contractual receivables.

In this case, Mr. Lawrence says, investors for the first time purchased the right to future cash flows from a commercial contract that can be canceled. "They bought the right to future receivables which may or may not be generated," he says. And, unlike many such deals, there is no hard asset as collateral.

Citibank has since done another similar deal, which he also would not identify.

Chemical Bank: "This wasn't building from scratch," says managing director Tracy Lavery of Chemical's strong growth. "We are taking in-place resources and focusing them." The strategy is to target industries, such as real estate, energy, and entertainment, where Chemical is already strong. Then the bank looks for situations that lend themselves to private placements, such as financing for a joint venture, or a subsidiary, or the U.S. branch of a foreign company.

Plain Vanilla Equity Private Placements

	Overall Rank	1987 Amount ($Mil.)	1987 No. Issue
Morgan Stanley	1	$2,802	13
1. Morgan Guaranty	4	1,113	12
2. Bankers Trust	6	722	24
3. Citibank	9	508	11
4. Bank of America	20	66	2

Source: IDD Information Services

Security Pacific: In 1979, Security Pacific hired an executive from Goldman Sachs and set up a private placement unit. If IDD's rankings are any indication, not much happened. In recent years, the Los Angeles bank refused to report its numbers to IDD.

Then, in January 1987, the bank hired two professionals from First Chicago Corp. Security Pacific made them the core of a new private placement unit located in the Windy City, that now employs five and is growing. Security Pacific's $1.8 billion in financings on the 1987 IDD list is partly just better reporting by the bank. But a significant portion is new business, according to vice president Dennis Emmerick, who came from First Chicago.

Bank of America: The numbers that show the San Francisco bank's private placements falling by 38% over the last two years are misleading, according to Gregory Johnson, manager of private placements. The decline is partly explained by the bank getting out of the mortgage-backed business, he says.

Despite IDD's numbers, both volume and — more important — fees are up for his unit, Mr. Johnson says. That claim is supported by the fact that three of four insurance company executives interviewed for this article included Bank of America on their short list of major commercial bank players in private placements.

Manufacturers Hanover: The bank placed a new emphasis on private deals in 1985, which finally paid off last year. "You have to prove to the calling officers that you are value-added," says Michael Neilson, the senior managing director in charge of capital markets. "Once they see you can perform, you are off to the races."

Manufacturers built its private business on its middle-market ties in the New York area. And the seven-member group is working with other areas of the bank, such as acquisition finance and real estate. Manufacturers also did about $500 million in swap-related placements last year, which are not counted by IDD.

Continental Illinois: The Chicago company was the No. 5 commercial bank on IDD's list in 1984, with $747 million in volume, but dropped off the list completely in 1987. Continental Illinois National Bank and Trust Company of Chicago decided not to file its deals because it believes the numbers are inflated, according to Dennis McCrary, the senior director who runs the nine-person private placement unit.

If it had reported, its 1987 volume would have been $775 million, Mr. McCrary says. Assuming IDD accepted that number, Continental would have finished 19th and added about another half of a percentage point to commercial banks' share of the market.

Continental does not shun straightforward deals — it is working on two $100 million-plus transactions — but its strategy is to focus on the high value-added transactions. Mr. McCrary explains: "We could work on a $75 million deal and make $150,000 if the issuer is a high quality triple-B or single-A. Or we could work on one $10 million subordinated deal and make $500,000. There is more work involved to get the deal done, but I think the competition is not as intense."

Next: The investment banking role played by Chemical Bank's United Kingdom leveraged finance subsidiary in the largest management buyout in British history.

Bank Call Notice

REPORT OF CONDITION OF

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New York

New York, New York, 10004

at the close of business December 31, 1987, a state banking institution organized and operating under the banking laws of this State and a member of the Federal Reserve System. Published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

		Dollar Amounts in Thousands
ASSETS		
Cash and balances due from depository institutions		
Noninterest-bearing balances and currency and coin		$ 98
Securities		33,932
Federal funds sold and securities purchased under agreements to resell		1,500
Other assets		8,561
TOTAL ASSETS		$ 44,091
LIABILITIES		
Deposits:		
In domestic offices		$ 1,665
Noninterest-bearing	1,665	
Other liabilities		4,554
TOTAL LIABILITIES		6,219
EQUITY CAPITAL		
Common stock		$1,300
Surplus		10,805
Undivided profits and capital reserves		25,767
TOTAL EQUITY CAPITAL		37,872
TOTAL LIABILITIES AND EQUITY CAPITAL		$ 44,091

I, Peter A. Kase, Vice President Finance, of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

PETER A. KASE
December 31, 1987

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

IRA SCOTT
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Directors

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Brazos River Authority (Texas)/Texas Utilities Electric Company Project - PCRB (Col.), Series 1988A		8
CPC International Inc. - Debt (Shelf)		6
Connecticut Light and Power Company - F&RMB (Shelf)		7
Niagara Mohawk Power Corporation - FMB (Shelf)		8
Northern States Power Company - Wisconsin - FMB		2
Philadelphia Electric Company - F&RMB (Shelf)		9
Southwestern Bell Capital Corporation - Med.-Term Notes		5
New Ratings:		
Fixed Income		
American Pioneer Commercial Loan REMIC Trust, Series 1988-1		3
Merrill Lynch & Co., Inc. - Remarketed Pfd. Stock, Series C		6
Commercial Paper		
General Dynamics Corporation		Duff 1+
Ratings Reaffirmed:		
Fixed Income		
Zenith Electronics Corporation - Sr. Debt		11
Zenith Electronics Corporation - Sub. Debt		12
Claims Paying Ability		
The Travelers Insurance Company		1
Ratings Changed:	**From**	**To**
Fixed Income		
Texas Utilities Electric Company - FMB/PCRB (Col.)/Debs.	7	8
Texas Utilities Electric Company - Pfd. Stock	8	10
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American Banker

The Daily Financial Services

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Today

Debt forgiveness is one option being considered by the World Bank to help reduce the Third World's commercial borrowings, according to a confidential memo obtained by the *American Banker.* 2

A rash of fraudulent funds transfer attempts has placed the Federal Reserve System on alert. Bogus transactions over the Fed Wire are being attempted as often as twice a week, but so far only one attempt has resulted in a completed funds transfer. 2

As required by law, the Bank Board will consider — but won't promise — a reduction this year in the assessments charged to thrifts for deposit insurance. 2

ICI Mutual Insurance Co. has been created by the Investment Company Institute, the mutual fund industry's trade association. The new company will provide fidelity bond, directors' and officers' liability, and errors and omissions coverage for its 300 members. 14

The weekly listing of financial services stocks features regional industry groups and price indexes. 12

Shearson Lehman Mortgage Corp. is offering adjustable-rate home loans linked to the London interbank offered rate — apparently the second lender to offer Libor-tied mortgages. 19

Executive Changes 15
In the News 3

CORPORATE FINANCE

The accounting profession is battling a growing number of liability suits, as bankers seek to pass on the costs of bad loans to accountants. 3

The Bank of New York is selling roughly $1 billion of its commercial loan portfolio to facilitate the bank's hostile takeover bid for Irving Trust Co. Market analysts speculated that the bank was clearing the asset side of its balance sheet to boost some of its financial ratios. The Fed has expressed concern that the Irving acquisition might take its toll on Bank of New York's balance sheet. 8

Integrating Irving Bank Corp.'s data system with the Bank of New York's system could cost up to $150 million over five years and sharply reduce future earnings, Irving told its shareholders. 15

Chase Manhattan named its first electronics and foreign direct investment executive. Thomas Gallagher, a managing director, will run a new unit that will focus on lending to both the electronics industry and to U.S. subsidiaries of foreign companies. 8

Worth Repeating

The challenge [now] facing the bank is to find a way of providing stronger leadership in the debt workout process.

World Bank president Barber Conable in an internal memo. [Page 2]

An American Banker Special Report

US Banks Grab Share in Global Finance

By JOHN J. DUFFY

Second of a Series

LONDON — When ASDA-MFI, a retailing conglomerate, decided last year to spin off its furniture division in the largest management buyout in British history, one detail of the transaction set City of London tongues wagging: An American institution was leading the financing.

INVESTMENT BANKING: How Are Banks Doing?

For Chemical Bank, which was just setting up its British leveraged finance business, the $1.2 billion deal was a major coup. For the City establishment, it was something of a slap in the face.

"It was a very brave decision in the U.K. marketplace for [ASDA-MFI] to give the mandate to an American bank," said Andrew Jackson, managing director at Chemical Bank International Ltd. "The MBO [management buyout] was four or five times larger than had ever been done before, and Chemical had never led a buyout."

While U.S. banks, such as Citibank and Bankers Trust, had financed buyouts in Britain previously, awarding a newcomer the entire $850 million senior debt portion of the MFI deal was a stunner.

If the deal was a breakthrough for Chemical, it was also representative of a new aggressive attitude that major American banks are taking toward international corporate finance. At a time when profit margins in the Euromarkets have been pared to the bone, banks have discovered that advising and financing international mergers, acquisitions, and buyouts is a way of

US Banks: Page 20 ➞

COMMENT

The High Price of Mismatch Income

By SANFORD ROSE

What role do asset-liability mismatches play in the determination of bank stock prices? Does the marketplace bid down the stock valuations of mismatching institutions relative to those that are reasonably balanced? And if that is the case, does the marketplace penalize banks which are short funded (liability sensitive) more or less than it penalizes those that are long funded (asset sensitive)?

Put somewhat differently, although investors may be flinty hard on interest-rate bettors, might they not relent a tad when the bets produce handsome profits, as liability-sensitive positions recently have? Does not, in fact, the average investor behave like a coach extending a forgiving hand to a player whose disregard of instructions helped win an important game?

Most bankers and analysts are persuaded that the market is relatively indifferent to the interest-rate-risk posture of banking institutions, about which it is, in any case, painfully ignorant. In other words, the bank stock investor, say many, neither understands nor cares as much

Comment: Page 4 ➞

Fed Adopts Rules On Endorsement Of Bank Checks

By BARBARA A. REHM

Washington Bureau

WASHINGTON — The Federal Reserve Board on Monday adopted formal rules on how banks should endorse deposited checks. The measures take effect Sept. 1.

The guidelines are part of a larger effort to speed the processing of bounced checks, a longstanding operational problem for banks.

Separately, the Fed put out for public comment a proposal to ban so-called presentment fees. The checkwriter's bank sometimes charges such fees when the depositor's institution presents an item for collection before 2 p.m.

Fed: Page 19 ➞

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➝ Continued from Page 1

as he should how rate movements affect bank profits.

Not so, says First Manhattan Consulting Group. Periodically, the New York consulting firm performs a multiple regression analysis to determine what factors explain the variation in market-to-book ratios among banks. Its most recent exercise shows that two variables explain most of the 1987 differences.

Adjusting the Equity

One is, as might be expected, the current return on equity. But since banks substantially reduced their equity endowments last year in order to add disproportionately to loan-loss reserves, return on equity has become a somewhat deceptive number.

Because equity is artificially depressed, return on equity is higher than it otherwise would be, which is hardly a reason to bid up a bank's market value. Hence the marketplace must consider the level of loss reserves as well as the nominal ROE. Taken together, these two factors account for approximately 60% of the variation in 1987 market-to-book ratios.

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There are other significant explanatory variables. Among them obviously is the presence of LDC debt. The FMCG regression results indicate that the marketplace marks down bank stock prices by 20% of the book value of LDC debt, an appreciably lower discount than currently obtains in the debt market. (The debt market, less charitable than the stock market, believes that LDC loans are worth only about half of book.)

And then there is the discount for mismatched maturities. It clearly exists, points out Jon Moynihan, a First Manhattan managing vice president. That is, there is a statistically significant (*t* value greater than three) inverse relationship between mismatching behavior and bank stock price performance.

Other things being equal, banks that mismatch maturities have lower market-to-book ratios than those that are balanced. And the greater the mismatch, the bigger the hit to the stock price.

Measuring Mismatch

Now that finding may strain the credulity of some observers. They may allude to the much-publicized difficulty in measuring the mismatch position of banks, especially since reported balance-sheet maturity gaps are often offset by unreported off-balance-sheet activities — e.g., the use of derivatives like swaps, options, and futures.

They may also point out that many banks make substantial profits from mismatched maturities and since the market, as noted, lays considerable stress on return on equity, it is counterintuitive to suggest that all mismatching adversely affects the stock price.

FMCG agrees that it is difficult to measure the true mismatch position of banks that make abundant use of derivatives. But this use is largely confined to the top 20 banking companies. FMCG's findings on the connection between interest-rate risk and stock prices relate essentially to about 180 of the top 200 holding companies — those that are relatively unfamiliar with derivatives and whose mismatch position can therefore be approximated from an analysis of data from published call reports.

The consulting firm estimates the mismatch position of banks from such balance-sheet data, adjusted judiciously to reflect the appropriate duration of such items as demand deposits, and then compares the income or loss generated by this position with what would have been earned if the bank had been fully matched. This yields a measure of mismatch profits per dollar of equity, which is then regressed against the bank's market-to-book multiple.

Leaving aside the income effects, mismatching per se has, as noted, an adverse impact on stock price performance, although, in theory, the investor should reward those institutions, if there are any, whose mismatches are confined to markets where there is a liquidity premium (see this column, Feb. 3, 1988).

Opposing Vectors

However, the income effects are also important. Assuming relative stability in rates, the mere fact that the yield curve slopes upward means that banks whose liabilities are shorter than their assets will earn extra returns, while those whose liabilities are longer than their assets will sustain losses. And the stock market is indeed sensitive to profits.

Thus there are two conflicting vectors. On the one hand, the market apparently penalizes those who bet on rates. On the other hand, the market rewards high returns on equity. So, given the state of the yield curve, it may be thought that banks which are liability sensitive and in recent years have supplemented their ROEs with ample mismatch income would suffer comparatively little if any penalty to their stock price. By contrast, those that are asset sensitive and are therefore losing money should face an aggravated penalty.

Better to Lose Money

But such is not in fact the case. Although banks were penalized for mismatching their maturities in 1987, those that were asset sensitive were not hurt as severely as those that were liability sensitive, despite the fact that the former were losing money while the latter were enhancing their returns.

An asset-sensitive bank with a mismatch loss equal to three percentage points of pretax ROE should, according to the capital-asset pricing model, surrender as much as 15% of its stock valuation. In point of fact, according to these regression results, it suffered only a 1% penalty.

Now consider a liability-sensitive bank that augmented its 1987 pretax ROE by some three percentage points. Such a fillip to ROE, if achieved by methods other than rate betting, should, of course, translate into around a 15% gain in the stock price. But this institution actually experienced a 1987 decline in its stock valuation, and the decline was greater percentagewise than that suffered by its money-losing, asset-sensitive counterpart.

The marketplace is not only serving notice on banks that it does not value earnings realized from interest-rate betting. It is also signaling — at least it was last year — that long funding is less costly than short funding, regardless of the immediate income effects.

Expecting Inflation

Why is this so? The answer, suggests Mr. Moynihan, may reside in the fact that the bank investor is merely following the yield curve. Since the curve is upward sloping, the average investor expects rising interest rates.

He therefore assigns a relatively low discount rate to the earnings of a bank that is asset sensitive and thus positioned to benefit from the expected increase in rates. By the same token, he assigns a relatively high discount factor to the earnings of a bank that is liability sensitive and hence vulnerable to future rate increases.

In other words, the same economic conditions that give rise to the upward sloping yield curve — namely, an expectation of higher inflation — also help account for the discriminatory treatment of liability-sensitive mismatchers. These banks may think they are serving their shareholders by short funding themselves in order to make good current profits.

But the market, which is notoriously oriented to the future, votes otherwise. Based on the information provided by the yield curve, the market forecasts a disappearance of this type of mismatch profit and so exhibits a relative preference for asset-sensitive rather than liability-sensitive institutions.

To repeat — perhaps ad nauseam — all mismatches are bad, at least according to this FMCG analysis. But some are worse than others, regardless of their effect on current income. Mismatches that are based on an implicit forecast of interest rates which contravenes the consensus of the marketplace, as expressed in the prevailing yield curve, will result in heavier stock price losses than those made pursuant to a rate forecast with which the marketplace finds itself in agreement. ■

REQUIRED READING

Regulatory Principles for a Globalized Market

The following is an excerpt from remarks made by David S. Ruder, chairman of the Securities and Exchange Commission, to Keidanren, a leading Japanese economic association, in Tokyo on Feb. 18. The views expressed are those of Mr. Ruder and do not necessarily reflect those of the SEC.

□

I BELIEVE THAT the following regulatory principles should be considered by the markets throughout the world as they seek to adapt to internationalization: 1. Sound standards for disclosure, including mutually agreeable auditing and accounting standards;

2. Promotion of market fairness, including prohibitions against insider trading, market manipulation, and misrepresentations to the marketplace;

3. The widespread availability of quotation and price information;

4. Efficient and compatible national and international clearance and settlement systems;

5. Broker-dealer registration qualifications and conduct requirements designed to promote integrity and honesty in the profession;

6. Improvement of capital adequacy standards in order to provide greater stability and liquidity for national and international markets, and

7. Establishment of international surveillance and enforcement agreements. ■

BEST COPY AVAILABLE

US Banks Fight for Share of Global Finance Market

In a five-part series, the *American Banker* looks at banks' progress in investment banking. A report on private placements appeared on Monday, and the series continues tomorrow with a review of interest rate swaps. Once considered esoteric, swaps have become a necessary product for most financial institutions.

British Companies' U.S. Acquisitions

Top deals in 1987

Acquirer	Acquisition	Price ($ Mil.)
1. **British Petroleum Co.**	Standard Oil Co.	$7,560
2. **Hanson Trust PLC**	Kidde Inc.	1,700
3. **Imperial Chemical Industries PLC**	Stauffer Chemical Co.	1,690
4. **Consolidated Gold Fields PLC**	Newmont Mining Corp.	1,550
5. **Blue Arrow PLC**	Manpower Inc.	1,300
6. **Grand Metropolitan PLC**	Heublein Inc.	1,200
7. **National Westminster Bank PLC**	First Jersey National Corp.	820
8. **Hawley Group PLC**	ADT Inc.	715
9. **Ferranti Ltd.**	International Signal & Control	695
10. **Thorn EMI PLC**	Rent-a-Center Inc.	594
11. **Pilkington PLC**	Visioncare	574
12. **WPP Group PLC**	JWT Group Inc.	566
13. **Guinness & Co.**	Schenley Industries Inc.	480
14. **Valor Ltd.**	Yale & NuTone	460
15. **Dixons Ltd.**	Cyclops Industries Inc.	384
16. **Smiths Industries PLC**	Lear Siegler Diversified Holdings	350
17. **TI Group PLC**	John Crane-Houdaille Inc.	310
18. **J. Sainsbury PLC**	Shaw's Supermarkets Inc.	261
19. **General Electric Co.**	Gilbarco	250
20. **Consolidated Gold Fields PLC**	American Aggregates Corp.	242

Source: J.P. Mervis & Co.

➸ **Continued from Page 1**

squeezing significantly more revenue out of their global networks.

"M&A is a terribly attractive product for a commercial bank," said Nicholas G. Walker, vice president for corporate finance at Bank of America International Ltd. "First, it is high profile. You're dealing with the chief executive when the rest of the bank is talking to the assistant treasurer. Second, if limited to an advisory role, it can produce risk-free fee income that is out of all proportion to the time put in."

Bankers say the time is right for a big push into international mergers and acquisitions. Despite the stock market crash, the wave of European acquisitions of U.S. companies spurred by the weak dollar has yet to crest. If anything, weak stock prices may enable cash-rich Europeans to buy even more.

Britain has been at the forefront of the spending spree in the United States. In 1987, U.K. businesses spent $29.2 billion to acquire 314 American companies, more than double the 1986 amount. A brief lull followed the market crash, but deals picked up again in January when Britain's BAT Industries PLC launched a $4.2 billion bid for Farmers Group Inc., a Los Angeles-based insurer.

Plans for a single European market in goods and services by 1992 are prompting corporate restructurings. In Britain the value of management buyouts totaled more than $5 billion in 1987, triple the 1986 total. Bankers say that with the vast number of small private companies that will have to be merged, acquired, or restructured before 1992, the pace of M&A activity on this side of the Atlantic is likely to heat up even more.

But while the market for international mergers and acquisitions is offering rich pickings, bankers say they are not necessarily easy pickings. Local merchant banks, particularly in Britain, have had a virtual stranglehold on domestic merger and acquisition business. Such ties are not easy to break, they say.

Banks face the question of whether handling a hostile bid against a corporate client constitutes a conflict of interest.

"The challenge for an American bank doing European deals is to get yourself hired," said Colin J.G. Keer, managing director at Bankers Trust Co. in London. "It's that simple."

The banks say, however, that they have advantages over a merchant bank or an international investment bank. The large banks, for example, have had a physical presence in overseas money centers for generations. They have huge lending capacities and thus not only propose deals but also bankroll them.

American bankers say they take a more aggressive approach to dealmaking than their European counterparts. That sometimes means lending on the basis of a company's future cash flow and, more often than not, taking an actual equity stake in a restructured company.

In order to close the ASDA-MFI deal, for example, Chemical had to come up with an additional 50 million-pound, two-and-a-half-year, interest-free loan. In exchange for the loan the bank obtained a 5% interest in MFI.

"We have a far greater willingness to actually look at the underlying value of a business than certain other banks," said Chemical's Mr. Jackson. "Traditionally, certainly more so than the U.K. banks."

Among other U.S. banks, Citibank has forged a reputation in Britain as one of the most aggressive international banks in structuring and financing mergers and acquisitions. It recently financed the unsuccessful bid for Dee Corp., Britain's third largest supermarket chain, by Barker & Dobson Group PLC. The bank has played a part in bids ranging from Elders IXL's unsuccessful attempt to take over Allied-Lyons in 1985 to last year's successful bid by WPP Group PLC for J. Walter Thompson Inc., the advertising concern.

"We have a reputation for being relatively sophisticated lenders and for having imagination in our approach toward companies," said Colin Scotland, executive director of Citicorp's investment bank in London.

Citicorp has 17 merger and acquisition professionals in London and M&A units in Amsterdam, Frankfurt, Geneva, Madrid, Milan, and Paris. Although it is the world's top international bank, most of Citicorp's European M&A revenues stem from domestic European work rather than from trans-Atlantic deals with U.S. companies.

"In trans-Atlantic deals our hopes are higher than our achievement thus far," Mr. Scotland said. "In the U.K. and in Europe it's not hopes, it's reality. We're beginning to become a significant force."

In contrast, the international merger and acquisition efforts at Chase Manhattan Bank and Morgan Guaranty Trust Co. are focused on cross-border work — mostly Europeans seeking to buy or sell businesses in the United States. Morgan recently represented F. Hoffmann-La Roche & Co. of Switzerland in its unsuccessful bid for Sterling Drug Inc.

Chase recently represented Sanofi, a French drug company, in its unsuccessful attempt to acquire A.H. Robins Co. Last year, it represented Robert Maxwell's British Printing & Communications Corp. in an acquisition of Webb Printing Products in Minneapolis.

"If a business has some international appeal, a way of tapping the worldwide market is to use an institution like Chase, because we can, via our network, [find] buyers from all over the world," said Christopher Clegg, managing director of Chase Investment Bank Ltd. in London.

'One-Stop Shopping' at Chase

Mr. Clegg, who was recruited from Oppenheimer & Co. to set up Chase's London M&A department in 1986, said the bank offers a "one-stop shopping" service to clients wishing to sell or buy a business in another country.

For example, for a U.S. client seeking to buy a Spanish company, Chase initially might take a "search and approach" assignment. That would then be carried through to the offer, the negotiation of the terms, the signing of the letter of intent, and finally to the signing of the contract. The bank could then put together a financing package, which might include a bridge loan, a Eurobond, or an equity placement in London.

The concept of one-stop shopping is not universally admired, however. Large companies tend to use different advisers for different aspects of a transaction, bankers say. And some banks decline to put their balance sheet at risk in M&A transactions overseas.

Bank of America, for example, takes only pure advisory roles in mergers and acquisitions in Europe. It concentrates largely on Spain, where it has corporate banking offices in Barcelona, Bilbao, Madrid, and Valencia and it specializes in arranging the sale of midsize Spanish companies to major international investors. It arranged five deals in Spain last year, more than any other foreign bank.

The troubling side of the banks' drive into M&A, both domestically and internationally, is that hostile bids and traditional bank relationships often run at cross purposes. Banks are increasingly faced with the question of whether a banking relationship with a corporate client raises a conflict of interest in handling a hostile bid against that client.

"It's the most delicate subject that Citicorp has to address in terms of its corporate client base at the moment," said Mr. Scotland of Citicorp. In Britain, Citicorp has gotten into scrapes with Dee Corp. and Allied-Lyons, both of which claimed the bank abused its relationship with them in financing hostile bids. Citicorp said neither relationship was strong enough to prevent it from taking an independent role.

"The problem is that, in the broadest possible definition of the word, Citicorp has relationships with almost every major company in the world," said Mr. Scotland.

A major advantage of M&A for commercial banks, however, is that it provides a good basis for selling other products and services. Bankers said M&A business can easily generate foreign exchange business, international debt and equity business, and even private banking transactions.

Mr. Walker of Bank of America noted, for example, that the bank recently acted as adviser on the sale of a midsize Dutch company to a French buyer. "We did the advisory role, we lent the money to finance the purchase, we did a foreign exchange contract taking French francs into Dutch guilders, and, finally having transferred the money to the seller, we took it back into Bank of America and put it on deposit for him in our private bank."

Such deals do not happen every day, and in fact tend to be rare, given the increasing sophistication of the M&A market in Europe. When they do happen, however, it tends to make up for all the deals that go awry.

"When you can totally control a transaction like that," Mr. Walker said, "it's like pulling the handle on a slot machine and seeing the money just come gushing out," he said. ■

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First Boston Corp. was still No.1 underwriter of asset-backed securities in the first quarter, as the market's new-issue volume jumped almost threefold from the same period in 1987. Issuance, however, plunged more than 36% from the fourth quarter of last year. 2

Shearson Lehman Hutton Inc. closed a $29 million private placement of securities backed by mortgages on time-share vacation units. The mortgages were sold by Glen Ivy Resorts, a California time-share developer. 2

Exclusive rights to market MasterCard credit cards to fans of the New York Yankees have gone to Marine Midland Bank. 3

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Thrift Trigger Dates 7

COMMENT

Bank failures will continue at the same pace through 1988, whether or not one includes banks receiving FDIC assistance, says Irvine H. Sprague. 4

The annual "Statistical Abstract of the United States" spotlights social and economic trends — from the indispensable to the trivial — writes Robert J. Samuelson. 5

TECHNOLOGY

Paperless payments will be easier for banks and corporations to initiate with the personal computer products introduced at the National Automated Clearing House Association annual conference. 8

A miniaturized microfilming machine meets bankers' growing preference for filming checks in their branches. The unit, introduced by Eastman Kodak Co., is called a desktop microfilmer and fits in a 19-by-23-inch area. 8

The Federal Communications Commission intends to drop a proposed minimum access fee for those who use interstate telephone lines for computer communications. The proposed fee would have cost banks nearly $250,000 per year. 9

Arthur Andersen & Co. has introduced a software package to help large banks and businesses write their own application programs. 11

Littlewood, Shain & Co. has joined Info-Mation Systems, a Texas software development firm, to form LSC Payment Systems. 12

Worth Repeating

We're getting lots of money lately, and I think much of it's been from First Republic.

Les Mckee, a vice president at Dallas Teachers Credit Union, Dallas. [Page 1]

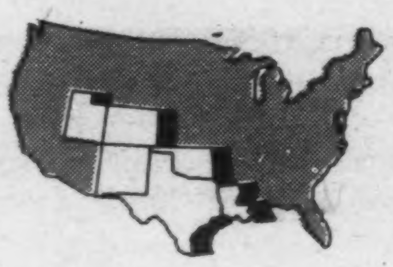
FROM THE REGIONS

THE SOUTHWEST

Credit Unions Prosper in Texas Slump

By DAVID LaGESSE
Southwest Bureau

DALLAS — Amid the confusion of the state's bank failures and thrift fraud, credit unions in Texas have calmly gone about the business of making consumer loans — and profits.



The state's 1,000-plus credit unions, in fact, have turned in a "stellar performance" in light of the state's economic problems, according to the nation's chief regulator of credit unions, Roger Jepsen, who will praise the Texas industry in a speech in Houston later this week.

Generally much smaller than banks and thrifts, credit unions usually stick to consumer lending — automobiles, boats, home equity. In Texas, they have avoided the oil and real estate lending that is now sinking the state's banks and thrifts. Credit unions are limited to defined customer bases, such as employees of a certain company, which provide more stable banking relationships.

Last year, the state's 280 thrifts reported losses of more than $6 billion, and its 1,900 banks lost more than $1 billion. State-chartered credit unions in Texas, which number about 400, earned an average return on assets of about 0.7%, according to the Texas Department of Credit Unions.

Perhaps most impressive, the state's

From the Regions: Page 22 ➸

Interest Rate Swaps Outstanding

Dollar amounts in billions of notional value

	12/31/87	6/30/87	12/31/86
1. Citibank	$117.5	$90.8	$66.1
2. Chemical Bank	95.0	67.3	35.5
3. Chase Manhattan Bank[1]	94.6	40.1	21.9
4. Bankers Trust Co.	82.6	66.8	51.6
5. Manufacturers Hanover Trust Co.	70.2	52.6	38.0
6. Morgan Guaranty Trust Co.	58.5	50.8	40.2
7. Security Pacific National Bank	39.7	28.5	14.9
8. First National Bank of Chicago	21.5	19.4	17.7
9. Bank of America	18.6	14.5	11.5
10. First Interstate Bank of California	18.1	13.9	11.3

[1] Chase Manhattan's yearend 1987 number for outstanding swaps is the only one to include forward rate agreements, interest rate caps, and interest rate floors booked during the fourth quarter.

Source: Bank call reports, compiled by *American Banker*.

An American Banker Special Report

Bankers Cite Edge over Rivals In Competitive Swaps Market

By LISABETH WEINER
Third of a Series

CHICAGO — With outstandings hovering at about $1 trillion, the swap market has come of age.

Corporate and other borrowers regularly seek to take advantage of fluctuating credit rates by exchanging their fixed-rate interest obligations for other loans at floating rates. Only the interest payments are swapped, not the principal.

INVESTMENT BANKING:
How Are Banks Doing?

No longer are swaps an esoteric corporate finance tool that dazzles the uninitiated. In six short years, swaps have developed into one of the largest financial markets around the world.

Swaps have become commonplace, available to almost any company and indispensable to financial institutions competing in today's global arena.

Commercial banks and investment banks compete on equal footing in the swap market. While the competition in swaps is murderous, commercial bankers insist that they have the upper hand.

"U.S. commercial banks dominate in swaps," said Donald Layton, managing director of Manufacturers Hanover Corp. "The Wall Street firms were once neck and neck with the banks, but they have fallen behind."

Swaps provide corporations an efficient way to reduce borrowing costs and manage assets and liabilities. And swaps remain attractive to banks because they provide noninterest income

Bankers: Page 18 ➸

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April 6, 1988, American Banker

1988 Will Be Another Banner Year for Bank Failures

By IRVINE H. SPRAGUE

MISMANAGEMENT, fraud, greed, and the economy were the dominant reasons for bank failure in 1987, as always; but it is semantics that dictate the count. The Associated Press, the Federal Deposit Insurance Corp., and the *American Banker* all reported that there were 184 bank failures in 1987, the sixth consecutive year that a new and higher record was established.

But according to my calculations there were 203 failures. Others say the total was 193.

The discrepancy comes because I count as a failure any bank that met all the criteria for closing but was kept open through government assistance. I started this method of tabulating failures as FDIC chairman in 1980 when First Pennsylvania failed but was kept open through a 13(c) essentiality assistance transaction and have continued using this count in speeches and writings since.

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years. During that time, he handled 374 bank failures, more than anyone else in FDIC history.

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> Since Penn Square, the question of when to consider a bank a failure has taken on more significance.

After all, those who managed or directed a bank to failure should not escape the stigma of failure. I might note that those associated with Continental Illinois National Bank and Trust Company of Chicago and other bailouts have expressed great distaste over this reasoning.

However, there is some movement toward accepting my analysis.

After 50 years of reporting only on sales and payoffs of closed banks, the FDIC annual report for 1986 compromised with my theory. The table "Disbursements for Protection of Depositors" listed 145 banks — 40 payoffs, 98 sales, and 7 assistance transactions, or bailouts as some call them. It also restated the table to show assistance transactions for the past six years. On another page, the closed bank table listed 138 failures. Similar reports have been made for 1987.

'De Facto Failure'

Another indicator: *The Washington Post* recently described Continental as a de facto failure and quoted the new chairman, Tom Theobald, as saying that the bank at that time had more bad loans than net worth and was ". . . sunk by insolvency."

The stockholders, I guess, can offer the strongest testimony as they hoard worthless paper that officially will become junk when the final accounting of the Continental bailout comes in September of 1989.

A bank can be book insolvent, its liabilities exceeding the assets, or it can be liquidity insolvent, not having sufficient cash to meet its obligations.

Until the Penn Square episode in 1982, I had never really thought about the insolvency finding. After all, our job at the FDIC was not to close a failed bank but to handle a failure after the institution was closed by the primary supervisor.

Penn Square Bank, Oklahoma City, was insolvent, we were certain, but the Comptroller's examination was still underway when the situation climaxed on the Fourth of July weekend.

We wanted to get our people into the bank quickly on Friday night so they could work the long holiday weekend and be prepared for a payoff or a sale when the holiday was over Tuesday morning. Comptroller of the Currency Tod Conover, a member of our FDIC board, sympathized with our need. But he faced the dilemma of how to find the bank book insolvent before the examination was concluded, even through the final result was certain. There was no liquidity insolvency as long as the Fed kept providing money, as they did.

Bank Act No Help for Conover

Mr. Conover found no solace in the National Bank Act which states only that he shall appoint a receiver whenever the Comptroller "shall become satisfied of the insolvency."

Our talks continued inconclusively Friday and Saturday. Finally, Sunday morning, Paul Volcker asked Don Regan to come down. Mr. Regan as Treasury secretary was Mr. Conover's boss. We sat in Mr. Volcker's tiny office and for an hour Mr. Regan listened to us. Then he stood up, smiled and left, saying: "Well, I'm sure you gentlemen will do the right thing." Mr. Conover was on his own.

Finally, the examination had progressed to the point that there was absolutely no question that the bank was insolvent and late Monday night Mr. Conover ordered it closed. Penn Square was a failure by any criteria.

Since then, the question of when to consider a bank as a failure has taken on more significance with the expanded use of 13(c) authority, which allows the FDIC to assist in keeping the bank open on a finding that it is in "imminent" danger of failing and the cost of such a transaction is estimated to be "substantially" lower than the cost of allowing the bank to technically fail.

Last year there were nine such transactions covering 19 banks — that is how I arrived at the 193 or 203 counts, take your choice: 184 plus 9 or 19.

The 13(c) cases ranged from the $3.1 million Falun State Bank in Kansas to the $1.2 billion BancTexas Group of 11 banks.

Although the banks are kept open in a Section 13(c) transaction and the community and customers keep their bank; the end result is roughly the equivalent of a failure as far as management and the stockholders are concerned.

Capital and Management Provisions

Provisions for new management and capital are required for these making a Section 13 application and, according to the FDIC guidelines, "after the assistance . . . a determination that the financial effect upon shareholders and creditors of the bank, or the bank's holding company, approximate the effect on those parties which would have resulted had the assisted bank failed."

In addition to the completed assistance cases in 1987, there were three that were approved in concept but not consummately yearend.

Those who tabulate the numbers will have a field day on these. One is for a single bank in Louisiana, one covers two failing institutions in Alaska, and the third is for the enormously expensive rescue of First City Bancorporation of Texas Inc. which encompasses 62 separate banks.

In an earlier article I suggested that bank managers who are expansion-minded find comfort in the FDIC safety net of Section 13 transactions, but Bill Seidman, now FDIC chairman, reminds me that the safety net is for the depositors, the customers and the community — not stockholders or management. I agree.

Director and officer liability suits are filed by the FDIC against those responsible whether it be de facto or technical failure, if the circumstances warrant. Continental is a good example. In 1987 there were 39 new lawsuits filed and decision was made not to file in 51 cases. It takes time to investigate a failure so most of these actions relate to prior year failures.

Also, in 1987 there were 39 settlements recorded (the same umber as the new suits filed). Recoveries exceeded $59 million.

How the Other Failures Were Handled

To complete the picture of 1987 we should recount how the other 184 cases were handled, the 184 that were failures no matter how you count.

Eleven of these were payoffs by the FDIC, the bank was closed and the insured customers, up to $100,000 per account, were promptly given their money. In another 40 cases the FDIC transferred the accounts to another ban to act as agent for the payoff.

In these 51 cases the uninsured depositors, those with accounts over $100,000, suffer a probable loss, but the fact is that nearly all of these payoffs were for very small institutions with minimal uninsured deposits. Also, in most of the deposit transfer cases the failed bank was replaced in the community with either a new bank or a branch or a nearby institution. Most of the time a large proportion of the assets were sold to the replacement facility.

This leaves the 133 sales, the traditional purchase and assumption transaction in which an existing bank or a newly created one takes over the failed institution. The community, the customers and the depositors, insured and uninsured alike, are made whole. Stockholders and management lose out.

The new twist in 1987 ws the active pursuit of whole bank transactions which were attempted in 52 cases and successfully completely in 19. In a whole bank transaction the purchaser takes over essentially all of the failed bank assets, reducing the FDIC cash outlay and setting up a situation whereby the bank customers can work out their problems with the new owners, not FDIC liquidators.

The other innovation in 1987 was the use in one instance of new bridge bank authority granted by Congress last year. A bridge bank allows the FDIC to operate the failed institution until another solution can be found.

I guess the reality is that there were one heck of a lot of bank failures in 1987, whether the number was 184 or 203, or something else. I recall now, almost with disbelief, my first year on the FDIC board in 1968 when we struggled with just three failures all year, with combined assets of about $25 million.

A prediction: 1988 will be about the same as 1987. ■

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

We would like our pages to reflect as wide a range of views and opinions as possible — no matter how provocative or controversial. The key goal is to factor your views into our own thinking so that both our newspaper and the executives who read us can do a better job running our organizations.

In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reasons of space and clarity.

Remember, we need your views to be a true community newspaper.

April 6, 1988, American Banker

Bankers Cite Edge over Competitors in Swap Market

Continued from Page 1

at relatively small risk.

The most common swap, the exchange of floating for fixed interest, is known as a plain-vanilla deal. But swaps can be much more complex if foreign currencies and options are part of the transaction.

Banks make money on swaps through the bid-offer spread. This is the difference between the price a dealer — either an investment banker or a commercial banker — pays to book a swap and the price he must receive at a later date to sell it.

Dealers Aim for 10-Basis-Point Spread

If, for example, a dealer pays a fixed rate of 63 basis points over the five-year Treasury rate to buy a swap, then he will hope to sell it later for 73 basis points over the Treasury note rate to get the 10-basis-point spread that is common in today's market. This bid-offer spread marks what the bank earns on the deal, excluding costs and expenses.

A swap is expressed in terms of notional value, which is roughly equivalent to the principal. A hypothetical swap with a $50 million notional value will earn the dealer $50,000 if the bid-offer spread is 10 basis points.

From the $25 billion of swaps booked in 1982, when the concept originated in the Eurobond market, growth has been phenomenal. Outstandings for interest rate and currency swaps, with maturities of three years or more, are now estimated to exceed $1 trillion, according to Patrick de Saint-Aignan, former chairman of the International Swap Dealers Association and a managing director of Morgan Stanley & Co.

Data from bank call reports show that the 10 largest players in the interest rate swap market had outstandings at the end of 1987 ranging from $18.1 billion to $117.5 billion. Investment banks are not required by the Securities and Exchange Commission to release swap numbers.

Many investment houses consider themselves major factors in the swap market. Only a few continue to act strictly as brokers, arranging swaps but not taking positions in them. Most securities firms operate in the swap market just like commercial banks.

Salomon Brothers Inc. declined to disclose the size of its swap portfolio. "We are a major participant in the market. We are not No. 1, but we are a factor," said Richard F. Leahy, managing director and head of hedging.

Commercial banks maintain that they have an edge in the swap market because of their long history in credit analysis. A bank is able to act as one of the counterparties in a swap transaction. It can afford to hold a deal on its own books for considerable periods, and has the capital base necessary to support a swap portfolio.

"Banks have a tremendous capital capability to take on credit risk," Mr. Layton said. "The securities houses prefer to do a swap when a bond issuance is related."

Commercial bankers also feel that their customers regard them as more secure than investment banks.

"When you have an event like Oct. 19," said Denise Boutross, managing director and head of U.S. dollar swaps for Security Pacific Corp., "people look at it [the markets] very differently. They want to know who is going to be here seven or ten years from now. Banks give a greater sense of security."

The Wall Street Advantage

The Wall Street firms are quick to rebut the commercial banks' claim of dominance. Investment bankers point out that the capital of many of the largest money center swap dealers would be wiped out or severely reduced if they were forced to write down their Third World debt to market price. "Investment banks, on the other hand," said one such banker, "do not have loans to the Third World."

The securities firms have an advantage over the banks in swaps that are tied to publicly issued domestic bonds.

"We can offer an entire package of things, so a swap is usually part of a bond issuance, or we may do something like an asset swap," said Patrick Kelly, a Salomon Brothers director and manager for swap products.

Mr. Kelly estimates that 30% to 40% of the swaps booked by investment banks over the past five years have been tied to bond issues. Investment bankers feel they have an edge because the Glass-Steagall Act prohibits commercial banks from underwriting domestic securities.

With decreased activity in the fixed-income markets, however, about 15% to 25% of the swaps being booked are now linked to bonds, Mr. Kelly said. Salomon has significant swap business related to bonds, he said, declining to provide details.

Corporate treasurers who are active users of interest rate protection see better deals coming from the commercial banks than from the investment banks.

"Commercial banks are much better insulated against rate volatility," said the treasurer of one major U.S. corporation, who requested anonymity. "They are happy just as long as they get the spread they want.

"When absolute interest rates go up, commercial banks can pass along the increase in their cost of funds to their customers. Investment banks are more like brokers. They are willing to tie up their capital only for a short period of time," Mr. Kelly said.

The securities firms say they serve thrifts, insurance companies, and large corporations. Commercial bankers book deals for these groups, but they also arrange swaps for middle-market corporations and customers involved in leveraged buyouts.

Competition has contributed to the stability and liquidity of the swap market. These attributes proved crucial during the October crisis.

"We did see the bid-ask spread widen significantly immediately after the crash," said Renee Ross, a swap trader at Bank of Boston . "But a month later, things were back to normal, which is a good indication of the stability and liquidity of the market."

Household Names Dominate Market

The dominant players are the money center banks and such investment banks as Salomon, Merrill Lynch & Co., and Morgan Stanley & Co. Only a handful of superregional banks — including Marine Midland Bank, Bank of Boston, and NCNB in Charlotte, N.C. — are recognized as substantially active in swaps. The only player new to swaps, industry observers said, is American International Group Inc., an insurance company based in New York.

In 1983, the bid-offer spread on a five-year plain-vanilla deal was 22 basis points. By 1984, it had narrowed to 12 basis points, and a year later it came in at 10 basis points. Since 1985, the spread has held steady.

"It's still a profitable business, even though it's not the bonanza it was at first," said David Gelber, managing director at Chemical Bank in London. "I think we have stabilized our profit margin, and in 1987 those margins held."

As the bid-offer spread has narrowed over the years, industry pundits have questioned whether commercial banks are adequately compensated for their credit exposure. Since swaps are off-balance-sheet items, regulators have little information about these instruments other than gross numbers on notional values. Data on portfolio diversification and pricing remain top secret.

In a five-part series, the *American Banker* looks at banks' progress in investment banking. A report on private placements appeared on Monday and a review of global finance ran Tuesday. The series continues Thursday with a look at how banks are faring as advisers in domestic mergers and acquisitions.

Regulators are becoming increasingly concerned about what would happen in case of a massive swap failure. Commercial bankers balk at any suggestion that they are not pricing adequately for risk.

The exposure a bank takes on when it books a swap is not directly related to the notional value of the swap itself. If one of the counterparties fails, the amount at risk is only what it would cost to replace that swap in the current market, bankers said.

Swap Defaults Are Infrequent

Swap defaults have been rare and losses have been manageable. Bankers feel that, as the market has matured, so has their understanding of how to price for the interest rate and credit risk exposure in a swap.

"Over the last three years, we have a much more refined knowledge of what our exposures are," said Joe Bauman, vice president and head of Chemical Bank's New York swap desk.

Sometime soon, regulators are expected to impose risk-based capital standards requiring bankers to hold capital against all types of assets, including swap portfolios, based on risk. The result, some bankers suggested, will be that banks will have to charge higher fees for swaps to cover the cost of holding the capital. "In fact," said Ms. Boutross of Security Pacific, "we're already seeing widening of bid-offer spreads due to [anticipated] capital adequacy standards."

Investment houses, not subject to risk-based capital requirements, could offer lower prices than the commercial banks on swap deals. Yet commercial bankers don't foresee this type of price war.

"That would be shortsighted for the investment banks," Mr. Bauman said. "The SEC [Securities and Exchange Commission] will follow suit with similar kinds of guidelines. Investment banks that undercut on prices now will find themselves in a lamentable position when the restrictions are imposed, because we know from experience that the regulators won't grandfather in previous exposures."

Customizing Swaps Adds Value

Bankers have learned how to customize the simple swap product to meet the customer's specific needs. This "added value," is what allows bankers to fatten spreads on swaps and pump up profits.

NCNB has identified its niche doing smaller deals for smaller or middle-market companies.

"Our focus is in the Southeast. We have done business with customers within our geographic area," said Mark Whalen, senior vice president of NCNB.

The average swap NCNB has on its books is about $10 million, although it has done swaps for as little as $850,000. While most other banks arrange swaps that are based on the London interbank offered rate, NCNB will do swaps based on the prime lending rate.

"We can get a little wider spread on these," Mr. Whalen said. "Generally there's a little more profitability in these because there's less liquidity."

Interest rate caps and collars provide another way for banks to bring more value to their corporate customers, and thus higher fees.

Caps give the buyer essentially the same kind of protection as swaps against rising interest rates, but do not limit the benefits that may be derived from declining interest rates. The corporation purchases a cap, or an interest rate ceiling, usually by paying an up-front fee or premium. In turn, the corporation receives a guarantee that if interest rates rise above the stipulated ceiling, the bank will pay the difference on the outstanding balances.

While no formal numbers have been compiled on the size of the market, commercial bankers estimate that about $70 billion in caps were written in 1986. In 1987, that number grew to $100 billion.

Like swaps, caps can be written for any term, but a preponderance of caps are for two to three years.

Although the concept of a cap is straightforward, this interest rate protection tool has proved to be complicated for providers to price and to hedge. Consequently, only a handful of banks — whether commercial or investment — are active in the cap market. Those banks that run the largest cap portfolios include Manufacturers Hanover, Citibank, Salomon, Bankers Trust, Chemical Bank, Morgan Guaranty, and Drexel Burnham Lambert, industry observers said.

"Caps are just more complex [than swaps] to handle," said Mr. Layton of Manufacturers Hanover. "You need a research and development group, technology. And because it's more complex, it's more expensive."

If a bank sells an 8% cap to a corporate customer, than the bank must make sure that it has a source of protection in case rates rise above that level. The bank needs a stream of payments to offset its obligation to its customer. This is achieved either by putting on a hedge, frequently done by using options on Eurodollar futures, or by buying a cap from someone else. This trading of caps, in fact, constitutes one of the largest segments of the market.

Unlike the swap market, which is largely dominated by financial institutions such as thrifts and banks, caps are tailor-made for corporations, especially those that have project financing outstanding or leveraged buyouts, where there is considerable floating-rate debt. But bankers have found that a lot of corporate customers have a natural resistance to paying premiums.

"Corporations hate paying premiums," Mr. Layton said. "So we arrange things like a zero-cost collar, where we sell the company a cap and it sells us a floor." The company is willing to give up the benefit if rates decline.

A collar consists of a ceiling and a floor of interest rates. In a collar the bank agrees to pay the difference if interest rates rise above a certain rate, but the corporation must agree to pay the difference to the bank if rates fall below the agreed-upon floor.

"In the U.S. we'll continue to build a more complex structure," said Mr. Layton. "We'll be able to offer risk management on a broader scale and suit a broader array of American companies. At the same time, we'll be impelled by risk-based capital to find mechanisms to reduce the credit risk intensity of the products we sell," he said.

"In the old days," Mr. Layton added, "customers had to fit their needs to whatever products were available. Risk management means doing whatever we can to find the products to meet the customer's needs." ■

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VOL. CLIII NO. 68 Thursday, April 7, 1988 153rd Year

Today

Financing activity in the global capital markets picked up considerably in the first quarter, with the volume of new Eurobond issues more than doubling their depressed levels of late 1987. ____ 2

The rates paid for deposits by Southwest banks and thrifts has eased over the past few months, particularly after the closing of one deposit-hungry thrift and the outflow of money from First RepublicBank Corp. 3

Citibank, Bankers Trust Co., and J.P. Morgan Securities Inc. are managing a $100 million corporate debt issue for Private Export Funding Corp. 6

The New Hampshire House agreed to amend the state's interstate banking law to allow a banking company to own a New Hampshire bank as long as the company's headquarters and at least 50% of its deposits are in New England. ____ 6

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A Visa card that combines the functions of a debit card with those of a traditional cash card is being introduced by Lloyds Bank PLC. The card can be used for shopping within the Visa retail network in Britain and abroad and to withdraw cash from automated teller machines. ____ 8

British building societies are moving into the personal checking account market, which has been a traditional stronghold of banks. ____ 8

An ad campaign for First Security Bank, Salt Lake City, shows employees smiling before they knew the candid cameras were running, even when confronted with requests such as minding a pet ostrich. ____ 9

Don't rely on national surveys to determine employee perquisites; let employees choose their own benefits and rewards, writes Jack Whittle. 4

Worth Repeating

How many places can you name where you have Elizabeth Taylor or George Hamilton bopping into your bank to cash a check?

Allen R. Koeneke, president of Pitkin County Bank and Trust Co., Aspen, Colo. [Page 24]

An American Banker Special Report

Banks Garner Few Domestic Merger Deals

Top Banks in Mergers and Acquisitions

1987 transactions as sole adviser, ranked by total deal value

	Overall Rank	Amount (Millions)	Number of Deals
Goldman, Sachs & Co.	1	$63,465.0	134
1. Bankers Trust Co.	13	6,175.7	42
2. Morgan Guaranty Trust Co.	21	2,704.6	26
3. Chase Manhattan Bank	24	2,267.0	27
4. Citibank	29	1,767.5	29
5. Chemical Bank	37	1,076.9	5
6. Security Pacific National Bank[1]	39	985.0	1
7. First National Bank of Chicago[2]	46	693.3	15
8. Maryland National Bank	59	351.2	1
9. Bank of America	NR	115.5	3
10. Mellon Bank	NR	47.0	7

[1] Includes one deal by Security Pacific Capital Australia.
[2] Includes advisory deals by First Chicago Venture Capital.
NR: Not ranked in top 75.

Source: IDD Information Services

Legal, Cultural Bans Retard Progress

By JED HOROWITZ

Fourth of a Series

NEW YORK — Mergers and acquisitions is a matchmaking business, and banks should excel at it.

They've got long lists of traditional clients that are ripe for change and willing to pay for advice on how to expand, restructure, or defend themselves from acquisitive hands.

Yet, until recently, few banks have managed to convert their traditional lending relationships into lucrative advisory mandates.

In 1987, commercial banks captured a slight 7.4% of the market as M&A advisers — the same percentage as in 1986. Only Bankers Trust Co. edged into the ranks of the top 15 advisers measured by dollar amount of deals completed, according to IDD Information Services, a financial data collection company.

"I don't see them that much," said Lawrence N. Lavine, a senior vice president and merger specialist at Donaldson, Lufkin & Jenrette Inc. "Morgan and Bankers Trust have done a good job coming from nowhere. But they're still not a major factor in the business."

"They've got some very good contacts through their commercial banking relationships," agrees Les J. Lieberman, a first vice president who works on thrift and bank deals at Drexel Burnham Lambert Inc. "But aside from a couple of high-profile deals, they haven't convinced their accounts that they have the ability to pro-

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Campeau's Federated Purchase Is Money in Bank for Backers

By DAVID NEUSTADT

NEW YORK — Campeau Corp.'s $6.6 billion takeover of Federated Department Stores will provide a bonanza for commercial banks and investment banks.

Commercial banks in the syndicate providing Campeau's loan will share at least $106 million in fees on the $3.4 billion facility for the leveraged buyout, according to data provided by Loan Pricing Corp. The investment banks will divide at least $140 million, according to a report in *The New York Times.* About $60 million of that will go to Campeau's advisers, First Boston Corp. and Wasserstein, Perella & Co.

The loan was increased during the course of the 10-week takeover battle as the bidding war continued. Final details of the pricing of the loan, provided by a syndicate of banks led by Citibank and Sumitomo Bank Ltd., are due out today. But the pricing is expected to be similar to that of earlier agreements between the banks and Campeau.

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Citibank Wins Lead on Pefco Debt
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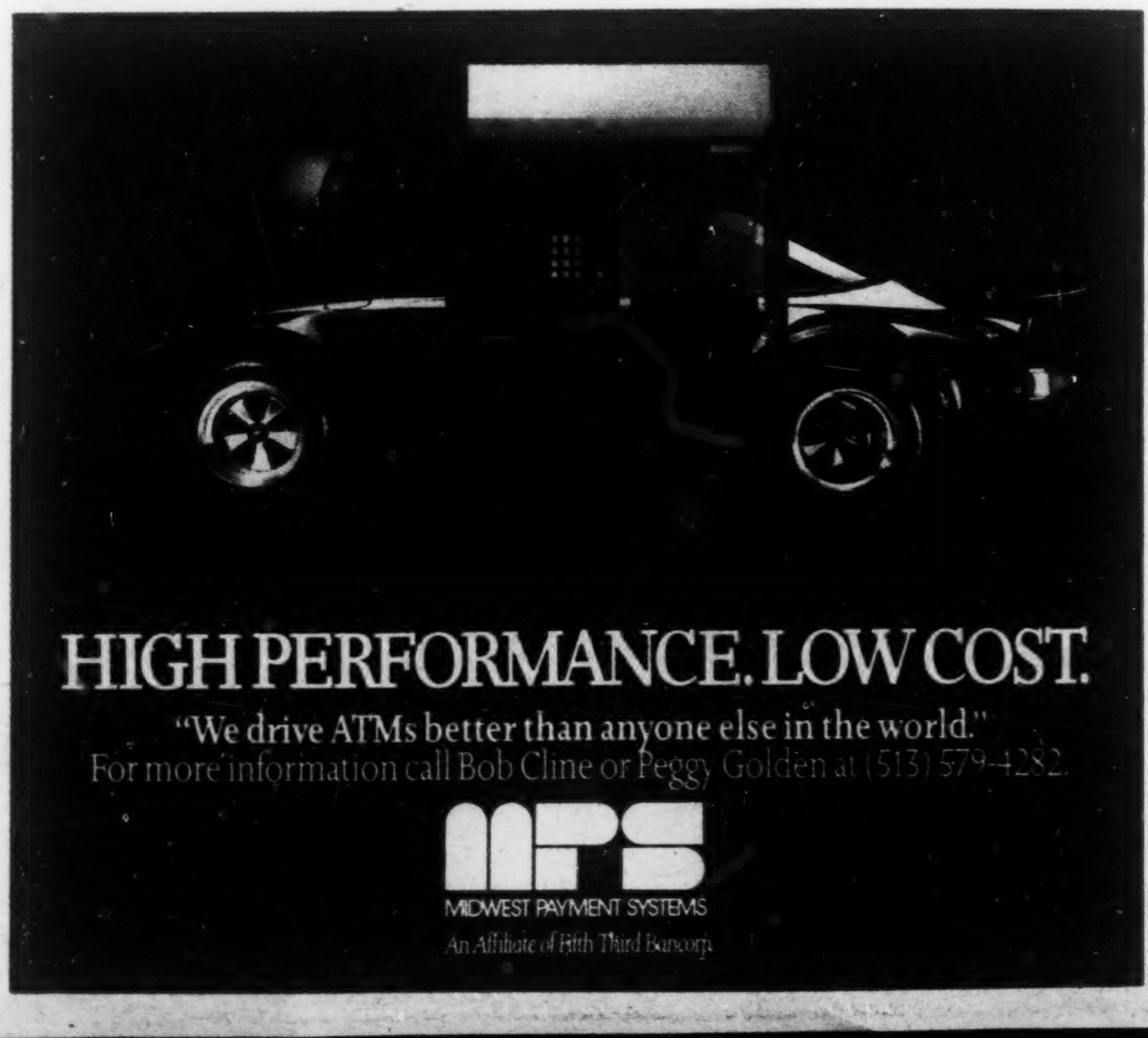

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Incentives: Different Strokes for Different Folks

By JACK W. WHITTLE

WITH a people-oriented business such as banking, success is achieved by determining what your customers and your employees want, and then designing programs to fulfill both sets of needs.

For the past 17 years, we have applied every known research method to learn what motivates an employee to exceed the set standards of performance for his or her position. As we enter a time in which more and more of our profits must come from fee income, we bankers must keep our staff motivated to produce this sorely needed revenue.

Over the past 20 years, two myths have pervaded the banking industry, and seem to still persist. The first is that national averages and research findings are meaningful. For example, someone studies a national sample of bank employees to determine how many are motivated by money, how many by noncash perquisites, how many by working environment, and so on. Then, a community bank applies these national findings because it assumes that local employees fit the national profile. This assumption is ludicrous. Relying on national findings frequently leads the community bank astray.

Whittle Says:

Employees appreciate the opportunity to select the kind of reward that they feel is most meaningful for the tasks assigned.

Looking Beyond the Averages

Whenever we conduct research in a local area and compare our findings with national survey results reported by other organizations, there is seldom a similarity. What good is it to say that the national high temperature average for the United states was 54.7 degrees last year and the national low average temperature was 52 degrees?

There may be academicians somewhere who find national averages useful, but generally they are meaningless. What relevance do these numbers have for our friends in Minnesota or in Arizona? Or, consider the farmers. They want to know when the last freeze will occur in their area. Farmers realize that national weather phenomena mean little to them. This is a regional matter, and in some cases, even narrows down to town and city levels. So it goes with bank research, too.

In some areas, bank customers enjoy using ATMs and drive-ups, in other areas they don't. IRAs may be very popular in one locale, but not in another. Therefore, national reports about ATM or IRA usage and pricing may not apply to your area.

It is the same with compensation programs for employees. Sometimes we find vast differences in staff preferences within a 20-mile geographic radius. Each bank has to assess the wants of its own employees.

This brings me to the second all-pervasive myth. Bankers attend conferences, listen to other bankers expound their great truths, and run up to the podium to request copies of the speech. They want to put the speaker's mythical panacea into place at their own bank. I call this practice justified plagiarism. In most cases it does not work. What applies to one market may not apply to another. Our time would be much better spent if we discussed the methods we could use to discover what our customers and our employees want.

Money Gets Results

Let me give you some ideas on incentive compensation for employees. National studies have suggested that money is not everything. Yet we have discovered in market after market that money is almost everything, particularly with customer contact people.

Employees agree that a bank has the right to measure how well customer service is being provided. They tend to agree strongly that excellent customer service — above and beyond what the bank requires — should be rewarded.

As part of each bank's survey, we develop indexes for sales and service consciousness, which help us determine the likelihood that a certain bank's staff will embrace a disciplined approach to service.

One thing that we have discovered lately is that rewarding employees with points that are accumulated toward a prize is diminishing rapidly in importance. A better approach is to offer a range of incentives, much like the selection of food choices available at a cafeteria or smorgasbord. Employees appreciate the opportunity to select the kind of reward that they feel is most meaningful for the tasks assigned. Following are some comments about each of several possible incentive options.

- Money. This ranks high as a reward. It may take the form of competitive wages, bonuses, commissions, or draw accounts. Space restrictions do not allow a detailed definition of each form. However, I predict that most bankers will be authorities on cash-based incentive programs before the end of the century.
- Employee benefits. Employees very much appreciate a full benefit package. This includes life, health, major medical, dental, and auto insurance, along with a pension, legal services, free checking, paid vacations, paid holidays, and education reimbursements.
- Status symbols. Though somewhat appealing in certain areas, banks have generally overrated the importance of status symbols. I refer specifically to office size and view, job title, parking space, company car, membership fees, serving on special task forces, inclusion in special meetings, and a private secretary.
- Opportunities for growth and visibility. Rewards here consist of being assigned to represent the bank at a public meeting, being chosen as a spokesperson for the bank, and pursuing training opportunities, both in-house programs and professional or academic courses. The young go-getters especially like these benefits. Excellent career advancement opportunities can be the "carrot" for motivating people to sell more and to provide better service.
- Power and authority. Once again, banks have overused the practice of saying: "If you do well, we will make you an officer." This is probably the biggest stumbling block in creating harmony among your troops. Banks that traditionally have emphasized officer/nonofficer designations have a difficult time with building organizational pride and esprit de corps among their customer contact people.

Many banks are eliminating these titles and are taking steps not to split benefits (e.g., places of eating and length of vacation) along officer/nonofficer lines.

- Flex time. Another great motivator is flexibility in job assignments, working hours, job sharing, and rotating assignments. This appeals most to those who achieve success in showing others how to deliver excellent service.

I am happy to observe that banks are beginning to understand that there are different creative ways to reward outstanding service. Med Center Bank in Houston has a committee for selecting an outstanding employee of the month. A picture of the employee appears in the bank lobby and in the bank newsletter. The clincher is that the 12 employees who are selected over the year get together for a Christmas picture at a florist shop in late November, and this photo is used for the bank's Christmas card. This clever idea is very effective.

Some banks give their high sales performers the best parking spots — typically those that would be reserved for

Marketing: Page 20 ➜

Mr. Whittle is the chairman of Whittle & Hanks Inc., a financial services consulting firm in Chicago.

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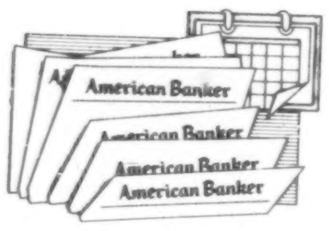
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- The First National Bank of Palm Beach, Palm Beach, Fla., converted a window that once faced its parking lot into an "outdoor banking" counter. The bank created its "Auto Teller" by cutting the window in half, running a counter across it, and building a small section to swing open as a teller's window.
- Treasury Secretary John W. Snyder denied reports by a columnist that he would resign.

20 Years Ago

- Banks in several areas of the country were closed April 9 in respect for the memory of Martin Luther King Jr., who was assassinated on April 4.
- The nation's only female state bank supervisor said banks would be wise to consider women for more executive posts. "Fear, tradition, and outmoded prejudices are preventing banks from taking advantage of their most available manpower resource: womanpower," said Freyda P. Koplow, Massachusetts commissioner of banks. She said barriers against female business executives would inevitably fall. "The question is," she said, "can the banks afford to be the last holdouts?"

10 Years Ago

- The Federal Reserve Board proposed a regulation to prohibit bank holding companies from selling insurance to themselves and to nonbank subsidiaries.
- Fed Governor Philip E. Coldwell said demands that the Fed charge for its services and reduce its involvement in the nation's payments system were a "devious" attempt by large correspondent banks to enhance their dominant position in the banking industry. Mr. Coldwell said he questioned the motives of many of the nation's largest banks, which were arguing that unbundling Fed prices would allow the private sector to compete equitably with the Fed to provide automated clearing house services, check clearing, and other correspondent banking services.
- A shareholder resolution calling for an end to loans to the government of South Africa was defeated at the annual stockholders meeting of the First National Bank of Boston.

5 Years Ago

- The First National Bank of Chicago said it would stop handling the South African Krugerrand gold coin. A bank spokesman said the decision was purely commercial and had nothing to do with a campaign against its sale by the Dominican Fathers and Clergy and Laity Concerned — two religious groups opposed to any link with South Africa's apartheid policies. Both groups had objected to Krugerrand sales and had protested at the bank's annual meeting for the past several years.

1 Year Ago

- Fourteen anti-apartheid protesters were arrested for blocking Citibank headquarters in New York with a makeshift shanty. The demonstrators, members of the American Committee on Africa, demanded that Citibank close its two branches in South Africa.
- The House Banking Committee approved a bill to require next-day access to funds from most local checks, and access within four days to funds from nonlocal checks. The bill also required banks and thrifts to begin calculating interest on checks deposited into interest-bearing accounts on the day of deposit.
- The Treasury Department announced tougher transaction-reporting requirements for financial institutions as part of the government's crackdown on money laundering.
- Losses from bank fraud and embezzlement in 1986 topped the $1 billion mark for the first time, according to statistics from the Federal Bureau of Investigation. Fraud perpetrated by bank officers and employees, however, declined as a percentage of total bank frauds.

— Domenica Trevor

April 7, 1988, American Banker

Art of Dealmaking Is Not in Average Bank's Curriculum

➞ Continued from Page 1

vide M&A services."

One reason banks have moved sluggishly into mergers is a corporate culture that until recently had been unwilling to reward nimble, deal-oriented managers. Banks have also come to the belated realization that traditional profits from bankrolling corporate America are rapidly fading.

Banks have suffered as well from legal prohibitions against underwriting and dealing in securities, activities that are fundamental to developing many merger strategies.

"M&A often requires a judgment of equity markets and of market players' reactions to strategic steps," says Tracy Lavery, a managing director in charge of private placements and syndication at Chemical Bank. "You can have smart individuals in your mergers group, but if they don't have access to national-class or world-class expertise in various kinds of trading markets, it is somewhat tougher to give the same level of advice as we do in other areas."

Despite the handicaps, a handful of larger banks are aggressively pursuing merger assigments — Bankers Trust, Morgan Guaranty Trust Co., and Citibank are mentioned most frequently by competitors — and a number of smaller banks are backing into the business.

Moreover, they are doing so as corporate marriages — shotgun or otherwise — continue to thrive. The pace of mergers and acquisitions remains strong, propelled by low stock prices from last October's stock market crash, a weak U.S. dollar, and foreigners' huge appetite for U.S. investments. Big commercial banks with strong international contacts should be positioned well for this activity.

The chief rap against banks has been their inability or unwillingness to pay the salaries that will attract top dealmakers.

"You're going to have the large money center banks continue to chip away at some of the bigger deals and take that from the major investment banking houses," said Eugene Kotlarchuk, group head of corporate finance and M&A at Marine Midland Bank.

"Then you'll have some of the strong regional banks with corporate finance groups go after the middle-market types of deals that the bigger houses don't want. When you start getting into the smaller banks, you would have a rough time being profitable because of the cost of getting professionals on board."

Reaching for the Big Prize

Profits, of course, are the brass ring. Advisers are paid a percentage of the size of the deal. Commercial banks, however, have not as a ruleparticipated in the megabuck deals that bring in the high fees.

"As a general matter, banks are much more active in the friendly divestiture end of the scale, which is the low end of the market in transaction size," said Edward S. Annunziato, a director in charge of banking industry mergers at Merrill Lynch Capital Markets.

The biggest deal last year for First National Bank of Chicago was its role as adviser to Day International, which was sold for $350 million, according to Andrew Robertson, a managing director at the bank. The Dayton, Ohio, rubber and plastics manufacturer was bought by Cleveland manufacturer M.A. Hanna Co. Even on that deal, First Chicago shared some of the fees with Salomon Brothers, which wrote a fairness opinion for Day.

Mr. Robertson said First Chicago closed 18 deals last year. "Most of what we work on are strategic acquisitions and divestitures — medium-sized transactions between $20 million and $300 million — for Fortune 1,000 companies."

Security Pacific National Bank reaps between 1.5% and 2% on a typical $20 million deal, says Gary Byrd, who was recently appointed to revive a moribund M&A group at the bank. But many investment banks would sneer at deals of the size Mr. Byrd described.

Bankers Trust's mergers and acquisitions group advised on $6.1 billion of deals in 1987 — 13th among all advisers but not within sneezing distance of the $63 billion of transactions shepherded by Goldman, Sachs & Co. Nevertheless, the group was profitable after three difficult starting years, said David E. Dougherty, managing director and head of the group.

Mr. Dougherty also disputes claims that commercial banks are unable to nurture investment bankers. "I never made a loan," he boasts, "and therefore I have always viewed myself as an investment banker."

"The barriers to entry in M&A are as great as in any area you can think of," Mr. Dougherty says. "But we are now at the point where the perception issue — the view that we can or cannot do the deal — is the most important thing."

It's Hard to Attract Dealmakers

The chief rap against banks has been their inability or unwillingness to pay the salaries that will attract top dealmakers. "To really be a major player in the business, you have to have the top talent," Mr. Lieberman says. "You don't see a lot of people moving from the top spots in the most prestigious M&A departments to the banks."

And without high-powered dealmakers, banks don't see the deal flow that is needed to train homegrown talent, adds Mr. Annunziato.

Commercial bankers, though, insist the culture is changing. "We couldn't attract the talent we have and keep it if we were not competitive on salaries and bonuses," Mr. Dougherty claims. About 90% of the senior professionals in Bankers Trust's M&A group were hired from outside the bank, he says.

Banks appear to be taking two approaches to the business. The powerhouses are throwing big bucks at building staff and chasing the billion-dollar deals. The next tier of banks are more modestly pursuing pettier prizes, of-

Domestic: Page 23 ➞

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DAILY FINANCIALS

Wednesday April 6, 1988

Money Market

Federal funds range	6⅞%-7¼%
Prime rate (2/4/88)	8.50%
Discount rate FRB of New York (9/4/87)	6.00%
Call loans on securities, to brokers on stock exchange collateral	7.50%

Bankers acceptances offering rate, discount (4/6)

30 days: 6.65	60 days: 6.65	90 days: 6.68
120 days: 6.72	180 days: 6.77	

Certificates of deposit, highest offering rate, at New York City banks (4/6)

14 days: 6.50	30 days: 6.65	60 days: 6.70
90 days: 6.80	120 days: 6.85	150 days: 6.95
180 days: 6.95	270 days: 7.20	360 days: 7.40

Commercial paper, dealer Aaa, discount (4/6)

30 days: 6.60	60 days: 6.65	90 days: 6.70

Commercial paper, directly placed, discount (4/6)

5-14 days: 6.40-6.75	15-29 days: 6.55-6.60
30-59 days: 6.50-6.70	60-89 days: 6.50-6.70
90-179 days: 6.50-6.70	180-270 days 6.50-6.70

Treasury-bill rates, secondary market, bid (4/6)

90 days: 6.04	180 days: 6.19	1 year: 6.58

Eurodollar deposits, London bid (4/6)

Overnight: 7⅛	7 days: 6¹³/₁₆	1 month: 6⅞
3 mos.: 7.00	6 mos.: 7³/₁₆	1 year:7⅝

NIBOR: 7⅛% **LIBOR:** 7¼%

The Bond Buyer Municipal Bond Index

	4/6/88	4/5/88	3/30/88
Index	93.87	93.37	93.33
Yield to Par Call	8.42	8.49	8.46
Yield to Maturity	8.17	8.21	8.17

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
June '88	93.96	93.88	93.94	unch	6.06
Sept '88	93.67	93.60	93.66	+ 1	6.34
Dec. '88	93.38	93.32	93.38	+ 2	6.62
Mar. '89	93.14	93.06	93.12	+ 2	6.88
Jun. '89	92.94	92.84	92.90	+ 3	7.10
Sept '89	92.75	92.64	92.71	+ 2	7.29
Dec. '89	92.50	.....	92.52	+ 9	7.48

As of the previous day's close; Total no. of contracts traded: 4,877 total open interest: 23,351 and change in open interest: - 559

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Apr. 6 :	240.1	1988:	265.6	227.7	240.1
Apr. 5 :	236.6	1987:	401.7	212.0	234.6
Apr. 4 :	242.6	1986:	388.7	331.2	331.3
Mar. 31 :	244.3	1985:	344.2	242.7	344.2
Mar. 30 :	246.3	1984:	269.6	178.4	246.3

* Based on midday prices.

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An American Banker Special Report

Domestic M&A Business Still Eludes the Banks

In a five-part series, the *American Banker* looks at the progress commercial banks have made in investment banking. Following reports on private placements, global corporate finance, and interest rate swaps, the series concludes Friday with a review of legally permissible underwriting and advising activities in the bond market.

➻ Continued from Page 22

fering their middle-market customers valuations, fairness opinions, and general corporate finance advice.

"There's been a lot more smoke than fire with regional banks in M&A," says Felice Gelman, a senior analyst who follows regionals for Dillon, Read & Co. "It's a function of pursuing your own client base, and banks with strong commercial banking relationships have been somewhat successful. But the main area of success has been with smaller, owner-operated companies."

The billion-dollar deals, of course, grab the headlines. Last year, Bankers Trust completed two of them — a $2.1 billion sale of several hundred unprofitable Hospital Corporation of America units to HealthTrust Inc., an Employee Stock Ownership Plan, and Goodman Fielder Ltd.'s $1.5 billion takeover of Wattie Industries Ltd. Bankers Trust also represented Yasuda Mutual Life Insurance Co. on its $305 million investment in PaineWebber Group Inc. — a deal in which J.P. Morgan & Co. represented the brokerage firm.

Morgan Takes Center Stage

This year, it's been Morgan's turn to shine — though not without controversy. Morgan came in for some heavy hissing when it surfaced as adviser to F. Hoffmann-La Roche & Co. on the Swiss drug giant's unsuccessful $4.2 billion bid for Sterling Drug Inc. The chairman of Sterling publicly rebuked Morgan chairman Lewis T. Preston for the bank's "unethical conduct in aiding and abetting a surprise raid on one of its longtime clients."

Most bankers, however, lauded Morgan — which also has been recruited by Irving Bank Corp. to act as a special adviser in fending off Bank of New York Co.'s hostile overtures. "Morgan has catapulted banks into the front ranks of M&A on that deal," said Security Pacific's Mr. Byrd. "There was a problem with Sterling, but net-net it gave banks credibility in their ability to act as more than just a lender."

Morgan officials were characteristically taciturn about the deal, but one source close to the M&A department said the bank knew what it was doing.

"I think the Hoffmann-Sterling bid was a very calculated thing for us," he said. And Morgan, he pointed out, is not backing away from other deals that could antagonize old banking relationships.

It is now advising SmithKline Beckman Corp. on a successful $400 million bid for International Clinical Laboratories Inc. — an offer that was made despite a definitive agreement by Corning Glass Works to buy the company. Corning not only was a Morgan customer, but had named Morgan as depositary bank on its tender offer. Corning also reported that Morgan was increasing its credit line in order to complete the deal.

Bankers Trust has not completed any hostile deals since it began a mergers business in earnest in 1985, but it won't "rule them out categorically," Mr. Dougherty says. "We have worked with clients who have contemplated less than friendly actions, but for various and sundry reasons they did not reach a ripened stage." On the other hand, he said, the bank has some general guidelines on protecting a client's interest, and "on numerous occasions" has rejected deals.

Why jeopardize an old lending relationship for a transitory advisory fee? Morgan is reaping $2 million on the SmithKline deal, and would have captured $8 million if the Hoffmann bid had succeeded. (It kept a $1 million up-front fee from the Swiss firm.) Even these numbers, however, have drawn criticism from some investment bankers who accuse banks of underpricing their advisory services and "buying" deals.

> Most banks are going after smaller clients that most of Wall Street does not know or care to know.

Sour grapes, reply the commercial bankers.

"We have not taken any leadership in price cutting, and fees are never the determining consideration," says Mr. Dougherty. "You've got to have a better idea, a better product, and better service to get business in mergers and acquisitions."

Security Pacific's Mr. Byrd says that the underpricing charge may be true, but he adds that the pricing will even out. "I expect you'll see some of the old-line investment banks downtier, while we uptier a bit," he says.

Going After Small Fry

Meanwhile, most banks building an M&A business are going after smaller clients that most of Wall Street does not know or care to know. A recent investment banking group newsletter from Manufacturers Hanover Trust Co., for example, says that its 15-person M&A department is offering advice "on smaller transactions that would otherwise get minor attention from the giant dealers." Manufacturers Hanover, whose numbers were not included in the IDD statistical table accompanying this article, says it acted as sole adviser in 1987 on six deals worth $450 million.

In their own ways — despite the occasional conflicts of interest — both big and small banks realize that their traditional relationships are the source of their biggest M&A business. Bank M&A departments tend to rely heavily on their commercial lending colleagues.

"About two-thirds of our deals get started with tips from relationship bankers," says First Chicago's Mr. Robertson. "They get rewarded at yearend."

At Security Pacific, the bank's account officers have introduced all seven mandates that the M&A department is now working on. The account executives' departments, in turn, will be allocated a hefty 50% of the advisory fees, Mr. Byrd said.

Most bankers think that split is too generous, but agree with the concept.

"Those intermediaries that are closest to their customers are the ones that will do well," asserts Mr. Kotlarchuk. Marine Midland has established a "boot camp" in which lending officers are exposed for two weeks to the banks' full range of corporate finance activities. He said Marine completed a handful of deals in 1987, but now has more than half a dozen mandates.

Even the larger banks know that their bread and butter is in their traditional relationships and their strong capital. "We offer what Wall Street can't — broader international relationships, for the most part, and a certainty in financing" says Mr. Dougherty. "About 50% of the business we're doing is initiated by the people in the M&A department, but the other 50% is based upon some other relationship within the BT community."

Cross-Border Deals Loom Large

The international element is a big one for the banks. About 40% of Bankers Trust's deals were cross-border in 1987. Citibank and Morgan also have a high proportion of international clients on their M&A rosters.

"Cross-border deals will dominate the '88 activity," says Security Pacific's Mr. Byrd. Although the bulk of the banks' solicitations are being made on its California turf, "we are cultivating Britain, Japan, Canada, and Australia for the sellers that we represent," he says.

Banks also are strong leveraged-buyout lenders and they have parlayed this relationship into M&A work. Bankers Trust recently was named adviser to a senior management group that is attempting to purchase J.P. Stevens & Co. Bankers and Chemical Bank also have agreed to provide $420 million of financing for the merger.

The relationship becomes tricky, however, when the same bank acts as both lender and corporate adviser. Banks cannot legally commit a loan on the condition that they be hired as adviser. But there is a clear link between lending and advising. Citibank, for example, last year moved its merger and acquisition group from its investment banking sector to its institutional bank.

It is sometimes difficult to draw a line between leveraged-buyout transactions — which banks fund and advise — and merger advice. However, the accompanying table reflects only deals in which banks acted as sole M&A adviser.

With all the problems, bankers are relatively optimistic about the future. "The corporate finance and M&A business can be and is profitable at many banks," says Marine Midland's Mr. Kotlarchuk. "The caution is that if every single bank opened up corporate finance groups to do M&A, then there would not be enough business to be profitable." ■

Aspen Banking is Far From Business as Usual

➻ Continued from Back Page

$22,000 for a head teller. Consequently, Central Bank maintains nine apartments in an adjacent building, renting them to employees for one-third below current market rates.

Mona Kochaver, assistant secretary for Aspen Savings and Loan Association, lives about two miles from the center of town in employee housing, designated as such by the local government. Rent increases and resale prices on the apartments and houses are regulated, and the intervention is badly needed, Ms. Kochaver says.

"You'll see perhaps 80 openings for tellers listed in the paper," she says, "and maybe 10 adequately priced housing units listed."

But for skiers, there is no better place to work. Aspen Savings, like many businesses, gives employees ski lift tickets as perks.

"If it wasn't for the skiing, I wouldn't be here," says George Hart, vice president of commercial lending at the Bank of Aspen.

He bemoans the long hours, pressure, and lack of parking spaces that are part of life in Aspen between November and April. "But at home," he says, "I walk out my door into one of the greatest vacation towns in the world." ■

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First Illinois Corp. will acquire the United Illinois Bank of Troy, using an Illinois regulatory policy that allows a bank company to acquire a "less active" bank charter and then relocate the charter anywhere in the state. 2

Intense rivalry is leading the Chicago Board of Trade and the Chicago Mercantile Exchange to seek different strategies for maintaining their global dominance of the futures industry. 3

First Oak Brook Bancshares drew attention to its annual reports by gluing a one dollar bill to the top of the first page. ____3

INSIDE

Two more large Texas banks — National Bancshares Corp. and Texas American Bancshares Inc. — have come under close regulatory scrutiny and may soon require federal assistance. ____ 15

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COMMENT

It is unfair, even dangerous, to have deposit insurance and regulatory systems that make banks too big to fail, writes Karen D. Shaw. ____4

THRIFTS & MORTGAGES

Savings and loans have attracted $10 billion in equity capital since 1975 by converting from mutual to stock ownership, according to the Bank Board, which administers the increasingly popular conversion program. New investment generated by the conversions represents 20% of the industry's $51.6 billion in regulatory capital. ____5

Bank Board member Lawrence White found himself mired in controversy after suggesting a risk-based premium as the solution to the cost and inequitable rates of the thrift industry's deposit insurance. ____5

Thrift managers should carefully consider the options involved in making loans versus buying loans in order to maximize income. ____6

Collective Federal Savings Bank, Egg Harbor City, N.J., has agreed to buy Glen Ridge Savings and Loan Association, Glen Ridge, N.J. ____6

Worth Repeating

I don't think it's a completely strange idea to give away some of our inventory. A dollar is not worth what it used to be, anyway.

Richard Rieser, president of First Oak Brook Bancshares, on gluing one dollar bills to the company's annual reports. [Page 3]

Barclays Says It Won't Ride to Irving's Rescue

By GORDON MATTHEWS
and JOHN J. DUFFY

New rumors of a white knight for Irving Bank Corp. surfaced Thursday, and the price of its shares rose sharply. But the stock fell back after Barclays, the British bank, denied it was talking with Irving chairman Joseph A. Rice, who is in London.

Irving is fighting a hostile takeover by Bank of New York Co., which is offering $60 per share for its Wall Street rival. Irving stock traded as high as $70 on Thursday before receding to close at 67⅞ on the New York Stock Exchange, up 3¾ for the day. One million shares traded hands, more than three times the volume Wednesday.

The market rumors were prompted by two apparently unrelated developments — a filing by Irving on Wednesday with the Securities and Exchange Commission, followed by Barclays' Thursday announcement that it will raise $1.7 billion in a new equity issue.

Irving told the SEC it is seeking alternatives to Bank of New York's offer but made no mention of Barclays. The British bank denied it was interested in acquiring the New York bank and specifically denied that talks had occurred with Mr. Rice in London.

Irving confirmed that Mr. Rice was on a business trip in Europe with the banking firm's executive vice president and controller, Anthony R. Burriesci. There has long been speculation that any white knight for Irving would have to come from the ranks of foreign banks, particularly European banks.

In New York, the rumors were sparked by an SEC filing containing the court affidavit of Milton Berlinski, vice president of Goldman, Sachs & Co., Ir-

Barclays: Page 15 ➔

Top Bank Municipal Bond Underwriters

Total issues, with full credit to lead manager

	Overall Rank	Volume (Millions)	Issues	Market Share
Merrill Lynch Capital Markets	1	$8,599.2	272	8.5%
1. **Citibank**	13	1,912.2	33	1.9
2. **Chase Manhattan Bank**	14	1,792.4	32	1.8
3. **J.P. Morgan Securities Inc.**	17	1,337.9	27	1.3
4. **Bankers Trust Co.**	24	1,011.1	26	1.0
5. **Chemical Bank**	27	891.5	63	0.9
6. **First National Bank of Chicago**	30	654.8	45	0.6
7. **Northern Trust Co.**	31	576.6	76	0.6
8. **First Fidelity Bank of New Jersey**	33	549.2	33	0.5
9. **Continental Illinois National Bank**	36	490.2	15	0.5
10. **Bank of America**	37	454.4	25	0.4
Total for Top 10 Banks		**$9,670.3**	**375**	**9.5**

Source: Securities Data Co./Bond Buyer

An American Banker Special Report

Banks Make Steady Progress In Municipal Bond Underwriting

By JOHN P. FORDE

Fifth in a Series

NEW YORK — Prominent on a glass table in William N. Hudson Jr.'s office at Marine Midland Banks here is a scorecard from a football game between the Miami Dolphins and the Buffalo Bills.

Mr. Hudson, a Bills fan himself, isn't displaying the program because of team loyalty. The head of Marine's municipal securities division has business reasons for liking the Dolphin's spanking-new Joe Robbie Stadium more than the individual teams involved in the game.

Marine, through a subsidiary that provides financial advisory services for municipalities, assisted Mr. Robbie, the Dolphins' owner, in arranging the financing for the stadium's construction. It also comanaged, with Southeast Bank of Florida and Citibank, a $90 million bond issue for the stadium.

Banks have been chipping away at restrictions on underwriting municipal revenue bonds, and their efforts are paying off as large bond deals more frequently include banks as underwriters. On Tuesday, for example, Citicorp investment bank here was named one of six senior underwriters to manage a debt financing by the Louisiana Recovery District, Baton Rouge. The underwriting could total more than $1 billion.

Nonetheless, banks remain unable to

Banks Continue: Page 16 ➔

INVESTMENT BANKING: How Are Banks Doing?

Bank managers spend less than 25% of their time looking for new business.

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April 8, 1988, American Banker

Who's Insuring What for Whom: First Republic's Lessons

By **KAREN D. SHAW**

THE FAILURE of First Republic Bank, coming on top of the shaky rescue package for First City and the continuing thrift industry crisis, concentrates the mind wonderfully on the prospects for the deposit insurance system as a whole.

Indeed, the nature of these recent failures — and the response of the deposit insurance funds to them — pose vital public policy questions which can directly affect the future of every large insured depository institution in this country.

These concerns are not academic. During an era of unprecedented stress on banking industry profitability and unremitting competition at home and abroad, every factor which affects the structure and stability of the U.S. banking system must be carefully evaluated.

The system is simply not strong enough to absorb unnecessary stress, and regulatory policies which may — inadvertently — contribute to the stress pose as much of a risk to the industry as the banking buccaneers or economic downturns blamed for industry problems.

Perhaps the most troubling aspect of all, in the package put together hurriedly to rescue First Republic, is the Federal Deposit Insurance Corp.'s assurance that all deposits will be insured, regardless of amount. This policy echoes the tactic used in the First City restructuring package and the Continental Illinois bailout. At one stroke, the FDIC has converted all of these banks from the worst to the best bets in town — they're now the only institutions in the country which carry the federal government's backing for every deposited dollar.

In each case, the FDIC took this extraordinary step in order to contain a raging fire. All of these banks experienced massive runs before the FDIC issued its pledge to back all deposits.

The government's guarantee has acted to steady depositor confidence and, at least, slow, the pace of withdrawals. Given the nature of the emergency, the FDIC's action is completely understandable, and it's difficult not to be sympathetic to the dilemma of federal decision makers caught in a critical period.

Nevertheless, the pledge of 100% deposit insurance for large failed banks raises several very troubling questions. Why did the FDIC issue these guarantees in three large failures, while hundreds of small banks have disappeared without similar comfort to their depositors?

Are Some Banks Really Too Big to Fail?

Are there actually banks which are "too big to fail," as some Congressmen have alleged? If so, what obligations do such government-sponsored corporations owe to the public, the economy, and the government which gives them an advantage afforded no other type of privately held corporation?

In 1980, Congress raised the amount covered by federal deposit insurance to $100,000 per account. This substantially broadened the pool of insured funds, and also spawned a money brokering industry, which placed easy-to-handle $100,000 deposits with institutions offering high certificate-of-deposit rates across the country.

Increasing the insurance threshold decreases the risk of holding funds in an institution, and it has made both personal and institutional depositors far less concerned with the stability of the institutions in which they place their funds. It has, therefore, increased the amount of "hot money" found in marginal banks, money which flows out quickly when problems become too obvious to avoid. At that stage, the institutions becomes so vulnerable to massive outflows that no temperate policy of gradual rescue seems viable and the FDIC has been forced to rescue the bank as a whole.

In contrast, small institutions, too out-of-the-way or too dependent on local funds, do not generally experience these hot-money runs when they are endangered. The size of the potential failure and the obscurity of the bank generally pose no overall market risk. In these cases, the FDIC can either arrange a purchase or pay off depositors to the insurance limit.

These big bank bailouts seems to have created a new class of institutions which are so vulnerable to deposit volatility and so intertwined with the national payments system that they cannot be allowed to fail. Because of their size, such banks are generally difficult institutions to merge or sell — even in shotgun marriages.

Indeed, new capital adequacy rules will further limit the number of potential acquirers over the next five years. This makes it even more likely that any future problems of the current scale will also have to be rescued directly by the FDIC, rather than handled through purchase-and-assumption transactions.

No Rescue for Shareholders

It is, of course, important to note that the FDIC has not rescued the shareholders in these large banks. Nor, in recent years, has it saved the bank holding companies, since it now can isolate the insured bank from the holding company structure. However, the customers and creditors of these failed bank enjoy a privilege shared in no other sector of the economy — their risks are covered by the full faith and credit of the United States government.

If some banks are indeed too large to fail, then they are also wards of the state, protected in vital ways against management folly and market downturns. As is always the case, such protection cannot come without cost. Indeed, if Congress comes to recognize that some banks are, in effect, nationalized, the price of this protection may resemble the price extorted by the bare-knuckle brigade for "protection."

Why did the FDIC issue these guarantees in three large failures, while hundreds of small banks have disappeared without similar comfort to their depositors?

— **Karen D. Shaw**
Executive Vice President
Institute for Strategy Development

If the government stands behind large banks, then large banks may be expected to back government policy. For example, banks could — as is already being suggested — be required to make banking services available to all persons or to lend certain amounts to designated groups of small business or selected industry sectors.

Opponents of new bank powers have historically used the argument that banks should not be allowed to compete because deposit insurance gives them an undue advantage. Certainly, if some banks are not permitted to fail, then they in fact do have a market advantage.

Creditors, for example, may be willing to extend funds to large banks on terms not available to other financial service firms, knowing that their loans are fully secured. Such banks may also be able to gather funds at lower cost than other financial institutions, since all deposits are implicitly guaranteed.

What size of bank would fall into this protected category? It's hard to say, but it would appear that any bank big enough to place a substantial drain on the FDIC's $18 billion fund or to be a national payments system player might fall into this group.

Most banks of this size would not welcome the obligations which come with a 100% deposit insurance guarantee. But it may be difficult to refuse if, when large banks are troubled, the FDIC continues to provide complete coverage.

Is the FDIC big enough to handle this self-imposed burden? Probably not. The $18 billion or so in the fund now is more than adequate to deal with anticipated problems, particularly if these situations are diagnosed early and treatment prescribed before the disease slips into the terminal stage. This same sum is not, of course, enough actually to pay depositors at the banks in question, but the FDIC does have access to the Treasury in emergency situations.

It might be argued that a premium increase is necessary not only to compensate the FDIC for funds already spent in these recent failures, but also to buttress the fund against any future large bank failures in this new era of complete coverage. Small banks already believe that big banks should pay deposit premiums on their foreign deposits, although they want their own premiums reduced at the same time.

Banks Can't Afford Higher Premiums

The banking industry simply cannot afford to pay any more premiums. Even the seemingly modest one-twelfth of 1% charged now is a substantial sum for banks of all sizes. Premium assessments paid into the corporation in 1987 amounted to $1.7 billion — accounting for 46% of the net industry profit of only $3.7 billion.

If we can't make the banks pay much more into the deposit insurance fund without, in the long run, destabilizing the industry even further, where's the money to come from? It seems unlikely that Congress will appropriate funds. In these budget-conscious days, there isn't enough money to pay even for current claims on Uncle Sam.

The picture grows even more bleak when the thrift industry crisis is factored into the picture. Some have felt that the ultimate savior for the bankrupt Federal Savings and Loan Insurance Corp. is a merger with the affluent FDIC. But, as noted, the FDIC is under its own stress. As long as it promises to pay 100% on all deposits in large troubled banks, it cannot afford also to assume the burden of the thrifts.

The solution must lie not in pumping more money from banks or taxpayers into deposit insurance — there simply isn't the money out there. Instead, this complex problem of offsetting public needs will have to be met with a complicated solution. The answer lies in a combination of careful regulatory action, reform in the deposit insurance system, and legislative changes to bolster bank and thrift profitability.

Changes in the regulatory structure which would help in the short run include increased disclosure of bank and thrift financial conditions — allowing depositors and creditors to assess realistically the risks of dealing with a particular bank. In addition, regulators should be especially careful to adopt no policy which hampers profits.

The new risk-based capital adequacy proposals, which intended to strengthen the banking system, may actually weaken it in the long run as vast new costs are imposed on institutions of all sizes. It is worth noting, incidentally, that First Republic when it failed had a 9% capital level.

Changes in the deposit insurance system will need to ensure that the funds have the resources to deal with crises before they happen. First, the resources available to the supervisors need to be increased; the budget costs of doing so pale in comparison with the

Comment: Page 10 ➜

Ms. Shaw is executive vice president of the Institute for Strategy Development, a Washington-based bank consulting firm.

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Banks Continue Incursions into Municipal Bond Area

➸ Continued from Page 1

participate in underwriting a large part of this section of the bond market. The Glass-Steagall Act prohibits banks from underwriting most municipal revenue bonds on the premise that they are more risky than general obligation securities. So far, the Federal Reserve Board has granted 11 banks broader underwriting authority, but a federal court has issued a stay that is expected to keep banks out of the area until Congress acts.

"Banks have been disadvantaged in that they are kept from about 50% of the [bond] market in most years, and as much as 70% in some years, because they cannot underwrite revenue bonds," Mr. Hudson says.

Banks have responded to this prohibition by staking out specific areas of the municipal finance business.

Marine Midland seeks to advise municipalities on every part of their financial needs, from bond issuing to cash management services. Their customers include a lot of smaller issuers that do not do their own cash management.

Bigger institutions have staked out different areas, with most focusing on their underwriting capabilities. Morgan has become the lead underwriter of revenue bonds for higher education, for example, while Citibank has become one of the chief revenue bond underwriters for the housing industry.

Despite the fact that they are picking up business, banks are in a difficult situation because these market segments are relatively small. For example, in 1985, Morgan underwrote the largest education bond offering in history — a $345 million issue for the University of Texas System. This is small compared with some of the largest revenue bond issues, like the $7 billion in financing that is being considered in the proposed privatization of the Long Island Lighting Co.

Getting the Hospital Business

Using methods similar to those used to gain other securities powers, banks have worked to expand the types of issuers for which they can work. One area in which this succeeded is the underwriting of some types of revenue bonds issued by hospitals.

Strictly speaking, banks are not allowed to underwrite hospital revenue bonds. However, in 1986, bank regulators interpreted the permission banks have to underwrite education bonds to include teaching hospitals.

Under this interpretation, revenue bonds issued by those hospitals with medical schools, which include most of the largest institutions, are fair game for bank underwriters. In 1987, Morgan underwrote the largest single hospital offering ever, a $460 million issue for Columbia Presbyterian Hospital Center in New York.

Bankers estimate that revenue bonds, which banks are not eligible to underwrite, constitute about half of all municipal bond issues in many years. Revenue bonds are considered the most lucrative area of municipal bond underwriting, because they are for larger deals and have negotiated fees.

However, revenue bonds are becoming a tougher business, and bankers estimate that spreads in the bond market have narrowed by about 35% recently. An underwriter who had previously been earning about $22 per $1,000 bond about three years ago would now earn only about $13.35 per bond on a similar issue. Bankers claim that with their lower cost structure and retail distribution network, they can make the business work at lower spreads.

Activity in this segment of the market is weakening. According to a study by IDD Information Services, the volume of negotiated municipal financings, which include most revenue bonds, slipped 38% to $4.4 billion in 119 issues in January 1988. That compared with $7.1 billion in 161 issues in the first month of 1987.

In 1987, Morgan underwrote the largest single hospital offering ever.

General obligation issues, which include those that banks are allowed to underwrite, tend to be for smaller amounts. Even more important, the fees for these issues are set through a competitive bidding process that tends to keep them small.

However, the volume of competitive bid issues was 74% higher in January — 77 competitive bid issues worth a total of $1.5 billion. That compared with 50 issues worth a total of $856.7 million in January 1987.

Already, banks are preparing for the Glass-Steagall walls to fall. Arthur Kalita, managing director of J.P. Morgan Securities Inc. and executive director of the Public Securities Association, estimates that if banks receive permission to underwrite revenue bonds, his company will increase its underwriting staff from the present level of 26 professionals to about 40 in three to four years.

A Changing Market

The municipal bond market is undergoing a restructuring that has seen some of the top underwriters leave it flat, while others move in to take a larger share of the business.

Large regional banking companies are beefing up their municipal bond operations. Citizens and Southern National Bank, Atlanta, for example, recently hired Edward L. Prince, a former vice president with Chemical New York Corp. who was in that firm's hospital and higher education groups.

Mr. Prince will manage the company's public finance department in Tampa, Fla. The unit raises capital and provides financial advice for state and local governments as well as for hospitals and universities.

George Cooke, manager of Citizens and Southern's portfolio/funds management group, said the hiring of Mr. Prince and Raymond Lacey, who worked with Mr. Prince at Chemical, indicates that underwriting municipal revenue bonds is an important part of his company's regional banking practice.

"Muni underwriting helps to facilitate the growth of the community," Mr. Cooke says, "making sure that the community gets the funding necessary to grow." He believes that a change in Glass-Steagall to allow full revenue bond underwriting would increase competition among underwriters and allow smaller communities to lower their fees in issuing bonds.

According to a survey done by Securities Data Co. and *The Bond Buyer*, the top 100 municipal bond firms underwrote $96.9 billion in municipal debt during 1987. That was out of a total of $101.6 billion in municipal issues for the year.

Merrill Lynch Capital Markets led all underwriters in 1987, with 272 issues worth a total of $8.6 billion. That amounted to 8.5% of the total market for the year.

(Both *The Bond Buyer* and Securities Data Co. are subsidiaries of International Thomson Organisation Ltd., which is the parent company of the *American Banker*.)

Citibank was the top bank municipal bond underwriter for the year, with a total of 33 issues worth $1.9 billion, for a 1.9% market share. Chase Manhattan Bank, J.P. Morgan Securities Inc., and Bankers Trust Co. were the only other bank companies that underwrote more than $1 billion in municipal issues last year.

Banks are much larger players in markets in which they can compete on an even basis, bankers say. For example, Citibank ranked fourth among underwriters of general obligation municipal issues in 1987, with 22 issues worth a total of $1.6 billion, for 5.1% of the market.

Bankers in the business say their institutions could be a lot more active if the Glass-Steagall Act were repealed. A full-fledged municipal bond business would enable banks to attract top municipal bond underwriters, bankers say.

Nelson D. Civello, deputy division executive and director of Marine Midland's public finance group, says recognized talent is a necessity in building a municipal bond underwriting business. The performance of a municipal bond underwriter depends on "the creative talent of investment bankers and the distribution power of your desk," Mr. Civello says. Currently, he says, "banks can't bring in top talent because their desks don't have the top drawing power of revenue bonds."

Moving Professionals

Turmoil in the municipal underwriting industry may supply banks with the professionals they need to build their businesses, however. Many securities firms overexpanded in the blindingly profitable bond market of the mid-1980s. As the market became tougher, they've been cutting back. The reduction in staff has been, in many cases, even faster than the expansion of a few years ago.

This decompression of the industry started with Salomon Brothers Inc., which had been one of the leaders in the municipal bond industry. Salomon closed its municipal bond underwriting business last fall, blaming the poor operating environment of the municipal industry.

Banks have staked out specific areas of the muni business.

Other top municipal bond underwriters followed, including some of the major banks. The list of institutions cutting back included L.F. Rothschild & Co.; Continental Illinois National Bank and Trust Company of Chicago; and Kidder, Peabody & Co., as well as Citibank and Morgan Securities.

Observers say the cutbacks were the result of too many competitors chasing too little business. The Tax Reform Act of 1986 changed the rules on what could be issued on a nontaxable basis. "We used to have a 50% piece of a much bigger pie," Mr. Kalita says.

And the volume is probably not going to get much better. According to a study by Sanford C. Bernstein & Co., the volume of future municipal financings will not be robust. The report points out that municipal debt issued to raise new capital has historically grown at the same rate as the gross national product, which has been 8.5% for the period of 1981-86. A recession would slow this rate of growth even further.

This concludes the *American Banker*'s five-part series on the progress commercial banks have made in investment banking. On Monday, a related story will look at whether banks are making any money in investment banking.

Even securities firms are seizing on the downturn in their quest to bar banks from entering the municipal bond business. Edward I. O'Brien, president of the Securities Industry Association, said in a report last month: "While banks are seeking to enter the municipal underwriting and commercial paper underwriting [fields], some securities firms in these fields are leaving, or reducing their role in, those businesses because of their unprofitability."

The securities association's report went on to say that the "withdrawal suggests fewer rather than more competitors are needed to supply these services to users." ■

Correction

A March 30 article on page 3 and an April 4 correction on page 2 incorrectly reported that Broadview Savings Bank, Cleveland, has been barred from selling software until 1990. Under the settlement of a federal suit, Broadview cannot market a banking applications package licensed by Robert A. Foraker until March 31, 1990. In the meantime, however, the thrift can develop and sell other software products.

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our investment banking series meets your information needs. So would you spend a moment to give us some feedback? Please clip this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

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ELECTRONIC FUNDS TRANSFER
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Improved credit quality and gains in interest and noninterest income contributed to a 122% increase in First Chicago's first-quarter earnings. 2

Barclays Bank intends to use the largest cash call in British bank history — $1.7 billion — for bolstering its domestic business. 2

Centrust Savings Bank has offered about $61 million for Florida Federal Savings, St. Petersburg. 3

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Worth Repeating

If you're trying to serve South America, you need to be in Miami. If you want to serve the Southeast, you need to be in Atlanta.

Robert Moler, deputy banking commissioner of Georgia. [Page 40]

An American Banker Special Report

Investment Banking Party Ends As Commercial Banks Get Invite

By DAVID NEUSTADT
Last of a Series

NEW YORK — Pity the poor commercial banks. They have stood for years with their noses pressed to the window of investment banking, hungering mightily for those gorgeous and oh-so-fattening profits.

And now, just when it looks like that snooty doorman called Glass-Steagall is getting canned — so they can come right in the front door, get a regular table, and join in the feast — all those rich desserts are being cut from the menu.

INVESTMENT BANKING: How Are Banks Doing?

Investment banking has always been a cyclical business, though it was easy to forget that during the bull markets of the 1980s. But the party is over. Investment banking industry profits peaked in 1986 and will decline until 1991, according to a study done before the October stock market crash by Michael Goldstein of Sanford C. Bernstein & Co.

And even while Wall Street was raking in huge profits, overcapacity was cutting the industry's pretax return on equity. It was down to 4.5% in 1987 from 49.2% in 1980, according to the Securities Industry Association.

As more and more products are priced like commodities, and competition be-

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Spotlight on Regulators

State Banks Wary of Using New Powers

By BARBARA A. REHM
Washington Bureau

WASHINGTON — No one knows whether Congress will enact comprehensive banking legislation this year, but many states aren't waiting to find out.

Most state bank regulators predict the federal government will end up rubber-stamping state actions on bank securities underwriting, real estate development, and insurance activities. That is how Congress handled NOW accounts and interstate banking, recalled state bank regulators in interviews last week.

For now, however, the uncertainty over federal action on bank legislation — and what is interpreted as bullying from the Federal Reserve — is keeping many state banks with the power to enter real estate, securities, and insurance markets out of the businesses.

Defender of State Banking Page 27
State Banking Regulators Page 7

"States stand alone in authorizing products and services from banks," wrote Lawrence E. Kreider, in the first report of the Conference of State Bank

Banks Tread: Page 6 ➸

FDIC Expects 33¢ on Dollar In Loan Sale

$800 Million Loss Possible On Assets of Continental

By LISABETH WEINER
Midwest Bureau

CHICAGO — The Federal Deposit Insurance Corp. said it will seek a minimum of $415.7 million from the sale of the remaining $1.2 billion of loans it retains from the 1984 bailout of Continental Illinois National Bank and Trust Company of Chicago.

That is another indication that the 1984 shareholders of the bank's parent, Continental Illinois Corp., will be wiped out. Those shares are now held in a shell company, Continental Illinois Holding Co.

When the sale proceeds are added to money collected through the workout of other bad loans, the bailout's costs are expected to far exceed $800 million, which, under the rescue agreement, will enable the FDIC to acquire all the shares in Continental Illinois Holding for just $400.

FDIC Chairman L. William Seidman recently estimated that his agency will lose $1.7 billion overall on the Continental bailout.

The loan package put up for sale includes 520 poor-quality loans in six industry segments — international, oil and gas, commercial, personal, maritime, and real estate.

The FDIC last week began to distribute the bid documents that detail the loan package. Steven Seelig, associate director of liquidation for the FDIC, said that more than 60 investors have expressed an interest in buying the loans. The potential buyers include in-

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BANKING TRENDS

A Wide Road Leads to Today's Top Bank Job

By DR. PAUL S. NADLER

TO explain the role of the bank investment portfolio in my classes, I always point to Gridley, the investment officer, and I give the following scenario:

Business is bad, loan demand is weak, interest rates are low, bond prices are high. The lending officers don't need the money, so the bank turns to Gridley and says "Gridley, buy bonds."

Then business starts to pick up. Loan demand increases, interest rates rise, and bond prices fall. Just at that time, the bank needs the money back for loans, so they go to Gridley and say, "Gridley, sell the bonds and get us back the money."

The next day Gridley gets a call from the chief executive officer: "Gridley, you stupid idiot. Why do you always lose money in the bond market?"

You will notice that Gridley never becomes president. How do you explain to the board that the guy who always loses money in the bond market should be the next president?

The class laughs but at the same time they understand that investments other than secondary liquidity are a residual use of bank funds and as such should be treated specially in tax planning and assets allocation.

But there is another job class of individuals who haven't become president — or least haven't in years past: the operations officers.

Studies of bank operations tend to show that there are four reasons why Schmidlap, the operations officer, also never becomes bank president:

First, he doesn't use the same terminology as the rest of the bank, so he is never fully understood. This explains why one of Nadler's laws is, "Show me a man who goes to the chief executive officer and uses the term 'interface' or 'parameter,' and I'll show you a horse's rump."

Second, he promises more than he can deliver. This basically involves promising that a new technique or operation will cut the cost of doing business and eliminate jobs, when in reality all the process can accomplish is to keep things steady and prevent a burgeoning of costs.

Third, he is too literal. He develops a program, for example, that classifies a borrower as a dead beat if he owes $92.18 for the month but sends in a check for only $92. The computer program is so established that the bank starts the process of collecting the 18 cents, even though the cost of doing this may be well over $30 or $40.

But fourth and most important, the studies show that the operations officer doesn't get to the top because he hasn't been aware of what is happening in the rest of the bank.

Nadler Says:

If banks want to offer full financial services, they need top officers who understand those services.

It is hard to make successful hardware and software decisions and to plan policies, for instance on cash control, when the operations person does not know the bank's capital needs, liquidity requirements, and competitive conditions that may require special marketing programs. And because he sometimes seems to come out of left field, he seems to be less than qualified for the top position.

This, it may be added, is changing. Many operations officers are moving into other areas of the bank to expand their understanding of what the institution needs elsewhere.

Lending officers also are finding that they need to broaden their knowledge of the nuts and bolts of the organization if they want a chance at top slots in the organization.

The days are gone when the chief lending officers automatically became the only candidates for promotion when top positions were open. Those

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Dr. Nadler is professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker.*

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OVERVIEW

Quixotic Policies of Greenspan Cast Him as Man of La Mancha

By H. ERICH HEINEMANN

FEDERAL RESERVE Chairman Alan Greenspan seems determined to scuttle the U.S. economic expansion. Last summer, less than a month after he took office, Mr. Greenspan raised the Fed discount rate by a half point to 6%.

The stock market crash forced the Fed to relent for a brief period, but lately Mr. Greenspan has been at it again — clamping down on monetary growth, trying to stop an already stagnant economy.

By itself, last summer's discount rate hike was hardly significant. However, the increase intensified the severe monetary squeeze that former Fed Chairman Paul Volcker initiated a year ago.

As a result, when the action backfired and triggered the stock market meltdown on Oct. 19, Mr. Greenspan was forced to reverse himself and pump money into Wall Street. The Fed gets full credit for keeping the October crisis under control — along with blame for helping to cause it in the first place.

The Fed's "easing" last fall was short-lived. It actually lasted only a few weeks. Undaunted, Mr. Greenspan has moved right back to restraint. Despite brief surges during October and January, monetary growth has been running at a rate of only 2.1% since the collapse in stock prices last October.

The rationale for Mr. Greenspan's actions is both simple and (like motherhood) superficially laudable — to prevent a resurgence of inflation in the United States. The real issues are much more complex.

A few industrial sectors — chemicals, paper, and steel provide the best examples — are short of capacity and are likely to raise their prices. But does this represent sufficient pressure on the general price level to risk a severe recession? Put differently, does Alan Greenspan have a real target, or is he tilting at a windmill?

More to the point, what would happen if the Fed overplayed its hand and the economy tumbled into a sharp contraction? Would this set the stage for a populist administration in Washington, new leadership at the Fed, and vigorous reflation of the U.S. economy? In the past, large drops in monetary growth have regularly been followed by even larger increases.

Meanwhile, there's little doubt concerning the Fed's tightening over the past year. The nation's money supply (demand deposits and currency) averaged about $760.4 billion in the first quarter, up 3.8% from a year earlier.

That was the slowest year-on-year increase in M-1 since the first quarter of 1975, the trough of one of the most severe postwar recessions. By contrast, the money supply rose by a record 16.8% in the year that ended in the first quarter of 1987.

The Fed's monetary crunch has had a

Quixotic: Page 30 ➞

Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., a New York investment banking firm.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 30.

1. Columnist H. Erich Heinemann reviewed the campaign utterances of all the major presidential contenders, looking for "practical suggestions for dealing with the real problems facing America: a burgeoning foreign debt, the world's largest; the rapidly accelerating takeover of U.S. industry by overseas investors; and the threat of renewed inflation and erosion of American living standards in the 1990s." According to Mr. Heinemann, which candidate is addressing these economic issues?

Commercial Lending

2. In the increasingly complex world of relationships between a commercial borrower, the borrower's accounting firm, and the lender, what is meant by a reliance letter? What role might such a letter play in any lawsuit arising from the borrower's default on the loan?

3. How do Wall Street analysts explain the Bank of New York's race to sell roughly $1 billion of its assets by the end of the first quarter?

4. After a sluggish decade of relative indifference to the potential of automated teller machine networks and point-of-sale payment systems, what state has now become the nation's leader in this market — with the most dynamic commitment to electronic funds transfer?

5. Why does Irvine H. Sprague, former head of the Federal Deposit Insurance Corp., calculate that there were 203 bank failures in 1987, when this newspaper and other sources counted only 184?

6. Keith Hooper, a securities consultant for Bear, Stearns & Co., moonlights as a professional musician — with three record albums to his credit. Mr. Hooper says the style of music he plays promotes his brokerage business, noting that "the people in charge of large accounts usually enjoy ..... music."

7. Marketing maven Jack W. Whittle tested the assumption that national averages and research findings are meaningful, giving as an example a sample used to determine whether bank employees are motivated by money, noncash perquisites, or working environment. "Then a community bank applies these national findings because it assumes that local employees fit the national profile," Mr. Whittle says. What is his opinion of the validity of this assumption?

Marketing Management

8. Allen Funt Productions used secret cameras to film an unrehearsed scene in which Peter Funt, the producer's son, asked a young lady to hold the leash attached to his eight-foot-tall pet ostrich. What did this stunt have to do with banking?

9. In December, just slightly more than half the nation's home buyers chose fixed-rate loans, according to a survey by the Mortgage Bankers Association of America. New data, based on responses from 25% of the association's largest members, showed a dramatic shift in the loan preferences of home buyers in March. What type of mortgage was preferred last month by 81.2% of the borrowers?

— **Robert Paul Molay**

Investment Banking Party Ends as Banks Get Invite

➸ Continued from Page 1

comes increasingly global, margins will continue to come under pressure. And when the commercial banks become full competitors, those pressures can only increase. Investment banking is not, by itself, the solution to banks' profitability problems.

"For large banks, classic corporate banking covered a lot of overhead for the whole place," said Lowell Bryan, a director at McKinsey & Co., a consulting firm. "It is hard to make investment banking into a business that is going to do that. That does not mean that banks shouldn't do investment banking, but it is not going to be a one-for-one replacement for corporate banking. And some banks assume that it might be."

Going into investment banking is not a matter of choice for the money center banks — it is the only way they can continue to serve their corporate clients.

That applies not only to the *Fortune* 500. Thanks to increasing securitization of all kinds of financial transactions, more and more middle-market companies are able to tap the capital markets directly rather than going through banks.

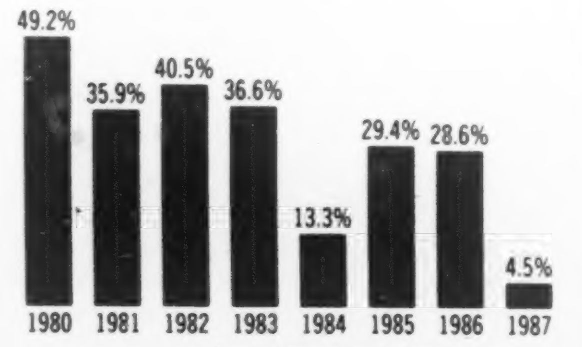
Indeed, banks themselves are strengthening this trend. The natural market for developing their investment banking business is the middle-market companies, since commercial banks often have stronger ties with the middle market than have the investment banks.

Up to now the Glass-Steagall Act has kept them out of what has been historically one of the most profitable activities, underwriting corporate debt and equity. Underwriting was the second most profitable activity for brokers, bringing in $579 million in 1986 and $470 million in 1987, according to Mr. Goldstein.

But he estimates that underwriting profits will drop to $96 million this year. And that is without any competition from the commercial banks.

Securities Industry Profitability

Pretax return on equity



Source: Securities Industry Association

Of the businesses in which commercial banks can already compete, merger and acquisition advice offers the biggest returns.

Investment banks made $828 million on merger activity in 1986, and about $719 million in 1987, according to Mr. Goldstein. That was 40% of industry profits in 1986, and 48% in 1987. He estimates that merger and acquisition work will be the top profit maker again this year, bringing in $567 million.

But commercial banks have still not become major players in the merger advisory area, despite their best efforts.

Profitability of Private Placements

Private placements, the sale of unregistered securities, is now probably the most profitable investment banking activity for commercial banks. They have built up a substantial business and gained more than a quarter of the market.

The business does not require the use of capital, since banks serve as agents, not brokers. One banker estimates that the profit margin on private placement fees is 80%.

Several investment banks have withdrawn from underwriting municipal bonds because of the decline in both volume and profits. That provides an opportunity for commercial banks to make money, but probably not as much as the investment banks used to make.

Competition has already squeezed margins in the interest rate swaps business. The imposition of risk-based capital rules will raise banks' costs, and it may be tough for them to fully recover that increase.

Unfortunately, it is impossible to tell if banks are making money on their current investment banking activities as a whole. If the banks know, they are not telling.

Fee revenues are growing at the major money center banks, but most of them do not break out what could be defined as revenues from traditional investment banking activity.

"We have asked them to break that out, but to no avail," said James McDermott, a vice president at Keefe, Bruyette & Woods Inc. Mr. McDermott assumes that "the percentage growth is strong, but that is coming off a small base."

That supposition is backed by numbers from a banking company that did separate out its investment banking fees. Chemical New York Corp. reported that fees from investment banking hit $75 million in 1987, up from $25 million in 1986 and $7 million in 1985.

Still a Drop in Chemical's Bucket

That was rapid growth, but for Chemical $75 million in revenues is still small change. In the bank's annual report, that figure is included in an item called fees for other banking services, which totaled $615 million in 1987. That, in turn, was part of noninterest income, which was $1.2 billion.

Chemical breaks out its investment banking fees so it can compare its progress against Wall Street firms, according to Roger Widmann, a Chemical managing director. For that reason, Chemical excludes revenues from foreign exchange, interest rate protection products, and fees related to bank credits or other traditional banking services, he said. "It is fundamentally advisory work of all kinds."

Chase Manhattan Corp. has a line in its annual report called investment banking fees. Those revenues grew to $202 million in 1987 from $143 million in 1986 and $83 million in 1985. But the item includes "interest rate swaps activities, loan arrangement and syndication activities, leasing activities" among other traditional bank services. And Chase had total fee income of $1.26 billion in 1987.

Bankers Trust New York Corp., one of the more successful banks in pushing into some investment banking activi-

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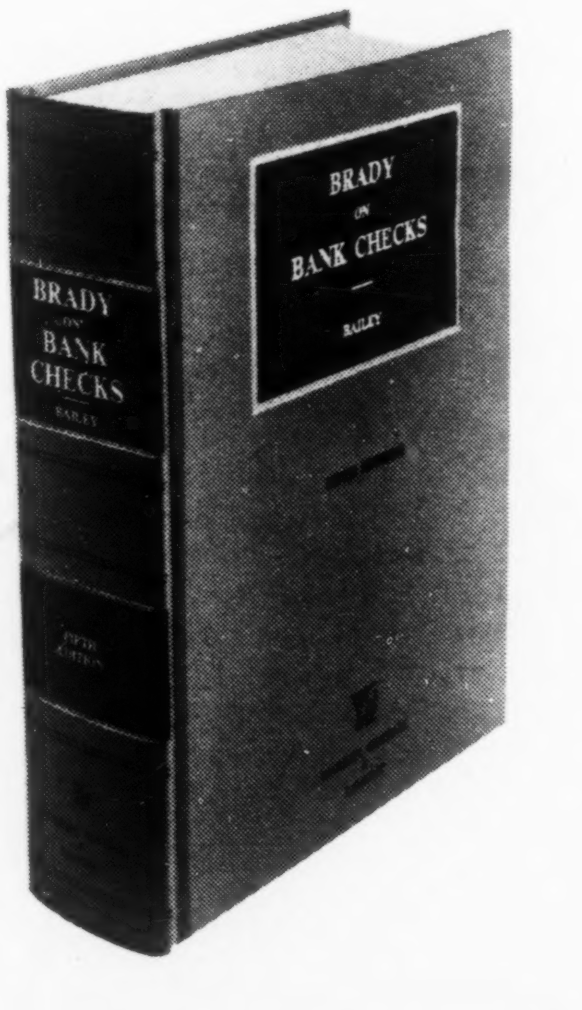

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Foreign Banks Are Helping Atlanta Become Money Center

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go back [leave Georgia]," said Robert Moler, deputy banking commissioner. "That would be like cutting off your nose to spite your face."

Mr. Moler said Atlanta is emerging as the international financial center of the region despite the fact that Miami has more foreign bank offices. "If you're trying to serve South America, you need to be in Miami," Mr. Moler said. "If you want to serve the Southeast, you need to be in Atlanta."

The key services provided by international banks are large loans, letters of credit, currency transactions, loan participations, and scouting the region for home-based companies.

Other banks, particularly the Japanese, spend a large portion of their time serving their clients back home.

Sanwa Bank's Atlanta office devotes nearly half its efforts to Japanese investors, despite the fact that they account for less than 10% of the assets Sanwa has booked here. If the prospects choose to build in the Southeast, they usually get their financing at the bank in Japan rather than Atlanta.

But Sanwa gets its share of regional business, too. It was chosen by BellSouth to participate in the recent $500 million line of credit. It has also provided a letter of credit on a bond issue by Escambia County, Fla., lowering the municipality's rate on the bonds.

When Sanwa Bank came in 1984, it was the first Japanese bank to open an agency office in Atlanta. In a five-month period last year, three other Japanese giants — Fuji Bank, Sumitomo Bank, and Dai-Ichi Kangyo Bank (the world's largest) — got their agency office licenses.

Most of Atlanta's international banks are based in Europe or Canada. Barclays Bank of London was the first to receive a Georgia license in 1976.

Now there are four banks each from England, West Germany, and Canada. France, Switzerland, and the Netherlands each have two. Belgium, Australia, Italy, and France have one each.

Inevitably, as the international banks grow, they sometimes turn to the regionals to hire executives. "Most people imagine that we need people with broad international experience," said Norman Gillespie, local manager for the Bank of Nova Scotia, which employs 33 people here. "We need people who know the territory."

Furthermore, as the foreign banks become more established in the U.S., they often begin to consider market opportunities beyond the Fortune 500 and subsidiaries from their home countries.

"After gaining experience, they would tend to expand their horizon to Fortune 1,000 companies," said Jerome A. Wolf, manager of Algemene Bank Nederland and chairman of a new trade group that will lobby for Atlanta's international banks. "Then, after a while, they might look to the middle market."

As international banks hire local executives and ease into the corporate middle market they may add strain to relations with the local banks.

However, the regionals apparently believe the new foreign business being drawn to the region is worth the exchange.

"Some are here either because home-country clients have come to the Southeast," said James Lientz, head of corporate and international banks at Citizens and Southern Corp. "They're both following and leading their customer base. Some are just looking for an attractive banking market.

"Our posture is to cooperate with them in every possible way." ■

Quixotic . . .

Continued from Page 30

use those funds to buy real assets — among other reasons, to hedge against a future administration abrogating U.S. foreign debt through inflation. Should Washington try to inhibit such purchases, foreign lenders would demand further incentives to commit funds in the United States. Those incentives would likely take the form of a lower dollar, higher U.S. interest rates, or some combination of the two.

Alan Greenspan has it in his power to force interest rates higher, to shut down the U.S. economy and even to put Michael Dukakis or Jesse Jackson in the Oval Office. The question is, will he?

No one can answer this question for sure. But one thing is plain: If interest rates do go up, they will not stay up for very long.

The current economic expansion — the longest peacetime growth since World War II — has already started to weaken noticeably. If Mr. Greenspan's quixotic campaign for tight money continues, sooner or later he will succeed in stopping the expansion.

Then the Fed will have no choice but to put money into the economy and bring interest rates down. The Man of La Mancha will have a real windmill to attack. ■

Advisory Role Pays Best Returns

Continued from Page 38

ties, had fee and commission revenues of $369 million in 1987. Its annual report does not define what that number includes. In any case, it was part of total noninterest income of $1.6 billion.

Growing revenues do not necessarily mean growing profits. Generally, in their annual reports, banks report noninterest income and noninterest expense separately, so it is impossible to figure out whether any particular business was profitable. "It is very hard to get a handle on what kind of position they have and what returns they get," said James Hanbury, a bank analyst at Wertheim Schroder & Co.

Hanover Provides Some Figures

One partial exception is Manufacturers Hanover Corp., which provides net income and return figures on both assets and equity for six sectors of the bank. The figures are provided in the company's annual 10K report to the Securities and Exchange Commission. Its investment banking sector is defined broadly, including "origination, trading and distribution of securities, foreign exchange and other financial instruments, merger and acquisition financing, venture capital investments, and the provision of fee-based advisory products including investment management and specialized corporate finance services."

Investment banking was Manufacturers Hanover's second most profitable sector in 1987 with net income of $125 million, and the most profitable in 1986 with $179 million. The 1986 results were boosted by an unusually high $78 million in net profits from venture capital activities, which dropped to $23 million in 1987.

In 1987, the sector also had the bank's highest returns on assets, 1.29%, and shareholders' equity, 29.53%.

Citicorp reported an after-tax profit of $375 million on revenues of $2.15 billion for its investment banking business in 1987. That is down from profits of $404 million on revenues of $1.79 billion in 1986. However, the business includes foreign exchange, currency and interest rate products, investment management, insurance, and some of Citicorp's profits from taking positions of its own in various markets.

Much of commercial banks' success in investment banking has come from providing capital markets products and corporate finance advice to their traditional clients. But that creates two problems for the banks.

One is properly allocating costs. "Many banks are making money on their investment banking product line, but they are leveraging off their corporate bank infrastructure," said McKinsey's Mr. Bryan.

The other is the rob-Peter-to-pay-Paul effect of selling investment banking services to traditional bank lending clients. "A lot of the fees come from cannibalizing what used to be commercial bank spreads," he said.

But the banks have no choice. If they don't offer capital markets products to their customers, someone else will.

So the push into investment banking will continue, though not every bank is likely to succeed at it. "The truth is that we don't need as many corporate finance commercial banks who offer investment banking products as there are presently commercial banks in commercial banking," said Mr. Bryan. ■

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Today

The California Assembly has tabled a bill that would allow out-of-state banks to bid on California institutions if foreign interests are trying to acquire them. The action is a blow to money center banks hoping to break into that market. ______ 2

A nomination from the floor shook up the 87th annual meeting of the Conference of State Bank Supervisors. New York's Jill M. Considine was nominated by a faction of members urging more innovation within the trade group and elected vice president on a 22-15 vote. ______ 2

Thrift regulators have pushed back the target date for the first rescue to be completed under the so-called Southwest plan. ______ 2

Chase Manhattan Corp.'s $120 million pretax profit from its $2.8 million investment in Cain Chemical Inc. is the kind of earnings boost it hopes to realize from its new North American equity unit. ______ 2

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COMMENT

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The United States' new status as the largest importer of capital portends slower growth (possibly a decline) in living standards and loss of political and financial leadership in the world, says H. Erich Heinemann. ______ 4

NEWS MONDAY

Manufacturers Hanover Corp. gave banking analysts some positive numbers to ponder and took some of the heat off John F. McGillicuddy, the corporation's chief executive officer, as he prepares for the annual meeting. The story, by Bart Fraust, introduces an *American Banker* feature called Perspective, which will provide an in-depth look at an issue in the news. ______ 7

Legal fees are the fastest-growing operating expense at the nation's 511 insolvent savings and loans, up more than 450% since 1984, according to the Bank Board. ______ 8

U.S. banks appear to be handicapping the presidential race. At Sovran Bank, Rep. Jack Kemp was good for hefty lines of credit at prime plus one percentage point. But Democratic contender Sen. Paul Simon borrowed at prime plus two. ______ 9

Worth Repeating

The foreign banks were let in to help bring Spanish banks into the 20th century.

Wallace Reynolds, general manager of the Morgan Guaranty Trust Co. in Madrid. [Page 1]

AN AMERICAN BANKER SPECIAL REPORT

Spanish Bankers Challenging Dominance of Foreign Firms

By JOHN J. DUFFY

MADRID

When foreign banks began flocking to Spain after 1979, they were drawn by more than the sunshine and the sangria. More compelling were the profit margins in Spanish wholesale lending — huge by Euromarket standards — and the lack of strong domestic competition.

"We had a business that was very simple," said Elizabeth Stroebel, a vice president at Chemical Bank in Madrid. "We borrowed in the interbank market and lent to public companies at healthy spread over the interbank rate. The overhead costs were small, and the margins were very nice."

For the Spanish government, opening the door to foreign banks in 1979 was partly a response to the banking crisis of the late 1970s and early 1980s. Between 1977 and 1983, 50 banks — 20% of the financial system — failed because of bad loans, many to their own subsidiaries. To defray the mas-

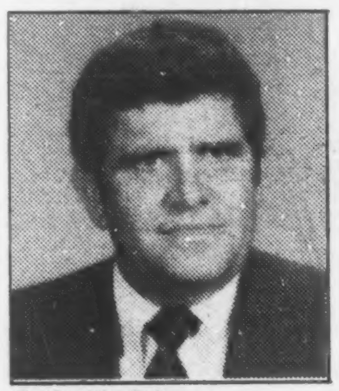
Spanish: Page 12 ➸

Madrid:
Foreign bankers feel the squeeze as Spanish banks gear up for 1992.
FRANCE
Atlantic Ocean
SPAIN
PORTUGAL
Mediterranean Sea
AFRICA
Miles
0 100

Nebraska Banker Nominated to ABA Post

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Nebraska banker C.G. "Kelly" Holthus has been nominated to become president-elect of the American Bankers Association when the industry trade group holds its annual convention in October.


C.G. Holthus

Mr. Holthus, president and 50% owner of First National Bank of York, York, Neb., beat out the chief executive officers of two other small banks: Alan R. Tubbs, president of First Central State Bank, DeWitt, Iowa; and Leon Patterson, chairman of the Palmetto Bank, Laurens, S.C.

The ABA's announcement that its nominating committee selected Mr. Holthus comes at a time of uncertainty for the ABA leadership. The group's president, Charles H. Pistor Jr., recently resigned as chairman and chief executive officer of the troubled First RepublicBank and as vice chairman of the bank's parent compa-

Holthus: Page 6 ➸

First City Deal May Be in Peril, Regulators Fear

But Company Confident It Will Complete Rescue

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Federal regulators said on Friday they were worried that the $1.5 billion rescue of First City Bancorporation of Texas is in danger because of jittery investors. But First City predicted it would have cash in hand and a closed deal by Tuesday.

"We plan, and intend, to complete the transaction on Tuesday," said Jim Day, spokesman for the Houston-based bank holding company.

A group of private investors led by former Chicago banker A. Robert Abboud agreed in September to provide $500 million in recapitalization for the company through a stock offering.

The deal included a contribution of almost $1 billion from the Federal Deposit Insurance Corp. The rescue has been held up several weeks while First City tried to persuade bondholders to exchange their claims for 35 cents to 45 cents on the dollar. The deadline on the $225 million of debt was extended last week — for the fifth time — until the close of business today.

First City also has lowered the minimum amount of debt that must be tendered to 70%, from 90%. First City reported last Friday that 66.1% of the debt had been turned in; the remaining 3.9% was expected by the end of today.

"The revised schedule will provide additional time to complete financing arrangements and to circulate addi-

Rescue: Page 2 ➸

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Reading Can Enrich the Bank's Young Blood

By DR. PAUL S. NADLER

A RECENT COLUMN pointed out the opportunity lost when banks do not orient new trainees in the operations and goals of the rest of the bank.

They often give these well-educated people tunnel vision by limiting the scope of their work and not offering occasions to meet people in the rest of the organization.

I suggested that new people attend a round-robin of luncheons where they could mingle with employees from different sections. I further proposed that these new employees write up a brief description of what other departments do, so that they can both learn about the rest of the bank and possibly provide fresh inputs to those who have been doing their jobs a certain way for a long time.

The result, it was hoped, would be that the young people would learn more and be more useful in the course of their day-to-day work once they understood where opportunities to help existed. And as their knowledge grew, so would their potential for filling slots in other bank sections.

But such broadening need not be limited to new hirees. Much can be gained from having all employees attend formal meetings or informal luncheons with people in other departments. All too often we find an employee who says, "I have forty years of experience," when really he has had one year of experience forty times.

Nadler Says:

It is interesting how many younger people, new to the staff, have responded favorably to the idea of a formal reading program to help them grow.

The Value of Reading

If we are to upgrade the knowledge and usefulness of our employees, one area in which most banks could really improve procedures is through an agenda of reading relevant material offered to those who want to be more than just cogs in the wheel.

Reading has lost much of its importance in America. The average television is on six or seven hours a day. This helps explain why newspapers keep dying while TV stations sell for higher and higher prices. One comment heard regarding reading is that people don't read more than one page at a time because their lips get tired.

But to those who want to understand their bank and improve their positions in the organization, it would seem that a program of reading — taking up maybe one of the bankers' evenings a week — could do a great deal to enhance their value to the bank and to themselves.

What should people read and how should such a program be developed?

This is not an easy question.

Most bank officers feel they are besieged with articles, books, and memos. The saddest part is that once they are finished with a pile, they find they have read defensively in most instances: They have not learned much, but they have merely reassured themselves that they haven't missed anything new.

It is rather frustrating when you have read an entire article that takes 15 to 30 minutes and find that what you retain is the basic premise, which you could have gotten in seconds. That is why the news summary columns in newspapers like this one and *The Wall Street Journal* are so popular and important. They tell you that if your interest in a topic is only vague, you can get the substance of what you need to remember right now on the front page instead of having to dig in and read the entire article.

Still, how can we handle the problem of determining what to read and how to get it distributed?

As to what to read, this is not too hard a job in banking, despite all the material that is printed on the topic.

Obviously this newspaper and *The Wall Street Journal* are musts for any banker who wants to be well informed. On top of this, the three major business magazines — *Business Week, Fortune,* and *Forbes* are felt to be useful by many bankers. So are the several national banking magazines, the regional banking magazines that serve the banker's territory, and the specialized journals for each department, like lending and operations.

Beyond this, it appears to this observer that seeing the various publications of the Federal Reserve banks and the monthly and quarterly letters issued by some major banks should fill the prescription.

But this is roughly 6 magazines, 12 or 14 bank reviews, and 2 newspapers — not to mention the daily newspapers of the bank's territory. Just carrying all these around, much less paying for them and finding time to read them, makes the suggestion of being fully informed through reading an onerous one.

Finding a Compromise

How can a reasonable compromise be reached between doing nothing and spending all your time reading — at the expense of having a life outside the bank and doing your job well?

One idea is to have one person responsible for keeping a folder of all these publications. Like a lending librarian, this person would send out a memo once a week on topics that appear interesting. Then officers interested in specific topics can borrow the particular magazine or article of interest. The memo could simply be a photocopy of the title pages of the magazines and letters that come in that week. By skimming the list of titles, bankers could at least be covered on articles relevant to their work.

In a larger bank, isn't it possible to have a young trainee summarize the articles that appear each week, just as this paper and *The Journal* summarize the contents of the issue? This would be tremendously valuable for the employee who is trying to learn banking and would serve as a real time saver for the rest of the bank.

Carried further, a bank could arrange a weekly or monthly informal luncheon for those who have no business guests that day at which articles of the previous week or month could be discussed. It doesn't take much to formalize the topic of conversation in the lunchroom or wherever bankers go in groups of five or six to have a bite. So instead of discussing the ball scores, the ideas of recent articles could be summarized and discussed.

Most top-level bankers must be laughing at this article already. They feel they already have too much to do without adding a reading program. But it is interesting how many younger people, new to the staff, have responded favorably to the idea of a formal reading program to help them grow.

All it needs is top management's endorsement to organize an informal structure. Then those who want to undertake a reading program that is efficient can go on independently — helping others who want to join and not bothering those who feel too busy to participate.

For those who do join, a formal program could provide useful information about what is going on outside the bank. At the same time it may eliminate that gnawing feeling so many of us have that there are ideas coming out we should know about, but somehow we haven't found time to dig up the articles and read what they are all about.■

Dr. Nadler is professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker.*

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OVERVIEW

Trade Figures Foreshadow Life In the Slow Lane

By H. ERICH HEINEMANN

WALL STREET was shocked last week by an unexpected slump in U.S. foreign trade. According to the Commerce Department, the raw, unadjusted deficit in U.S. merchandise trade hit $13.8 billion in February, up from $12.4 billion in January. Seasonally adjusted, the deterioration was worse — $16.2 billion from $11.8 billion.

Reaction in the financial community was not pretty. Values of financial assets crumbled across the board. The Dow Jones industrial average dropped 101 points in active trading, and the U.S. dollar posted one of its largest one-day declines on record.

The episode brought the ugly realities of America's international position into sharp relief. The United States, once the world's largest exporter of capital, is now the biggest importer ($3.25 billion per week), as well as the largest debtor. This change portends basic, long-run changes in American society: slower growth (possibly decline) in living standards and loss of political and financial leadership in the world.

On a more parochial level, the good news is that U.S. manufacturing will enjoy a renaissance, as the declining dollar acts to reduce the relative real wages of American workers well below those of their counterparts in Japan and Europe. The bad news is that the center of gravity in world financial markets will increasingly shift toward Tokyo and away from New York. The major money center banks in the U.S. are well past their zenith.

As the White House admitted, last week's trade figures represented "discouraging" news. Nonetheless, Wall Street badly overreacted. U.S. exports have been moving up steadily for the past 18 months. Growth in the unit volume of imports has slowed way down — though admittedly this improvement does not show up in the monthly trade figures, which are reported in current dollars.

Despite the February setback, strong economic growth abroad and the decline in the dollar mean that a much lower trade deficit is likely. The reaction last week to the trade figures was badly exaggerated. However, it was ample warning of longer-run dangers lurking in the massive imbalance in U.S. international transactions. Briefly, these are:

- The Federal Reserve System may try to defend the sagging dollar by propping up its value in world financial markets. Should policymakers follow this course (as they did last week), the Fed would tighten its policy even more than it has already. The economy could tumble into an unintended, unnecessary recession.
- Congress may be provoked into actually passing the protectionist trade legislation that it has been debating for the past three years. Unfortunately, there is no quick fix for the problem. In fact, such a bill would not only be futile, it would also make the job of rebuilding U.S. exports more difficult. Even so, the Democratic leaders in Congress seem determined to press ahead.

Moreover, if the trade measure were to include restrictions on foreign investment in the United States (several such provisions are under discussion), participants in the foreign exchanges could provoke a major crisis. Long before the Fed would be able to bring the dollar under control, the currency would be sharply lower and U.S. inter-

Overview: Page 6 ➸

Handicapping the Candidates

Lending's Lucrative to the Presidential Contenders

By ROBERT M. GARSSON

ARE the nation's banks handicapping the presidential race? At Washington's Sovran Bank/D.C. National, Rep. Jack Kemp, R-N.Y., was good for hefty credit lines at prime plus one percentage point. But Sen. Paul Simon, D-Ill., borrowed at prime plus two.

Adams National Bank in Washington also loaned money to Mr. Simon at prime plus two, for an effective rate of 10.5%. But the bank advanced cash to Jesse Jackson at a fixed rate of 11.5%.

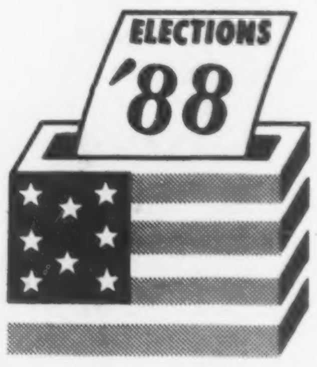
The prime rate is the base rate used by banks to price commercial loans. Though banks used to say it was reserved only for their most creditworthy customers, lenders routinely extend credit to good customers at sub-prime rates. The premium other borrowers pay over prime is largely based upon a bank's view of their creditworthiness.

Among loans to presidential candidates, the difference in terms suggests that Sovran perceived Mr. Kemp as a one percentage point favorite over Mr. Simon — if not to win the White House, than at least to make good on his debts. "Don't even suggest that," said Robert P. Pincus, president of Sovran's Washington bank subsidiary. Lower rates, he said, "are a reward for the relationship" a campaign organization has with the bank.

Mr. Pincus said the pricing decision was based on three factors: the level of deposits the organization maintains, which the bank weighs at 60%; the term of the loan, weighed at 20%; and risk, which accounts for the last 20%.

BARBARA D. BLUM, president and chief executive officer of Adams National, agreed. "The terms of the loan, the depository relationship" are key factors, she said. Risk is virtually nonexistent since the loans are secured by federal matching funds, she said.

However, experts on loan pricing suggest that the premiums charged to the Simon and Jackson campaigns represent something other than a credit for a good relationship.



"We believe it depends upon the negotiating skills of the borrower," said Christopher Bumcrot, senior vice president of Loan Pricing Corp., a New York-based firm that studies the commercial loan market.

In particular, he said, the Jackson loan — which is equivalent to prime plus three percentage points — "is a little on the high side."

Borrowers ordinarily pay a premium for fixed-rate credit, which shields them against interest rate spikes over the life of the loan. In the case of campaign loans, though, maturities are so short as to to make irrelevant any distinctions between fixed- and variable-rate pricing.

The one-percentage-point difference between the rates given Mr. Simon and Mr. Kemp are substantial, but "not outside the realm of what is normal" for similar credit risks, he said. However, Loan Pricing's data does suggest that almost all of the candidates are borrowing at premium rates.

An "average-risk loan" of $1 million to $3 million is generally priced at prime plus 50 basis points, Mr. Bumcrot said. With up-front fees added in to calculate an "all-in rate," such loans carry an average interest rate of prime plus 75 basis points.

Using that standard, two early presidential dropouts — former Delaware Gov. Pete DuPont, a Republican, and former Arizona Gov. Bruce Babbitt, a Democrat — showed the keenest negotiating skills. Both tied down loans at prime plus 50 basis points.

The worst negotiators apparently were in the campaigns of Mr. Jackson and former Secretary of State Alexander M. Haig. If Mr. Haig honed his negotiating skills while at the State Department, they appeared to be of little help in dealing with the banks: The 12% he is paying Olympic International Bank & Trust Co., Boston, is the highest rate in the field.

BANKS that lend to presidential campaigns can expect to be in the limelight, and this year is no exception. The first bank to come under scrutiny was Washington-based Federal City National Bank, whose chairman, Terrence R. McAuliffe, a Washington lawyer, was national finance chairman and chief fund raiser for the campaign of Rep. Richard Gephardt, D-Mo.

A story in *The New York Times* charged that the bank had made unsecured loans to the Gephardt campaign, an allegation Mr. McAuliffe disputes.

"It was 100% protected at all times," he said. "We had the first security interest in federal matching funds."

An earlier loan of $125,000 to the Gephardt campaign is listed as unsecured in the campaign's Federal Election Commission filings, but Mr. McAuliffe said the campaign maintained a deposit account with an average balance of $360,000. The terms of the loan did not permit that account to be drawn down while the loan was outstanding.

A second loan of $1.4 million exceeded the bank's lending limit, but the institution had an agreement with another bank, which Mr. McAuliffe refused to name, to buy $1 million of the loan.

Mr. McAuliffe, an old hand in Democratic campaign circles, charged that supporters of Sen. Albert Gore Jr., D-Tenn., leaked the story to *The Times*.

If so, it may be poetic justice that the campaign loans now raising the most eyebrows are those extended to the long-shot Gore campaign.

Mr. Gore has not yet filed reports listing the loans and their terms, but his campaign confirmed to a reporter from *The Wall Street Journal* that he has borrowed $1.45 million, generally without collateral.

One of the banks involved was Sovran/D.C. National, which was said to have advanced $750,000. Mr. Pincus declined to discuss individual loans, but said that all of his bank's campaign loans are secured.

Union Planters Bank, Memphis, advanced $400,000 to Mr. Gore on March 8 at prime plus one percentage point. Bank spokeswoman Adella Thompson said the loans are backed by matching federal funds, but said that the Treasury money will not be paid directly to the bank. As a result, the bank will rely on the campaign organization's willingness and — more important — its ability to pay its debts.

As it stands, Mr. Gore is on the verge of losing his eligibility for matching funds. Because he failed to win 10% of the votes in two consecutive primaries, he must win 20% of the ballots in New York on Tuesday to continue receiving federal money. Mr. Gore's last certification, on March 30, was for only $117,312, the lowest of any candidate except Mr. Simon, who has suspended his campaign.

Should Mr. Gore drop out of the campaign, however, he would still be eligible for matching funds to pay campaign debts and for "winding-down" costs. The Gore campaign did not return calls for comment.

COLLATERAL is a critical issue for banks that lend to presidential campaigns. Banks and other corporations are barred by law from contributing money to political campaigns, and a loan that is not repaid could be interpreted by the FEC as an illegal donation.

Generally, the Election Commission requires that loans be made in the "ordinary course of business," which is to say, that they be made on the same terms that would be extended to any other customer. There must be a written loan document showing, among other things, the date on which the loan is due and the interest rate. Finally, the lending institution must be assured of repayment.

How a lender can be assured of repayment has been the stumbling block so far. In a case involving the failed 1984 presidential bid of Sen. John Glenn, D-Ohio, for example, the FEC even studied polling data before concluding that four Ohio banks essentially made a poor business judgment in extending loans of $2 million. In that case, the Glenn campaign was assessed a small fine. The loans are still outstanding.

IN most cases, the loans are secured by matching federal funds, which are predictable in advance. Banks generally loan only a percentage of the amount anticipated in matching funds. Adams National will advance up to 80% of the campaign's previous month's submission to the FEC, for example, and the loan is paid off as soon as funds are wired from Treasury.

"The monies come directly to the bank," said Mr. Pincus. The old loan is paid off and a new loan is made based upon the pending applications for matching funds. (Candidates can apply for matching funds on the second and fourth Mondays of each month.)

Opportunities to lend money to presidential campaigns only come along once every four years, but while the window is open, business couldn't be better, say the bankers who advance funds to would-be presidents.

"Everybody in the country is going to want to be in this business once they figure out how good it is," said Adams National's Ms. Blum, a former Carter administration official. In addition to being good credits in their own right, she said, campaign loans tend to bring other business into the bank.

"We made a loan to Jackson in 1984, and we've had a very pleasant relationship since," she said. Mr. Jackson's Rainbow Coalition opened accounts, as did other nonprofit organizations with ties to the Jackson camp.

"They have been wonderful accounts," she said. ■

> "Everybody is going to want to be in this business once they figure out how good it is."
>
> *— Barbara D. Blum, president and chief executive officer of Adams National Bank*

Bank Lending Along the Campaign Trail

Candidate	Lender	Amount/Terms	Status
Bruce Babbitt	Valley National Bank	Two credit lines, $750,000 total, Prime + 1/2, secured	
George Bush	Sovran Bank/D.C. National	$50,000, Prime + 1, secured	Repaid March 9, 1987, less than a month after loan taken
Richard Gephardt	Federal City National Bank, Washington	$125,000, secured, 8.75% and $1.4 million, secured, 9.75%	$1 million sold through a loan participation agreement.
Albert Gore	Sovran Bank/D.C. National Union Planters Bank, Memphis Bank of Putnam County, Monterey, Tenn., Volunteer State Bank, Portland, Tenn., Bank of Huntingdon, Tenn.	$750,000. $400,000, Prime plus 1 Each $100,000	Borrowed heavily in March for Southern regional primary and again for New York primary. Report due April 20 should detail loans.
Jack Kemp	Sovran Bank/D.C. National	Numerous loans through two credit lines. Prime + 1, secured.	Total loans of $2.45 million in 1987 and $750,000 in 1988. Repayments total $3,050,000 through end of February.
Pat Robertson	Sovran Bank/Chesapeake	$7.4 million in loans in 1988. Prime +1, secured.	At least $1.5 million repaid through February, 1988.
Paul Simon	Sovran Bank/D.C. National First National Bank of Collinsville, Ill. First National Bank of Chicago Adams National Bank, Washington	$885,296, prime + 2. secured. $45,000 secured by Mr. Simon. Prime. $300,000. Prime + 2 secured. $1 million (repaid). Prime + 2, not secured. $523,674 ($110,000 repaid.)	$1 million Adams National loan exceeded bank's loan limit, and $250,000 was upstreamed to holding company as a result, according to bank officers.
Alexander Haig	$340,000. Olympic International Bank, Boston	$340,000, 12%.	Revolving credit line
Pete DuPont	Wilmington Trust Co.	$828,000. Prime +1/2, secured.	Campaign used controlled disbursement account to limit borrowings.
Jessie Jackson	Adams National Bank Independence Bank of Chicago	$500,000, secured at 11.5% $50,000 unsecured, 9%	

Loan amounts are reported differently by each campaign and subject to some interpretation. Most often, however, the amount shown in the table represents a a credit line that is drawn down and repaid regularly as federal matching funds are received. In the Haig campaign, for example, the $340,000 shown above was drawn down and repaid several times over.

Source: Federal Election Commission filings and interviews with bank lenders for all except Gore campaign, where figures are based on newspaper reports and information provided by Union Planters Bank.

4/22/88

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American Banker

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MORTGAGE-BACKED ISSUES
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VOL. CLIII NO. 79 Friday, April 22, 1988 rd Year

Today

BankAmerica Corp.'s income increased 63% for the first quarter, largely due to cost cutting, tax credits, and a reduction in the bad loans that have crippled the banking giant for much of this decade. The largest bank on the West Coast said it earned $109 million, or 56 cents a share. 2

Electronic Data Services Inc. says its 10-year facilities management agreement with First City Bancorporation of Texas is one of its biggest financial services contracts. Under the agreement signed this week, the Dallas firm will take over First City's data processing operation. 2

Three major British banks plan to launch Switch, a joint debit card system to compete with Connect, introduced by Barclays Bank last year. Switch will be issued by Midland Bank PLC, National Westminster Bank PLC, and the Royal Bank of Scotland PLC, starting next fall. 2

A rarely used policy that allows the sale of a bank charter kept a small Illinois bank from failing. The transaction that salvaged Martinsville State Bank could be adapted to prevent the closing of other distressed banks and thereby reduce the FDIC's expenditures. 3

An updated listing ranks top merchant banks for credit cards and top bank card issuers. 16

The Farm Credit System warned it plans to scrutinize the practice of underpricing loans by some member institutions. 23

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COMMENT

Floundering thrifts may see salvation in the FDIC fund, but this protection will not help those that are overextended and poorly managed, according Irvine Sprague. 4

THRIFTS & MORTGAGES

The two top corporate debt rating agencies, Standard & Poor's Corp. and Moody's Investors Service, are expanding their scrutiny of the deposits and publicly issued debt of large thrifts. 2

Dollar volume of mortgage-backed securities fell almost 40% in March, compared with February. The month's total was also off from a year ago, as was the dollar amount for the first three months of 1988 versus the same period in 1987. 8

Just as the thrift industry was giving up on the new team at the Federal Home Loan Bank Board, the board signed a contract stating its intentions to sell insolvent American Savings and Loan Association, Stockton, Calif., to Texas millionaire Robert Bass. 8

Worth Repeating

We recognize that Irving will be acquired by another institution.

Joseph A. Rice, chairman of Irving Trust Co. [Page 1]

An American Banker Special Report

Thrifts Seek Leaner Operations As Industry's Efficiency Falls

By LINDA ELLIS

First of a Series

Thrifts are on a diet and not a moment too soon.

With deregulation and market forces rocking the once complacent industry, savings institutions should have steadily decreased noninterest expenses to compensate for having to pay market rates for deposits. They didn't, allowing expenses to rise and thinning only the bottom line.

But now many institutions are vowing to change their ways, exploring and implementing strategies to heighten profitability.

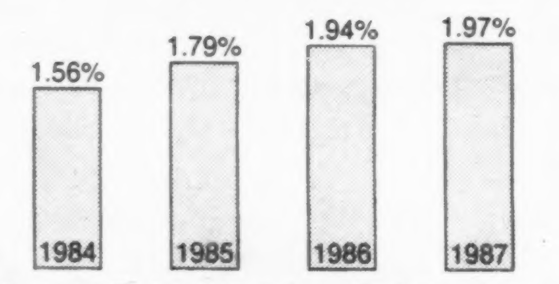
The first order of business is to get back to the efficiency level of just a few years ago. As a percentage of total assets, thrift operating costs (noninterest expenses such as personnel, sales, and overhead) have climbed from 1.56% in 1984 to 1.97% in 1987, according to Federal Home Loan Bank Board data.

Being lean but not necessarily mean

Thrifts Pare: Page 10 ➸

Operating Expenses Rise at Thrifts

As percentage of total assets



Sources: Federal Home Loan Bank Board and U.S. League of Savings Institutions

Security Pacific Aims to Trim Growth In Noninterest Expenses to 7% a Year

By ROBERT LUKE

West Coast Bureau

LOS ANGELES — Security Pacific Corp.'s noninterest expense has been rising faster than its assets and revenues, prompting many in the investment community to complain.

But the company's president and chief operating officer says the nation's sixth largest banking firm has embarked on a "rather aggressive" program to rein in those costs.

"We are moving down to the 7%-to-10% range" in expense growth, George F. Moody told reporters after the company's annual stockholders' meeting earlier this week. "Seven percent overall is a good target, assuming that we are going to continue to expand at the rate of 10% to 15% per year."

Over the past five years, Security Pacific's noninterest expense has grown at an annual rate of 18%, while assets have expanded at an annual rate of 12%. As a sign of progress, Mr. Moody said noninterest expense in the first quarter was only $6 million higher than for the third quarter of 1987, when the company acquired Rainier Bancorp., Seattle.

"Our overall noninterest expense is

Security Pacific: Page 19 ➸

Irving Agrees To Hold Talks With Suitor

But Bank of New York Continues Proxy Fight

By GORDON MATTHEWS

NEW YORK — In a dramatic reversal, Irving Bank Corp. on Thursday softened its opposition to a merger with Bank of New York Co., saying for the first time that it is willing to talk with its persistent suitor.

The development came as Irving moved to delay its annual meeting for seven weeks, which would also postpone Bank of New York's effort to gain control of Irving's board of directors.

But Bank of New York, apparently feeling it has the upper hand, harshly denounced Irving and said it would go to court to force a resolution of the proxy fight by Saturday.

The turn of events is the strongest indication to date that Bank of New York is winning its bitter six-month battle to take over Irving.

"The war is over," said John J. Lyons, managing principal of Lyons, Zomback & Ostrowski, the New York financial consulting firm.

Mr. Lyons also said it seemed likely from Irving's action and statement that the company's management and directors had gotten indications from the shareholder proxies that they might loose the contest and be forced out of their posts by Bank of New York.

The development was the latest twist in a tumultuous week that has seen the emergence of a white knight and an unusual rebuke of Irving by the Federal Reserve Board.

Irving previously had been unyielding in its opposition to Bank of New

Irving: Page 23 ➸

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April 22, 1988, American Banker

FDIC Protection Will Not Save Certain Overextended Thrifts

By IRVINE SPRAGUE

PLANS ARE UNDER WAY for the biggest heist in history. It is to be a daylight raid, conducted as the world watches. The idea is to steal the FDIC insurance fund, which has been built up to more than $18 billion over 50 years of bank assessments plus interest earned on the funds. No taxpayer money is involved.

Prudent management through all administrations, Democratic and Republican alike, has been an FDIC trademark as the fund was carefully nurtured over the years.

If the plotters get away with it, the FDIC fund will be used in an attempt to bail out the savings and loan industry and with it the sharp and shoddy operators who ran hundreds of institutions into the ground.

The euphemism used for the raid is: "Consolidation of the Insurance Funds." I guess that means that the credit union fund would also be tapped for the benefit of those who mismanaged the now bankrupt savings and loans, while operating on the shady side of respectability.

The idea of dipping into the FDIC fund has been around for a long time. But the idea is so outrageous that I never gave it a serious thought. Congressman Gerald Kleczka of Wisconsin earlier introduced a bill to consolidate the funds but I figured it was just another of the 15,000 bills introduced each Congress.

Then, when recently in Florida for a few days in the sun, my vacation was ruined the first morning when the *Florida Times-Union* of Jacksonville was delivered with my breakfast of hot cakes and sausage. A long article by Mark Basch on the business page, under a four column banner headline, said the bill was alive and quoted Bill Isaac at length. Mr. Isaac was reported as saying it would take from $35 to $64 billion to resolve the savings and loan industry problems, adding: "I believe there is no alternative to merging the funds."

Other Side of the Coin

If former FDIC chairmen are to give such advice — Mr. Isaac followed me as chairman — then it seems proper for me to paint the other side of the picture. I believe the present chairman, Bill Seidman, and all other previous chairmen, with the one lone exception quoted above, agree with me.

Briefly put, the FDIC fund provides the depositor confidence that make our banking system work. Without a strong fund, big enough to take on whatever comes, we would have had chaos on many occasions. A few come readily to mind: The October stock market crash, Penn Central, First Pennsylvania, Continental Illinois, and the climax — 203 bank failures last year. And don't overlook Texas. Still unresolved are problems of two of the largest bank holding companies in the nation, and their miseries are shared by hundreds of smaller institutions in the Lone Star state.

It would be instructive to take a look

Comment: Page 6 ➜

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years. During that time, he handled 374 bank failures, more than anyone else in FDIC history.

LETTERS TO THE EDITOR

Payne Denies Favoritism Played Role in Selection

To the Editor:

The article written by Jim McTague on April 4 ("Probe: Payne Had Ties to Hiring Panel," page 6) is unfortunate in its emphasis and in the presentation of the facts.

The purpose of this letter is to set your record straight on several issues:

- It is regrettable that the article was so biased. Mr. McTague has the names and telephone number of such sources as William McKenna, former FADA chairman; John Zellars, vice chairman; and W.W. McAlister 3d, former head of the FADA selection committee; and Ron Walker of Korn Ferry, all of whom participated in the initial selection process of the chief executive officer of FADA and could articulate directly the process, my background as an experienced real estate executive, and the roles of all involved.
- The article certainly implies favoritism shown me in hiring as FADA chief executive officer when my only contact to the selection committee abstained from voting and the process itself was very professional and comprehensive.
- Mr. McTague certainly understands the circumstances and reasons relating to my decision to leave FADA. He has a copy of my letter of resignation.
- The real news item was a report from the Inspector General's Office of the Federal Home Loan Bank which, after a thorough review of the well-publicized allegation against the Federal Asset Disposition Association, brought in large part by William Juliano and Pasquale Verona, were found to be without foundation. These are examples of individuals who have aggressively used political and press means to attempt to serve their own interests versus the economic interests of the savings system.

A more objective editorial view might give FADA the appropriate credit for successfully fulfilling much of its mission under extraordinarily difficult operating conditions.

Roslyn B. Payne
San Francisco

Ohio Bank Chief Backs States' Role in Exams

To the Editor:

The comments relating to state and federal cooperation on bank examinations and attributed to me in your April 12 article "Seidman Wants More Time to Sell Banks" [page 2] understated my enthusiasm for such programs.

As a regional supervisor with the Federal Deposit Insurance Corp., I was a strong proponent of cooperation among various banking regulators. I am continuing to push such efforts as superintendent of banks for the state of Ohio.

Ohio is indeed a leader in state-federal banking examination partnerships. Ohio became the first state in the nation to establish an automated link with a Federal Reserve Bank's information system when we tied in with the Federal Reserve Bank of Cleveland. We have begun discussions with the Chicago FDIC to develop a shared examination program with them.

I will continue to encourage increased cooperation among the Ohio Division of Banks, the FDIC, and the Federal Reserve Bank. I enthusiastically support Chairman Seidman's SAFE program. Sharing efforts helps all of us fulfill our supervisory responsibilities and benefits the entire banking system.

John F. Gayton
Superintendent
Ohio Division of Banks
Columbus, Ohio

Risk-Based Premium Plan Was Group Effort: White

To the Editor:

With regard to the story, "White's Plan for Risk-Based FSLIC Premium Draws Rapid Fire from Thrift Trade Group," by Jim McTague in the *American Banker* on Friday, April 8 [page 5]:

It is no secret that I have been an advocate of risk-sensitive deposit insurance premiums, and that an insured institution's net worth should be an important component of such a system. But, as I emphasized when your reporter telephoned on Tuesday, April 5, the proposal under consideration is the Bank Board's proposal, not "White's Plan." As I told him, the proposal was drafted by the Bank Board staff and has been shaped and influenced by the board. Unfortunately, Mr. McTague ignored this information in his story. And, since then, the board has unanimously voted to expose the proposal for public notice and comment.

Lawrence J. White
Board Member
Federal Home Loan Bank Board
Washington, D.C.

The Genuine Admen Are More Responsible

To the Editor:

As a former bank marketing director, I heartily agree with the points made by Barry Deutsch in his article in the April 14 edition ("When the Admen Come to Call, Don't Play Ball," page 4). Why otherwise logical, hardheaded bank marketing people participated in some of the advertising travesties I was invited to join was a question I could never answer.

However, in my current position as account services director for a full-service advertising agency, I do have a slight quarrel with the article's headline.

Using the word "admen" to describe charity staff, chamber of commerce pitchmen, advertorial salesmen, and so on may be misleading, since to many people this term relates to ad agencies such as ours. And we would never recommend unjustifiable programs like these to our clients.

Hopefully, if more readers pay attention to Barry Deutsch's column, these programs will die a natural death. I, for one, couldn't be happier to attend the funeral.

Frank J. Mercurio
Senior Vice President
McAdams, Richman & Ong
Bala-Cynwyd, Pa.

Profitability Is Tough Case To Present to Customers

To the Editor,

Regarding the April 12 article by Sanford Rose; "Raising Branch Profitability" [page 1]:

While your article makes a valid point concerning the need for increasing awareness of bottom-line responsibility by branch management, try convincing customers that banks need to make a profit, too. Just like IBM!

Cheryl A. Panetta

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

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Updated Rankings of Bank Credit Card Operations

Since the *American Banker* published its listings of the top banks in the bank card business on March 1 and March 3, additional banks have provided data about their bank card operations. Therefore, the newspaper is publishing revised rankings of the top bank card issuers and the top merchant banks for bank cards. ■

Top Merchant Banks for Credit Cards

Compiled by the American Banker

Ranked by merchant sites on Dec. 31, 1986 (of those responding to survey)

	Merchant Sites	Merchants
1. MBank USA, Wilmington, Del.	84,500	38,800
2. First National Bank of Louisville, Ky.	80,000	3,600
3. Citizens Fidelity Bank and Trust Co., Louisville, Ky.	71,000	31,000
4. Bank of America, San Francisco	NA	44,100
5. Rocky Mountain BankCard System Inc., Denver	NA	40,000
6. Security Pacific National Bank, Los Angeles	41,000	25,000
7. Mercantile Bank, St. Louis	39,000	3,000
8. Chemical Bank, New York	37,000	32,500
9. First National Bank of Atlanta	26,000	10,400
10. First Wisconsin National Bank of Milwaukee	NA	22,800
11. Corestates Bank of Delaware, Wilmington	23,000	15,000
12. NBD Bancorp, Detroit	21,200	19,700
13. Sovran Bank NA, Richmond, Va.	20,300	16,800
14. Marine Midland Bank, Buffalo	18,000	15,000
15. Barnett Credit Services Inc., Jacksonville, Fla.	17,600	NA
16. Manufacturers Hanover Trust Co., New York[1]	NA	15,800
17. First Bank of South Dakota NA, Sioux Falls	15,000	9,200
18. First Interstate Bank of California, Los Angeles	14,100	12,700
19. United Virginia Bank, Richmond, Va.	11,800	9,700
20. Rainier National Bank, Seattle	11,700	NA
21. First Tennessee Bank, Memphis	10,100	8,000
22. AmSouth Bank NA, Birmingham, Ala.	9,800	9,000
23. Wachovia Bank and Trust Co., Winston-Salem, N.C.	9,300	6,600
24. Fleet National Bank, Providence, R.I.	9,100	8,100
25. Hibernia National Bank, New Orleans	8,900	NA
26. United Missouri Bank of Kansas City,	8,700	1,000
27. NCNB, Greensboro, N.C.	8,700	8,300
28. Shawmut Bank, Boston	NA	7,400
29. Meridian Bancorp, Reading, Pa.	7,800	NA
30. First Fidelity Bank NA, Newark, N.J.	7,600	6,600
31. Fifth Third Bank, Cincinnati	7,500	5,000
32. First Maryland Bancorp, Millsboro, Del.	7,400	5,600
33. California First Bank, San Diego	7,400	7,200
34. Dominion Bankshares Corp., Roanoke, Va.	7,000	5,400
35. Signet Bank, Richmond, Va.	7,000	4,500
36. Huntington National Bank, Columbus, Ohio	6,700	6,400
37. Maryland Bank NA, Newark, Del.	6,500	5,500
38. Midlantic National Bank/North, West Paterson, N.J.	6,200	5,900
39. South Carolina National Bank, Columbia	5,800	4,500
40. Bank of New England, Boston	5,200	5,300
41. Connecticut National Bank, Hartford	NA	5,000
42. Security Bank and Trust Co., Southgate, Mich.	5,000	NA
43. Citizens and Southern National Bank, Atlanta	4,800	4,500
44. Society National Bank, Cleveland	4,300	2,200
45. National City Bank, Cleveland	4,200	2,900
46. Sanwa Bank of California, Los Angeles	NA	3,200
47. Sumitomo Bank of California, San Francisco	NA	2,200
48. Sovran Bank/Delaware, Dover	2,600	2,000
49. Equibank (Delaware) NA, Wilmington	2,600	2,600
50. State Street Bank and Trust Co., Boston	2,500	1,300
51. First RepublicBank, Dallas	2,100	900
52. First Pennsylvania Bank NA, Philadelphia	1,800	1,000
53. First National Bank of Cincinnati	1,700	1,500
54. Bank One, Columbus, Ohio	NA	1,200
55. Union National Bank of Little Rock, Ark.	900	600
56. Bank of Hawaii, Honolulu	500	NA

[1] Manufacturers Hanover has since sold its merchant business to First Financial Management Corp., Atlanta.

Top Bank Card Issuers

Compiled by the American Banker

(Of those responding to survey)

	Total Credit Card Accounts (12/31/86)
1. Citicorp, New York	10,000,000
2. Bank of America, San Francisco	4,801,000
3. Manufacturers Hanover Trust Co., New York	3,308,000
4. Marine Midland Bank, Buffalo	2,200,000
5. Wells Fargo Bank, San Francisco	1,800,000
6. Maryland Bank NA, Newark, Del.	1,800,000
7. Chemical Bank, New York[1]	1,500,000
8. Associates National Bank, Pleasanton, Calif.	1,240,000
9. Rocky Mountain BankCard System Inc., Denver	1,122,000
10. First National Bank of Atlanta	1,100,000
11. MBank USA, Wilmington, Del.	1,044,000
12. Security Pacific National Bank, Los Angeles	1,026,000
13. First City Bank - Sioux Falls, Sioux Falls, S.D.	989,000
14. First Wisconsin National Bank of Milwaukee	978,000
15. Signet Bank, Richmond, Va.	912,000
16. NCNB, Greensboro, N.C.	894,000
17. Corestates Bank of Delaware, Wilmington	880,000
18. Mellon Bank (Delaware) NA, Wilmington	856,000
19. First Interstate Bank of California, Los Angeles	830,000
20. First RepublicBank, Dallas	802,000
21. Security Bank and Trust Co., Southgate, Mich.	766,000
22. Seattle First National Bank	739,000
23. Barnett Credit Services Inc., Jacksonville, Fla.	709,000
24. Sovran Bank NA, Richmond, Va.	706,000
25. Mercantile Bank, St. Louis	639,000
26. Indiana National Bank, Indianapolis	592,000
27. First Maryland Bancorp, Millsboro, Del.	581,000
28. State Street Bank and Trust Co., Boston	570,000
29. First Interstate Bancard Co., Simi Valley, Calif.	511,000
30. BancOhio, Columbus, Ohio	487,000
31. Rainier National Bank, Seattle	469,000
32. Avco National Bank, Irvine, Calif.[2]	438,000
33. United Virginia Bank, Richmond, Va.	430,000
34. United Missouri Bank of Kansas City	387,000
35. Citizens and Southern National Bank, Atlanta	385,000
36. PNC National Bank, Wilmington, Del.	379,000
37. NBD Bancorp, Detroit	375,000
38. First Tennessee Bank, Memphis	365,000
39. First Bank of South Dakota NA, Sioux Falls	363,000
40. European American Bank, Uniondale, N.Y.	347,000
41. United Bank of Denver	334,000
42. Goldome FSB, Buffalo	325,000
43. Equibank (Delaware) NA, Wilmington	316,000
44. Connecticut National Bank, Hartford	301,000
45. Colonial National Bank USA, Wilmington, Del.	291,000
46. South Carolina National Bank, Columbia	257,000
47. Wachovia Bank and Trust Co., Winston-Salem, N.C.	255,000
48. Society National Bank, Cleveland	253,000
49. Sovran Bank/Delaware, Dover	245,000
50. AmSouth Bank NA, Birmingham, Ala.	242,000
51. Hibernia National Bank, New Orleans	218,400
52. Fifth Third Bank, Cincinnati	215,000
53. Meridian Bancorp, Reading, Pa.	210,000
54. Huntington National Bank, Columbus, Ohio	209,000
55. California First Bank, San Diego	198,000
56. Fleet National Bank, Providence, R.I.	192,000
57. Shawmut Bank, Boston	192,000
58. First Pennsylvania Bank, Philadelphia	185,000
59. Dominion Bankshares Corp., Roanoke, Va.	156,000
60. Bank of Hawaii, Honolulu	148,000
61. First National Bank of Cincinnati	147,000
62. Union National Bank of Little Rock, Ark.	139,000
63. National City Bank, Cleveland	138,000
64. Midlantic National Bank/North, West Paterson, N.J.	132,000
65. Dollar-Dry Dock Savings Bank, White Plains, N.Y.	131,000
66. First National Bank of Louisville, Louisville, Ky.	130,000
67. Bank of New England, Boston	110,000
68. Empire of America, Buffalo	93,000
69. First Fidelity Bank NA, Newark, N.J.	64,000
70. Sanwa Bank California, Los Angeles	42,000
71. Sumitomo Bank of California, San Francisco	41,000

[1] Active accounts.

[2] Avco National has since been acquired by Household Bank NA, Salinas, Calif.

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The Daily Financial Services News

VOL. CLIII NO. 86 Tuesday, May 3, 1988 153rd Year

Today

A Pennsylvania congressman believes the Federal Asset Disposition Association is unconstitutional. Rep. Paul E. Kanjorski, one of several House Democrats seeking to abolish the association, is considering a court challenge to the controversial unit of the Bank Board. ______ 2

An investigation into what caused the collapse of Colorado's industrial banks is focusing on the failure of state examiners to detect and correct problems. The criticism is centered on an understaffed Colorado Division of Banking and Richard B. Doby, who resigned as the division's commissioner — a $58,000-a-year post — at the request of Gov. Roy Romer. __ 2

Legislation paving the way for the merger of Mercantile Bancorp. and Centerre Bancorp., both of St. Louis, is expected to reach Missouri Gov. John D. Ashcroft this week. Missouri law now restricts a bank holding company to a 13% share of all bank deposits in the state. The bill, which has passed both the House and the Senate, would expand the deposit base to include accounts at savings and loans and other federally insured financial institutions. ______ 2

Robert D. Mettlen, a former top official of the Federal Home Loan Bank of Dallas, reportedly has agreed to repay some $3,000 he received in 1985 for the sale of stock in Lamar Savings Association, Austin, Tex., an insolvent thrift. The agreement settles his part of a civil suit filed by current management that names 30 former officers and directors. ______ 2

Banca Commerciale Italiana reversed its position and increased the total value of its bid for Irving Bank Corp. The Milan-based bank said it would purchase about 51% of Irving's outstanding stock, up from its original offer of about 45%. ______ 3

The weekly listing of financial services stocks features regional industry groups and price indexes. __ 14

In the News ______ 3
Numero Uno ______ 24

CORPORATE FINANCE

New Jersey bankers are enjoying a strong commercial loan market, and they expect a growth rate of about 9% to 10% this year. The lenders' primary targets are middle-market companies, including both smaller manufacturers and service firms, with annual sales ranging from $5 million to $500 million. ______ 6

Standard & Poor's is developing a credit rating system for leveraged buyout deals designed to provide investors with a more comprehensive package of financial information than a simple letter rating. ______ 6

Worth Repeating

This is too little too late. . . . I don't get the impression that BCI is all that anxious to own Irving.

Lawrence Cohn, who follows New York banking for Merrill Lynch & Co., on Banca Commerciale Italiana's higher bid. [Page 3]

Who Earned the Most Among Top Bank Officers

Charles S. Sanford Jr., 51
Chairman
Bankers Trust New York Corp.
$1,750,000

George J. Vojta, 52
Executive vice president
Bankers Trust New York Corp.
$1,300,000

Philip M. Hampton, 55
Vice chairman
Bankers Trust New York Corp.
$1,350,000

Lewis T. Preston, 61
Chairman
J.P. Morgan & Co. and
Morgan Guaranty Trust Co.
$1,289,792

Edward A. Lesser, 54
Executive vice president
Bankers Trust New York Corp.
$1,300,000

Carl E. Reichardt, 56
Chairman
Wells Fargo & Co.
$1,140,335

Ralph L. MacDonald Jr., 46
Executive vice president
Bankers Trust New York Corp.
$1,300,000

Lloyd P. Johnson, 57
Chairman, president & CEO
Norwest Corp.
$1,131,246

Eugene B. Shanks Jr. 41
Executive vice president
Bankers Trust New York Corp.
$1,300,000

Willard C. Butcher, 61
Chairman and CEO
Chase Manhattan Corp. and
Chase Manhattan Bank
$1,103,088

Bankers Trust Paid Top Execs The Most in '87

Firm Had Top 6 Earners In US; Sanford Was No.1

By KENNETH J. HICKS

NEW YORK — Bankers Trust New York Corp. swept the top rankings in executive compensation in 1987, according to the *American Banker's* annual survey.

The money center bank not only moved into the top spot in total remuneration for its top two executives, but it also boasted the six highest-paid bankers in the United States.

On average, the company's top executives pulled down about $1 million in 1987, more than double the compensation of their counterparts at J.P. Morgan & Co., New York.

Meanwhile, several companies that suffered big losses last year fell to their lowest ranking in the 15 years the *American Banker* has been tracking remuneration at banking companies.

Overall, however, the 50 banking firms that pay their two highest executives the most have increased that compensation 4% since 1986. Nineteen of the companies listed in today's tables reported double-digit increases in executive compensation, though only seven had an increase in return on average equity from 1986.

These are some of the findings of the *American Banker*'s annual survey of remuneration of the two highest-paid officers at each of the 50 banking compa-

Bankers Trust: Page 11 ➺

Ranking of Banks by Executive Salaries
Tables Begin on Page 8

Random Thoughts

By SANFORD ROSE

Just a few short years ago, branch deposits were so valuable that expense levels could remain absurdly high. In 1981, the typical bank branch made a net interest margin plus fees equal to 10 cents per dollar of deposits. Otherwise stated, the branch could incur expenses — the cost of running the branch and processing its deposits — of just under 10% of deposits and still turn a profit: i.e., make a contribution to fixed overhead.

As interest rates fell, the credit for branch deposits dropped correspondingly, lowering the breakeven expense level. By 1986, the breakeven level of noninterest branch expenses had fallen from 10% to 3%.

Random Thoughts: Page 4 ➺

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With a drop in the earnings credit, branches had to generate many more deposits in order to remain cost effective. In 1981, branches that garnered as little as $1 million to $5 million in deposits were still economic. By 1986, the size of the cost-effective branch had increased to about $20 million to $25 million.

Now suppose interest rates start rising again — as many expect. Won't branch margins and breakeven expense levels also begin moving up, obviating the need for many branch closings and for draconian expense-reduction programs?

Not as much as some bankers think, says Booz-Allen & Hamilton. As rates increase, consumers will shift a higher percentage of funds from low- or no-interest accounts like DDAs, NOWs, and passbooks to more rate-sensitive vehicles, such as MMDAs.

The value of the remaining hoard of low-interest deposits will obviously increase, but the amount of these deposits will drop. Branch net interest margins will indeed rise, but only a little.

According to BAH projections, if the federal funds rate rises to 10% by 1990, branch margins will increase from 3% to just over 4%. This would lower the size of the cost-effective branch from, say, $21 million to around $10 million to $12 million. But some 40% of the nation's bank and thrift branches would still be nonviable.

Upshot: Retail executives can't look to rising rates to bail them out. Because of likely shifts in the deposit mix, the halcyon days of the early '80s will not recur. There is no alternative except to reconfigure branch networks and embark on thoroughgoing campaigns of branch rationalization.

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The recently released ABA study of delivery system economics, authored by Booz-Allen, contains an intriguing section on ATM economics. The consultant stratifies ATM costs into three types: systemwide costs (costs that must be incurred to provide ATM services to customers, regardless of the number of ATMs); fixed costs (those that are incurred when an additional ATM is brought on line); and variable transaction costs (those that increase as more transactions are made via ATMs).

Systemwide costs include: customer service expenses (PINs and the cost of problems and complaints); Regulation E compliance staff; software maintenance and support; pro rata share of computer and telecommunications equipment expense; and card-issuing costs. At one bank, such costs totaled $69,600 a month, broken down into $36,800 for central support (salary and benefits for staff and supervisors), $9,800 for systems, and $23,000 for day-to-day operations.

Fixed costs vary by type of ATM and by local market conditions. For example, at one institution, BAH uncovered the following figures. An in-lobby ATM ran $840 per month, broken down into $450 for depreciation, $240 in balancing and loading expense, and $150 in telecommunications cost. A through-the-wall ATM cost $1,057 a month because of higher depreciation charges. And a free-standing ATM was the costliest, at $1,630.

Variable costs depend on whether there is an in-house processing capability or whether an outside service bureau is utilized. One bank with significant in-house processing capability had costs ranging from 10 to 20 cents per transaction. But an institution that used service bureaus bore a much higher cost — from 30 to 50 cents per transaction.

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ATM costs must, of course, be compared with those of traditional paper-based teller transactions. But customers use ATMs and tellers differently, so it is necessary to make some adjustments in order to determine relative efficiencies. BAH developed certain ratios as a means of equalizing ATM and teller transactions. For example, if the average cash withdrawal from an ATM is $50 while that from a teller window is $200, then, everything else being equal, it takes four ATM cash withdrawals to replace one teller cash withdrawal.

Having made these adjustments, the consultant determined that, at one institution, tellers are more cost effective than in-lobby ATMs at transaction levels of under 9,500 per month. At transaction volumes of less than 2,900, tellers are cheaper than any type of ATM, but nonproprietary shared ATMs are cheaper than proprietary ones.

At intermediate transaction volumes (2,900 to 9,500), tellers are still the cheapest, but proprietary ATMs become more cost effective than nonproprietary machines. But when volumes exceed 9,500, proprietary ATMs have the lowest monthly cost, outstripping tellers and, of course, nonproprietary systems.

BAH found that some commercial banks have achieved breakeven ATM volumes through aggressive marketing and incentives. But in a sample of five banks, only two had an appreciable number of ATMs with monthly volumes in excess of a breakeven level of 9,500.

Savings and loans, which have fewer transaction accounts than banks, typically have small and suboptimal ATM volumes. Thus, in three surveyed associations, none had ATMs whose volumes even remotely approached the breakeven level.

Some banks, however, need many fewer than 9,500 monthly transactions to break even — outstrip teller performance. For example, at institutions with highly efficient in-house processing capabilities (costs of about 15 cents per transaction), in-lobby ATMs bearing monthly fixed costs of as much as $1,800 may be more cost effective than tellers at transaction volumes of only 5,000 to 6,000. On the other hand, institutions employing service bureaus that charge, say, 40 cents per transaction may find that the cost lines converge only at astronomical volumes — i.e., in-lobby ATMs are almost never more efficient than teller transactions.

In the case of free-standing machines, fixed costs are often decisive. When monthly lease payments are relatively high, reflecting, say, the elevated cost of land, free-standing machines rarely cut the mustard. Given fixed monthly costs of between $3,000 and $4,000, such machines were found to be less cost effective than tellers at transaction volumes of under 12,000 or 13,000 — even for banks whose marginal processing cost was only about 15 cents.

Of course, whether machines beat tellers also depends to a large degree on the bank's salary level and on the nature of ATM transactions. Where teller compensation is high and there is a close equivalence (substitutability) between machine and teller transactions, ATMs may indeed prove viable at quite modest transaction volumes.

Thus, in one analysis which assumed, among other things, that (1) machines bore a fixed monthly cost of $750, (2) 80% of ATM transactions replaced teller transactions, and (3) tellers earned $25,000 a year in salary and benefits, machines were more cost effective than tellers at monthly volumes of 5,000. But if the tellers made $20,000, the same machines became economic only when ATM transaction volumes neared 10,000. And assuming teller salaries of $15,000, such machines were uneconomic even at transaction volumes of 15,000.

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BAH finds that ATM volumes can be predicted based on neighborhood demographics and machine availability, which together explain 83% of the variation in machine activity across neighborhoods. Neighborhoods that contain large populations of people aged 20-34 are obviously the logical places to concentrate ATM installations.

Consider a neighborhood that contains 25,000 people aged 20-34 and 20 ATMs. Monthly transaction volume is estimated at 100,000, or 5,000 per machine. If the same neighborhood had only 10 ATMs, volume is projected to be 60,000, or 6,000 per machine. Thus, by analyzing its breakeven transaction levels and local market conditions, a bank can determine with a fair degree of accuracy whether a given area will support additional machine installations.

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The ABA-BAH study offers a fascinating glimpse of the slippery world of ATM economics. Numerical analysis is treacherous because of the wide variance from the alleged averages.

Fixed monthly costs for in-lobby machines can vary by as much as $1,000 or more. As noted, marginal processing costs also range quite widely, depending on the extent of in-house processing capabilities.

Nonetheless it appears that, whatever the applicable numbers, a significant number of ATM installations are not currently cost effective — that is, they are less efficient than traditional paper-based teller systems.

To be sure, the decision on whether to invest in ATMs must be based on more than a simple numbers calculation. ATMs, emphasizes Booz-Allen, must be evaluated as part of an overall marketing strategy. As many banks have discovered, there may be a defensive justification for ATMs, since, without them, the bank could lose deposits to competitors that provide the service.

Still, some numerical exercises are essential. Banks must estimate how many deposits would be lost and the worth of these foregone funds. In justifying a strategy that targets younger customers, who are more likely to use an ATM, institutions must ask themselves whether the accounts are valuable now or only later. And if the accounts are not now profitable, banks must determine what current losses are justified in order to hold on to these customers until the relationships become profitable. ■

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

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Top 50 Banks in 1987 Executive Remuneration

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Rank 1987	Rank 1986		Top Executive Remuneration				Individual Remuneration			
			1987	1986	% Chg.	Top Executives	1987	1986	% Chg.	Notes
1	2	**Bankers Trust New York Corp.**	3,100,000	2,450,000	+26.5%	Charles S. Sanford, Jr., 51 Ch of HC & Bankers Trust Co. since 7/1/87	1,750,000	1,150,000*	+52.2%	G,R,T,r,t
						Philip M. Hampton, 55 VC of HC and bank	1,350,000	.....	....	R,T
2	1	**J.P. Morgan & Co., Inc.**	2,268,334	2,613,250	−13.2%	Lewis T. Preston, 61 Ch of HC & Morgan Guaranty Trust Co.	1,289,792	1,490,000	−13.4%	R,T,r,t
						Dennis Weatherstone, 57 Pr of HC and bank	941,667	.....	....	R,T
3	8	**Norwest Corp.**	2,100,818	1,699,894	+23.6%	Lloyd P. Johnson, 57 Ch, Pr & CEO of HC	1,131,246	813,334	+39.1%	R,r,t
						Richard M. Kovacevich, 44 VC of HC & COO of Banking Group	969,572	.....	....	R
4	4	**Wells Fargo & Co.**	1,973,170	2,050,000	−3.7%	Carl E. Reichardt, 56 Ch of HC	1,140,335	1,200,000	−5.0%	R,T,r,t
						Paul Hazen, 46 Pr of HC	832,835	850,000	−2.0%	R,T,r,t
5	5	**Chase Manhattan Corp.**	1,900,688	2,040,107	−6.8%	Willard C. Butcher, 61 Ch & CEO of HC and Chase Manhattan Bank NA	1,103,088	1,189,397*	−7.3%	R,T,r,t
						Thomas G. Labrecque, 49 Pr & COO of HC and bank	797,600	850,710*	−6.2%	R,r,t
6	6	**Security Pacific Corp.**	1,744,000	1,964,800	−11.2%	Richard J. Flamson III, 58 Ch & CEO of HC	1,009,200	1,135,800	−11.1%	r,t
						George F. Moody, 57 Pr & COO of HC	734,800	829,000	−11.4%	r,t
7	10★	**Fleet/Norstar Financial Group, Inc. (#)**	1,663,618	1,536,763	+8.3%	Peter D. Kiernan, 64 Ch of Norstar Bancorp, Inc.	832,977	761,763	+9.3%	T
						J. Terrence Murray, 48 Pr of Fleet Financial Group, Inc.	830,641	775,000	+7.2%	
8	27	**Mellon Bank Corp.**	1,597,500	1,186,383	+34.7%	Frank V. Cahouet, 55 Ch & CEO of HC & Mellon Bank NA (since 6/22/87)	900,000	.....	....	G,R
						Anthony P. Terracciano, 49 Pr of HC and bank (since 7/24/87)	697,500	.....	....	G,R
9	14	**Midlantic Corp.**	1,574,401	1,367,739	+15.1%	Robert van Buren, 62 Ch & CEO of HC and Midlantic National Bank, Newark	940,862	841,737	+11.8%	R,r,t
						Roy T. Peraino, 59 Pr of HC and Ch of Continental Bank, Norristown	633,539	411,659	+53.9%	R
10	20	**Sovran Financial Corp.**	1,561,944	1,263,364	+23.6%	C.A. Cutchins, III, 64 Ch & CEO of HC and Sovran Bank NA, Richmond	864,969	697,309	+24.0%	R,T,r
						C. Coleman McGehee, 63 Pr & COO of HC and bank	696,975	566,055	+23.1%	R,T,r
11	13	**Bank of New York Co. Inc.**	1,547,681	1,402,974	+10.3%	J. Carter Bacot, 55 Ch & CEO of HC & Bank of New York	932,290	845,446	+10.3%	R,T,r
						Peter Herrick, 61 Pr of HC and bank; COO of bank	615,391	557,528	+10.4%	R,T,r
12	11	**First Union Corp.**	1,525,281	1,483,689	+2.8%	Edward E. Crutchfield, Jr., 46 Ch & CEO of HC	938,906	852,552	+10.1%	R,T,r
						Ben T. Craig, 55 Pr of HC	586,375	631,137	−7.1%	R,T,r
13	26	**Bank of Boston Corp.**	1,510,000	1,193,400	+26.5%	William L. Brown, 65 Ch of First National Bank, Boston	874,000	755,400	+15.7%	R,T,h,r
						Ira Stepanian, 51 Pr & CEO of the bank	636,000	438,000	+45.0%	R,T,h,r,t
14	7	**First Chicago Corp.**	1,496,840	1,702,994	−12.1%	Barry F. Sullivan, 57 Ch of HC & First National Bank of Chicago	879,215	996,593	−11.8%	R,r
						Richard L. Thomas, 57 Pr of HC and bank	617,625	706,401	−12.6%	R,T,r,t
15	33	**BankAmerica Corp.**	1,483,333	1,150,000	+29.0%	A.W. Clausen, 65 Ch & CEO of HC	775,000	575,000	+34.8%	g,r
						F.N. Newman, 45 VC, CFO & Tr of HC	708,333	....	....	
16	25	**Continental Illinois Corp.**	1,450,000	1,200,000	+20.8%	John E. Swearingen, 69 Ch of HC (until 7/31/87)	800,000	600,000	+33.3%	P,r
						Thomas C. Theobald, 50 Ch of HC & Continental Illinois NB&T Co. (since 8/1/87)	650,000	....	....	G,R
17	32	**Bank of New England Corp.**	1,439,232	1,150,449	+25.1%	Walter J. Connolly, Jr., 59 Ch of HC	847,892	653,564	+29.7%	R,r
						Peter H. McCormick, 51 Pr of HC	591,340	496,885	+19.0%	R,r,t
18	9	**Manufacturters Hanover Corp.**	1,417,688‡	1,586,575	−10.6%	John F. McGillicuddy, 57 Ch CEO of HC & Manufacturers Hanover Trust Co.	818,810‡	909,735	−10.0%	R
						John R. Torell III, 48 Pr of HC and bank	598,878‡	676,840	−11.5%	R
19	3	**Citicorp**	1,405,300	2,064,766	−31.9%	John S. Reed, 49 Ch of HC & Citibank NA	840,300	1,183,933	−29.0%	R,T,r,t
						Hans H. Angermueller, 63 VC of HC and bank	565,000	.....	.....	R,T
20	16	**Boatmen's Bancshares, Inc.**	1,377,949†	1,312,489	+5.0%	Donald N. Brandin, 66 Ch & CEO of HC	885,324†	810,468†	+9.2%	R,T,r
						Andrew B. Craig, III, 56 Pr of HC	492,625†	502,021†	−1.9%	r
21	15	**NBD Bancorp., Inc.**	1,360,024	1,346,981	+1.0%	Charles T. Fisher, III, 58 Ch & Pr of HC	913,933	865,052	+5.7%	
						Thomas H. Jeffs, II, 49 VC of HC	446,091	.....	....	
22	40	**Banc One Corp.**	1,352,107	1,087,060	+24.4%	John B. McCoy, 44 Ch of HC	835,607	621,506	+34.4%	
						Frank E. McKinney, Jr., 49 Pr of HC; Ch of Banc One Indiana Corp.	516,500	465,554	+10.9%	
23	35	**PNC Financial Corp.**	1,349,000	1,134,592	+18.9%	Thomas H. O'Brien, 50 Pr & CEO of HC	793,000	605,470	+31.0%	R,T,r,t
						Roger S. Hilas, 60 Ch of HC and Ch & CEO of Provident National Bank, Philadelphia	556,000	529,122	+5.1%	R,r
24	17	**First Interstate Bancorp.**	1,347,875	1,300,032	+3.7%	J.J. Pinola, 62 Ch & CEO of HC	808,725*	786,791*	+2.8%	R,T,r,t
						Edward M. Carson, 58 Pr of HC	539,150*	513,241*	+5.0%	R,T,r,t
25	10	**Irving Bank Corp.**	1,301,708	1,490,250	−12.7%	Joseph A. Rice, 63 Ch & CEO of HC & Irving Trust Co.	792,500	905,125	−12.5%	
						Samuel F. Chevalier, 53 Pr of HC and VC of bank	509,208	585,125	−13.0%	

Executive remuneration, as defined by American Banker, is total compensation — whether current or deferred — paid or credited for services during 1987 to the two highest paid officers of the organization. **Included are the following:** salary, bonus and incentive payments, profit sharing, and all other remuneration such as insurance premiums, club membership fees, and tax service fees paid by the corporation for the executive. **Excluded are the following:** pension plan payments; retirement plan payments or accruals; stock options exercised; stock appreciation rights; and contingent long-term bonus payments which are based on the company's performance for a period greater than one year. The American Banker ranking is based on total remuneration paid to the top two executives of the company. The corporation's rankings for both 1987 and 1986 are shown to the left of the corporation's name. Total remuneration for the top two executives, for both 1987 and 1986, is reported to the nearest dollar in the column entitled **"Top Executive Remuneration"**. The compensation paid for executives number one and number two for both 1987 and 1986 appear in the column entitled **"Individual Remuneration."** All footnotes that are relevant to the compensation figures reported for each executive— except those dealing with long-term incentive awards— appear in the column labeled **"Notes"**. Footnotes which refer to 1987 data are capitalized and footnotes referring to 1986 data are lower case. The titles shown for the executives are those for which they received compensation, excluding directorships. **Title abbreviations:** CAO— Chief Accounting Officer; CEO— Chief Executive Officer; CEx— Chairman of the Executive Committee; CFO— Chief Financial Officer; CLO— Chief Lending Officer; Ch— Chairman of the Board; CM— Chairman of the Management Committee; COO— Chief Operating Officer; DCh— Deputy Chairman of the Board; EVP— Executive Vice President; HC— Holding Company; Pr— President; Sec— Secretary; SE— Sector Executive; SEVP—Senior Executive Vice President; SrCh—Senior Vice Chairman of the Board; Tr— Treasurer; VC— Vice Chairman; and VP— Vice President. **NOTES: G,g—** Includes latest salary during the year, at an annual rate, for an officer hired or promoted during the year. **H,h—** Also received a bonus in stock. **P,p—** Includes salary at an annual rate for an officer who left the firm or retired during the year. **R,r—** Also granted stock options. **T,t—** Stock options exercised during the year. **V,v—** Includes cash value of award in stock. Footnotes dealing with long-term compensation appear immediately after the compensation figure reported for each executive. **(†)—** Long-term compensation is included in the remuneration total reported to American Banker by the banking firm, who was unable or unwilling to remove that component from the total. **‡—** Includes dividends on stock received under long-term incentive plan. **(*)—** Executive also received a long-term cash compensation award, which is not included in the remuneration total shown. **(#)—** On 1/1/88, Fleet Financial Group, Inc., Providence, R.I., and Norstar Bancorp., Albany, N.Y., merged to form Fleet/Norstar.

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Rank	Rank		Top Executive Remuneration				Individual Remuneration			
1987	1986		1987	1986	% Chg.	Top Executives	1987	1986	% Chg.	Notes
26	..	**Equitable Bancorp.**	1,301,396	.....	.....	H. Grant Hathaway, 60 Pr & CEO of HC; Ch & CEO of Equitable Bank	688,894	.....	.....	R,T
						Alfred Lerner, 54 Ch of HC	612,502	.....	.....	R
27	29	**Shawmut National Corp. (#)**	1,294,994	1,169,752	+10.7%	Joel B. Alvord, 49 Pr. & CEO of HC	685,000*	583,106	+17.5%	R,T,r,t
						John D. LaWare, 59 Ch of HC	609,994*	649,703†[2]	-6.1%	R
28	21	**National Westminster Bank USA**	1,285,984	1,257,613	+2.3%	William T. Knowles, 53 Ch & CEO	756,992	719,867	+5.2%	
						Robert F. Wallace, 53 Pr & COO	528,992	537,746	-1.6%	
29	..	**Comerica, Inc.**	1,285,732	N.A.	.....	Donald R. Mandich, 62 Ch & CEO of HC	752,472	.....	.....	R,T
						Eugene A. Miller, 50 Pr & CAO of HC	533,260	N.A.	.....	R,T
30	49[1]	**CoreStates Financial Corp.**	1,284,490	1,015,331	+26.5%	G. Morris Dorrance, Jr., 65 Ch & CEO of HC	743,672	625,468	+18.9%	R,r,t
						Terrence A. Larson Pr & COO of HC	540,818	.....	.....	R
31	36	**Barnett Banks, Inc.**	1,259,850	1,129,600	+11.5%	Charles E. Rice, 52 Ch & CEO of HC	840,000	733,200	+14.6%	R,r,t
						Albert D. Ernest, Jr., 57 VC of HC	419,850	396,400	+5.9%	R,T,r
32	38	**First Hawaiian, Inc.**	1,235,369	1,098,470	+12.5%	John D. Bellinger, 64 Ch & CEO of HC and First Hawaiian Bank	805,009	701,439	+14.8%	v
						Walter A. Dods, Jr., 46 EVP of HC and Pr of bank	430,360	397,031	+8.4%	v
33	18	**First Wachovia Corp.**	1,232,455	1,297,499	-5.0%	John G. Medlin, Jr., 54 Ch, Pr & CEO of HC	785,286	663,925	+18.3%	r,t
						D. Raymond Riddle, 54 Ch of HC	447,169	.....	......	T
34	28	**Northern Trust Corp.**	1,208,336	1,183,155	+2.1%	Weston R. Christopherson, 62 Ch & CEO of HC & Northern Trust Co.	787,350	793,616	-0.8%	
						David W. Fox, 56 Pr & COO of HC and bank (since 4/21/87); VC of HC and bank (until 4/21/87)	420,986	389,539	+8.1%	R,T,h,r,t
35	34	**Equimark Corp.**	1,164,656	1,141,657	+2.0%	Alan S. Fellheimer, 44 Ch & CEO of HC	777,990	770,362	+1.0%	R
						Claire W. Gargalli, 45 Ch of Equibank, Pittsburgh	386,666	371,295	+4.1%	R
36	47	**City National Corp.**	1,151,068	1,027,749	+12.0%	Bram Goldsmith, 65 Ch & CEO of HC & City National Bank, Beverly Hills	821,061	763,749	+7.5%	
						Alexander Kyman, 58 Pr of HC and bank	330,007	264,000	+25.0%	R,T,t
37	41	**U.S. Trust Corp.**	1,150,500	1,067,500	+7.8%	Daniel P. Davison, 62 Ch & CEO of HC	689,750*	653,192*	+5.6%	R,T,t
						H. Marshall Schwartz, 51 Pr of HC	460,750*	414,308*	+11.2%	R,T,r,t
38	50[2]	**State Street Boston Corp.**	1,130,503	1,011,441	+11.8%	William S. Edgerly, 61 Ch of HC	657,002	584,627	+12.4%	
						Peter E. Madden, 46 Pr of HC	473,501	426,814	+10.9%	R,T
39	46	**Southeast Banking Corp.**	1,127,400	1,029,400	+9.5%	Charles J. Zwick, 61 Ch & CEO of HC	617,000	556,000	+11.0%	R,r
						John E. Porta, 56 Pr & COO of HC	510,400	473,000	+7.9%	R,r
40	12	**First Bank System, Inc.**	1,111,582	1,435,709	-22.6%	DeWalt H. Ankeny, Jr., 55 Ch & CEO of HC	590,811*	785,476	-24.8%	R,T,r,t
						Dennis E. Evans, 49 Pr & COO of HC	520,771*	650,233	-19.9%	R,T,r,t
41	19	**Chemical New York Corp. (#)**	1,105,000	1,267,500	-12.8%	Walter V. Shipley, 53 Ch of HC and Chemical Bank	580,000*	727,500*	-20.3%	
						Ben F. Love, 63 Ch of Texas Commerce Bancshares	525,000	525,000	0.0%	r
42	66	**Bancorp. Hawaii, inc.**	1,092,173	797,837	+36.9%	Frank J. Manaut, 63 Ch & CEO of HC	585,111	427,701	+36.8	R
						H. Howard Stephenson, 58 Pr of HC	507,062	370,136	+37.0	R,T,r,t
43	39	**Society Corp.**	1,084,873	1,087,984	-0.3%	Gordon E. Heffern, 63 Ch of HC and Society National Bank	586,623	676,016	-13.2%	T,t
						Robert W. Gillespie, 43 CEO & Pr of HC and bank	498,250	411,968	+20.9%	R,T,t
44	..	**KeyCorp.**	1,082,471	N.A.	.....	Victor J. Riley, Jr., 56 PR & CEO of HC	715,044	.....	.....	R
						Curtis M. Carlson, 60 EVP-Finance of HC	367,427	.....	.....	R
45	..	**Harris Bankcorp., Inc.**	1,072,110	N.A.	.....	B. Kenneth West, 54 Ch & CEO of HC	614,432	.....	.....	
						Philip A. Delaney, 59 Pr of HC	457,678	.....	.....	
46	42	**Citizens & Southern Corp.**	1,070,514	1,064,535	+0.6%	Bennett A. Brown, 58 Ch & CEO of HC	609,574	612,382	-0.5%	R,r
						John W. McIntyre, 57 Pr & CEO of National Bank of Georgia, Atlanta	460,940	452,153	+1.9%	R,r
47	54	**United Jersey Banks**	1,053,529	948,769	+11.0%	T. Joseph Semrod, 51 Ch & Pr of HC	700,529	622,077	+12.6%	R
						Clifford H. Coyman, 60 Pr of United Jersey Bank	353,000	326,692	+8.1	R
48	23	**Republic New York Corp.**	1,047,856	1,241,750	-15.6%	Walter H. Weiner, 57 Ch of HC and Republic National Bank	554,531	660,850	-16.1%	
						Jacques Tawil, 61 VC of HC and bank	493,325	580,900	-15.1%	
49	51[2]	**SunTrust Banks, Inc.**	1,017,500	995,600	+2.2%	Robert Strickland, 60 Ch & CEO of HC	515,000*	504,350	+2.1%	R,T,r
						Joel R. Wells, Jr., 59 Pr of HC	502,500	491,250	+2.3%	R,r,t
50	..	**First Pennsylvania Corp.**	1,000,383	N.A.	.....	George A. Butler, 60 Ch & CEO of HC	613,230	.....	.....	
						Frank E. Reed, 52 Pr & COO of HC	387,153	.....	.....	

Executive remuneration, as defined by American Banker, is total compensation — whether current or deferred — paid or credited for services during 1987 to the two highest paid officers of the organization. **Included are the following:** salary, bonus and incentive payments, profit sharing, and all other remuneration such as insurance premiums, club membership fees, and tax service fees paid by the corporation for the executive. **Excluded are the following:** pension plan payments; retirement plan payments or accruals; stock options exercised; stock appreciation rights; and contingent long-term bonus payments which are based on the company's performance for a period greater than one year. The American Banker ranking is based on total remuneration paid to the top two executives of the company. The corporation's rankings for both 1987 and 1986 are shown to the left of the corporation's name. Total remuneration for the top two executives, for both 1987 and 1986, is reported to the nearest dollar in the column entitled **"Top Executive Remuneration".** The compensation paid for executives number one and number two for both 1987 and 1986 appear in the column entitled **"Individual Remuneration."** All footnotes that are relevant to the compensation figures reported for each executive— except those dealing with long-term incentive awards— appear in the column labeled **"Notes".** Footnotes which refer to 1987 data are capitalized and footnotes referring to 1986 data are lower case. The titles shown for the executives are those for which they received compensation, excluding directorships. **Title abbreviations:** CAO— Chief Accounting Officer; CEO— Chief Executive Officer; CEx— Chairman of the Executive Committee; CFO— Chief Financial Officer; CLO— Chief Lending Officer; Ch— Chairman of the Board; CM— Chairman of the Management Committee; COO— Chief Operating Officer; DCh— Deputy Chairman of the Board; EVP— Executive Vice President; HC— Holding Company; Pr— President; Sec— Secretary; SE— Sector Executive; SEVP—Senior Executive Vice President; SrCh—Senior Vice Chairman of the Board; Tr— Treasurer; VC— Vice Chairman; and VP— Vice President. **NOTES:** [1]— Revised. Rank company would have had if data had been available. [2]— Revised. **G,g**— Includes latest salary during the year, at an annual rate, for an officer hired or promoted during the year. **H,h**-- Also received a bonus in stock. **P,p**— Includes salary at an annual rate for an officer who left the firm or retired during the year. **R,r**— Also granted stock options. **T,t**— Stock options exercised during the year. **V,v**— Includes cash value of award in stock. Footnotes dealing with long-term compensation appear immediately after the compensation figure reported for each executive. **(†)**— Long-term compensation is included in the remuneration total reported to American Banker by the banking firm, who was unable or unwilling to remove that component from the total. **‡**— Includes dividends on stock received under long-term incentive plan. **(*)**— Executive also received a long-term cash compensation award, which is not included in the remuneration total shown. **(#)**— On 2/29/88, Hartford National Corp. acquired Shawmut Corp., Boston, and changed title.

Post-50 Ranking of Banks in 1987 Executive Remuneration

Based on remuneration paid to the two highest paid officers of the organization

Rank 1987	Rank 1986		Remuneration 1987	1986	% Chg.
51	..	Wilmington Trust Co., DE	998,755	....	....
52	24	Union Bancorp., Los Angeles	970,683	1,217,023	-20.2
53	52	Huntington Bancshares, Inc., Columbus, OH	969,600	986,200	-1.7
54	..	Imperial Bancorp., Englewood, CA	959,854	......	....
55	..	Exchange International Corp., Chicago	955,882	......	....
56	61	Meridian Bancorp., Inc., Reading, PA	954,782	889,183	+7.4
57	70	Dominion Bankshares Corp., Roanoke, VA	934,453	705,815	+32.4
58	NA	U.S. Bancorp., Portland, OR	923,943	......	....
59	30	Marine Midland Banks, Inc., Buffalo, NY	921,376	1,166,173	-21.0
60	68	BayBanks, Inc., Boston	874,459	750,418	+16.5
61	..	Valley National Bancorp, Clifton, NJ	864,433	......	....
62	65	Centerre Bancorp., St. Louis	862,908	826,681	+4.4
63	55	Mercantile Bancorpation, Inc., St. Louis	857,500	923,396	-7.1
64	63	First City Bancorpation of Texas, Inc. Houston	852,083	852,083	0.0
65	58	National City Corp., Cleveland	851,583	905,583	-6.0
66	NA	Old Kent Financial Corp., Grand Rapids, MI	835,000	......	....
67	..	First Maryland Bancorp., Baltimore	821,000	632,500	+29.8
68	..	Fifth Third Bancorp, Cincinnati	796,306	......	....
69	..	First Colonial Bankshares Corp., Chicago	786,318	......	....
70	NA	Whitney Holding Corp., New Orleans	775,000	......	....
71	60	AmSouth Bancorp., Birmingam, AL	773,816	897,649	-13.8
72	NA	First Alabama Bancshares, Inc., Montgomery	765,263	......	....
73	44	Signet Banking Corp., Richmond	757,313	1,054,994	-28.2
74	69	First Wisconsin Corp., Milwaukee	753,000	716,800	+5.1
75	NA	Marshall & Ilsley Corp., Milwaukee	750,000	......	....
76	..	First of America Bank Corp., Kalamazoo, MI	745,988	660,129	+13.0
77	..	Mercantile Bankshares Corp., Baltimore	745,908	......	....
78	48	Indiana National Corp., Indianapolis	740,254	1,016,603	-27.2
79	78	South Carolina National Corp., Columbia	729,867	579,394	+26.0
80	43	NCNB Corp., Charlotte, NC	722,500	1,055,000	-31.5

Footnotes: American Banker surveyed the top 200 banking firms in the U.S. this year to rank the 80 largest banking firms in remuneration paid their two highest paid officers in 1987. In 1986, only the top 100 firms were surveyed to rank the 70 largest banking firms in remuneration paid their two highest paid officers in 1986. Please note that four major banking firms did not participate in this year's survey. They are: Manufacturers National Corp., Detroit, which ranked 53d in 1986 with $952,575 paid to its two highest paid officers; First Fidelity Bancorp., Newark, N.J., which ranked 37th in 1986 with $1,118,648 paid to its two highest paid officers; AmeriTrust Corp., Clevland, which ranked 62d with $871,320; and First RepublicBank Corp., Dallas, which was 57th with $916,942 in 1986.

Bankers Trust Tops List of High-Paying Bank Companies

➻ Continued from Page 1

nies that pay executives the most.

Executive remuneration, as defined by the *American Banker*, is total compensation — whether current or deferred — paid or credited for services during 1987 to the two highest-paid officers of the company. Included are salary, bonus and incentive payments, profit sharing, and all other remuneration related to 1987 services, as identified on proxy statements. Excluded are pension plan payments, retirement plan payments or accruals, stock options exercised, stock appreciation rights, and contingent, long-term bonus payments.

Charles S. Sanford Jr. and Philip M. Hampton — chairman and vice chairman, respectively, of Bankers Trust — were paid a combined $3.1 million for their services in 1987, a 26.5% increase over the previous year's total. Mr. Sanford took over as chairman last July, when Alfred Brittain 3d retired from that position. Mr. Brittain had been chairman of Bankers Trust since 1975.

Bankers Trust has been paying steadily more to compensate its two top executives since 1982, when it ranked eighth. Last year marked the first time the New York money center bank occupied the top spot, which had been held by J.P. Morgan since 1984. Further, Mr. Sanford's 52.2% raise to $1.8 million made him the highest-paid banker in the United States. Vice chairman Hampton occupied the No. 2, with $1.4 million in compensation, and was followed by four of the company's executive vice presidents: Edward A. Lesser, Ralph L. MacDonald Jr., Eugene B. Shanks Jr., and George J. Vojta. Each of the four was paid $1.3 million last year.

Lewis T. Preston, chairman of Morgan, who had been the highest-paid banker since 1984, was the seventh highest paid banker in the country last year. Mr. Preston's remuneration totaled $1.3 million, a decrease of 13.4% from $1.5 million in 1986. The rest of the top 10 bankers are: Carl E. Reichardt, chairman of Wells Fargo & Co., San Francisco; Lloyd P. Johnson, chairman, president, and chief executive officer of Norwest Corp., Minneapolis; and Willard C. Butcher, chairman and chief executive officer of Chase Manhattan Corp.

Total at Bankers Trust Up 41.4%

Total employee pay and benefits at Bankers Trust were up 41.4% in 1987. In fact, Bankers Trust had the much publicized distinction of paying its top foreign currency trader more than $2 million in salary and bonuses last year.

Bankers Trust: Page 16 ➻

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Bankers Trust Leads Pack in Executive Compensation

➡ Continued from Page 11

The trader, Andrew Kreiger, left Bankers Trust in February.

Though Mr. Kreiger's 1987 compensation exceeded that of the chairman, observers note that it is a growing practice to reward experts and specialists for their performance. In the fourth quarter of 1987, Bankers Trust earned almost $340 million in pretax dollars in currency trading.

From 1986 to 1987, remuneration to the top two executives of the 50 banking companies increased 4.4%. Last year, these companies paid the executives a combined $69.6 million, versus $66.7 million in 1986. (First Fidelity Bancorp., Newark, N.J., and Manufacturers National Corp., Detroit, which ranked 37 and 53 respectively in 1986, were unable to provide compensation data for 1987.)

Of the 19 banking companies reporting double-digit increases for their top two executives, 13 were superregionals. At those firms, remuneration for the top two executives was up 22.1%. Half of the 50 banking companies listed today are superregionals, with 15 of those in the top 25.

Louis Brindisi Jr., practice director of the New York office of the Management Compensation Group, Los Angeles, believes the superregional banking companies' entry into and dominance of the listing is directly related to "the superregionals performing better" than many of the money center banks.

Also, Mr. Brindisi points out, the capitalization of the superregionals is approaching that of the big banks. He expects the gap between money center and the superregional executive pay scales to narrow in the future.

The Management Compensation Group fashions total compensation strategies for companies to maximize shareholder profit. The firm has offices in New York, Chicago, and Washington.

Among the companies that fell to their lowest levels in executive remuneration was Manufacturers Hanover Corp., New York, which dropped to 18th from 9th place in 1986. The company's top two executives took a 10.6% decrease in compensation, to $1.4 million.

Citicorp plummeted to 19 in 1987 from from the No. 3 spot in 1986. The top two officers of the nation's largest banking company took a 31.9% cut in compensation, to $1.4 million. Irving Bank Corp., New York, fell to 25 from 10, reducing its top officers' compensation 12.7%. Chemical New York Corp. fell to 41 in 1987 from 19 the previous year. Chemical's top two officers saw their compensation fall 12.8%, to $1.1 million.

Other Survey Findings

- Companies that dropped out of the top 50 banking companies in executive compensation are: Union Bancorp., Los Angeles, to 52 from 24; Marine Midland Banks Inc., Buffalo, to 59 from 30; NCNB Corp., Charlotte, N.C., to 80 from 43; Signet Banking Corp., Richmond, Va., to 73 from 44; and Indiana National Corp., Indianapolis, to 78 from 48.
- Ten of the companies listed today reported a new second-in-command. Sixty-eight of the 100 officers shown in the tables were granted stock options in 1987, and 38 exercised stock options last year.
- Because some information was received too late to be included in today's survey, Norwest Corp., ranked No. 3, should show total compensation for its top two executives of $2.1 million, up 24.5%. The second highest paid executive should be Richard S. Levitt, vice chairman and chief operating officer of the specialized financial group. Mr. Levitt's 1987 remuneration totaled $1 million, an increase of 12.9% from the previous year. ■

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Congress authorized Fico last year to issue $10.8 billion in bonds to recapitalize the Federal Savings and Loan Insurance Corp.

S&P said it believes that, in a worst-case scenario, Congress would guarantee payment of Fico bond interest. Principal on the Fico bonds is secured by zero coupon Treasury bonds. ■

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Today

Banks in France have won the lion's share of the business created by a successful new retirement savings product. ——— 2

Financial Corporation of America posted a first-quarter loss of $63.2 million and said regulatory capital was exhausted at its American Savings and Loan Association subsidiary. ——— 2

The Fed has slightly extended banks' authority to combine investment advice with brokerage services in its approval of an application by Sovran Financial Corp., Norfolk, Va. The holding company received permission to move its financial services group from its bank subsidiary to its investment banking and brokerage arm. 2

Centerre Bancorp., St. Louis, said it received a "friendly merger" offer from Boatmen's Bancshares Inc. for a price of $50 per share. ——— 3

The failure of federal prosecutors to win convictions in the Continental Illinois trial is a disappointment but not a fatal setback in the government's attempts to deter bank fraud. ——— 3

Rep. Gerald D. Kleczka, D-Wis., plans to introduce legislation to protect the right of states to authorize insurance powers for their state-chartered banks. ——— 3

Lewis S. Ranieri, the man who drew the blueprint for the $650 billion mortgage-backed securities market, says he sees some cracks in the foundation. ——— 18

Moore Financial Group is aiming for growth of almost 43% in the next three to five years. The Boise, Idaho-based bank company, with $3.5 billion in assets, is branching out in the western states, most recently acquiring Western Bank Holding Co., Bellevue, Wash., for $4.1 million. ——— 24

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CONSUMER FINANCIAL SERVICES

Consumers soon may be able to pick up the phone, dial a 700 number, and receive financial information ranging from stock market quotes to rates on bank loans. ——— 8

A boom in credit card delinquencies has led to a surge in business for debt collection agencies. ——— 8

Marketers have been saying for 20 years that banks need to focus on sales and service, James Donnelly writes. But there are only three ways to persuade bankers to change — through power, reason, or reeducation. ——— 4

Worth Repeating

The stock has just sat there for a month. I've got it rated as aggressively as I can rate it.

J. Richard Fredericks, analyst for Montgomery Securities in San Francisco, on J.P. Morgan & Co's stock price. [Page 1]

PROFILE

I like managing my own shop. I like working with people. And I love the bottom-line discipline.

— Karen Horn
Chairman and Chief Executive Officer
Bank One Cleveland

Horn Finds Plenty of Rewards As Head of Bank One Cleveland

By LISABETH WEINER
Midwest Bureau

CLEVELAND — Karen Horn wanted to stop making policy and start making profits. So after five years as head of the Federal Reserve Bank of Cleveland, she became chairman and chief executive officer of the $1.5 billion-asset Bank One Cleveland.

"I wanted to return to the private sector," Mrs. Horn says. "I chose to be a manager of a company. That's what I want to do."

But Mrs. Horn's job switch in April 1987 startled some members of the banking community. Even though her salary reportedly now tops $200,000 — up from $135,000 at the Fed — colleagues view her position as less prestigious and less powerful.

As the only woman ever to be president of a Federal Reserve Bank and as one of only two women in the country to head a commercial bank with assets of $1 billion or more, she certainly is a member of an elite group. The largest bank in the United States headed by a woman is Equibank, Pittsburgh, whose chairman and chief executive officer is Claire W. Gargalli.

Although the Cleveland bank, with deposits of $1.2 billion and 47 offices in the metropolitan area, is a stellar performer, it is a small fish in a big pond. In a market of six major players, it ranks fourth.

Competitors have questioned whether Mrs. Horn took the job with the intention of assuming a board position at the holding company at a future date. "There have been absolutely no promises made," says Banc One Corp. chairman John McCoy.

Just What She Wants

At least for now, Mrs. Horn has what she wants: a line job. "My interest now is in managing a commercial bank. I loved making policy; it was terribly stimulating," she says. "But I like managing my own shop. I like working with people. And I love the bottom-line discipline."

The 44-year-old is getting her chance to do all those things at Bank One Cleveland, which is part of a $23 billion-asset superregional bank holding company. Firmly ensconced in In-

Horn: Page 6 ➼

Morgan Stock Languishes as Others Gain

By PHILIP T. SUDO

NEW YORK — Call it curious or chalk it up to market unpredictability, but nearly every major bank stock has gained in value this year — except that of J.P. Morgan & Co.

Analysts say there is no single explanation for why Morgan's stock has continued to lose ground through the first four months of the year. From Jan. 1 through May 2, the stock dropped 14.8% — the sharpest decline among major banking companies, excluding the troubled First RepublicBank Corp., Dallas. By contrast, the top 50 bank stocks gained 10.7% over the same period.

Monday marked a new low for 1988. The issue closed at $30.875, only $3.875 above its 52-week bottom. (By late Wednesday, the issue was trading at $31.25.)

"It's out of whack — I can't understand it," said J. Richard Fredericks, an analyst for Montgomery Securities in San Francisco. "The stock has just sat there for a month. I've got it rated as aggressively as I can rate it."

James McDermott, senior analyst for Keefe Bruyette & Woods Inc., put it more succinctly: "The stock has acted like death."

Exactly why is a question "of great concern to us," said Carol Hallingby, vice president of investor relations at Morgan. "We've called our traders, they've called around — they couldn't find anything."

Many analysts say Morgan does too little to publicize its numerous strengths, that its traditionally low profile has allowed a string of unfavorable news stories to cast the firm in an unfairly negative light.

"They're competing in a much more

Morgan: Page 23 ➼

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French Banks Beat Insurance Companies at Their Own Game

Gallic Consumers Favor Traditional Relationships

By LINDA K.S. MOORE

PARIS — Since the beginning of the year, the insurance office down the street has been selling a new retirement savings instrument; so has the bank on the corner.

Both are benefiting from new legislation in France intended to equalize the competition between financial service institutions and insurance companies.

The retirement fund is known as a PER, for *Plan d'Epargne en vue de la Retraite* (savings plan for future retirement). It provides significant tax benefits on investments made in life insurance policies and money market funds if the PER is held until retirement age.

The customer can choose a PER based entirely on life insurance, entirely on financial instruments, or on a combination of the two. The plans were an immediate success, but the lion's share of the new market has gone to the banks rather than the insurance companies. All types of financial institutions in France are permitted to sell insurance through affiliated companies, and they have been doing so since the 1950s.

These companies have concentrated on life insurance, particularly whole life insurance. Whole life insurance fits nicely with the banks' traditional businesses and is also less costly to administer than other types of insurance. Only one bank-owned insurance company sells auto insurance, for example.

"The average French consumer prefers to buy insurance from a bank," said Patrick Sailly, a representative of the French Federation of Insurance Companies.

Insurance Policy Revenue — Bank-Owned Insurers

Revenues in millions of dollars

Affiliate	Bank Owner	1984	1985	1986
CNP	Caisse des Depots (Post Office Banks)	1,571.7	1,794.6	1,986.5
CARDIF	Compagnie Bancaire	231.3	540.7	644.6
ACM Vie	Credit Mutuel	142.3	257.5	425.5
SOGECAP	Societe Generale	96.9	226.0	322.7
Medicale de France	Credit Lyonnais	63.3	122.3	234.8
Fructivie	Banques Populaires and CARDIF	55.4	102.6	173.9
SOCAPI	Credit Industriel & Commercial (CIC)	NA	28.4	160.3
Natio Vie	Banque Nationale de Paris (BNP)	31.5	44.1	129.8
Vie Plus	Credit Mobilier Industriale SOVAC	N.A.	NA	94.4
La Henin Vie	Banque La Henin	32.9	55.7	67.0
Suravenir	Credit Mutuel de Bretagne	N.A.	9.2	61.7
Prepar	Bred - Banque Populaire	9.5	46.1	51.8
Predica	Credit Agricole	NA	NA	38.8
Assurance Regional	Credit Mutuel de Pas de Calais	NA	8.8	15.6
Fructuavie	Banque Populaire du Nord	6.0	10.4	12.7
Prosperite	CC-Banques Populaires	NA	0.44	9.8
Perennite	Banque Francais du Credit Mutuel et de l'Agriculture	2.8	5.7	8.0
Helios	CARDIF & Compagnie Bancaire	NA	1.6	2.7
AVIP	Banque Internationale de Placement	NA	0.14	2.7
+ X Capital	Banque Populaire de Strasbourg	NA	NA	0.8
Total		2,245,1	3,254.0	4,443.2

Source L'Argus Journal Internationale des Assurances, Paris.

The banks benefit from a better image — insurance companies are widely perceived as tricking customers with misleading fine print on contracts, Mr. Sailly said in an interview. The banks also trade on their tradition of "relationship banking."

The post office banking system has been selling insurance for the government-operated *Caisse des Depots et Consignations* since 1959. According to a former postal employee, the system prides itself on the tax and retirement planning advice it offers at the post office counter.

Large commercial banks began entering the insurance business in the 1970s. The pace has accelerated since then, with most banks doubling or tripling their annual revenue from insurance sales in the last five years. The banks sell insurance from their branches and through direct marketing.

And they do a better job than the insurance companies, according to a senior marketing official at *Banque Nationale de Paris,* France's largest commercial bank.

Insurance companies now account for barely 60% of annual life insurance policy revenue in France. The banks account for about 30% and cooperative associations hold the balance.

The banks' presence in the domestic market is stronger than these figures suggest, since the insurance company statistics include policies sold worldwide, while the banks operate almost exclusively in France.

The 1986 statistics recently released by Mr. Sailly show that policy premium income for bank-owned insurance companies increased 36.5% over 1985. Mr. Sailly predicts that by year-end 1988, traditional insurance companies will hold less than half the market for life insurance sales in France. ■

FCA Loses $63.2 Million; Thrift Unit Reports Regulatory Capital Deficit

By ROBERT LUKE
West Coast Bureau

LOS ANGELES — The Financial Corporation of America, reporting a first-quarter loss of $63.2 million, said regulatory capital was exhausted at its subsidiary, American Savings and Loan Association.

American Savings, based in Stockton, Calif., had $69.2 million in regulatory capital on Dec. 31, but reported a deficit of $9.3 million at the end of the first quarter.

A year earlier, Financial Corp., based in Irvine, Calif., earned $9.2 million, or 17 cents a share. The holding company lost $468 million in all of 1987, wiping out its net worth.

The Federal Home Loan Bank Board currently is negotiating the sale of American Savings to a group headed by Texas investor Robert M. Bass. The Bank Board will not disclose details of the talks, however, and has been reluctant to provide documents on Financial Corp. to the House Banking Committee, which is investigating the agency's handling of the company's problems.

That reluctance prompted committee Chairman Fernand St Germain, D-R.I., this week to denounce the agency for "stonewalling" the three-month-old investigation.

A Bank Board spokesman said on Wednesday that the agency would provide documents to the committee, but only after its staff has reviewed the papers to ensure that information disclosed in them will not put the Bass deal at risk.

"The Basses are sensitive to publicity, and we don't want to jeopardize the deal," said Bank Board spokesman Karl Hoyle. "I understand Mr. St Germain's frustration."

Financial Corp. said its operating loss widened in the first quarter to $27.4 million, from $17.3 million a year earlier, but declined from $48.5 million in the 1987 fourth quarter.

The company said it boosted its reserve for losses on loans and real estate by $107 million in the quarter, bringing the total reserve to $1.2 billion.

The holding company realized a gain of $49.2 million on the sale of mortgage-backed securities and said it used proceeds from the sale to reduce short-term debt with Wall Street firms. The Bank Board had earlier ordered the company the reduce its holdings of such securities, which totaled nearly $16 billion at March 31.

> The Bank Board has been reluctant to provide documents to the House Banking Committee.

The company's exposure to rising interest rates grew during the period from the year earlier. Financial's one-year negative gap, a measurement of interest-rate risk, rose to 40.9% in the quarter from 24% a year earlier.

Financial Corp., which reported assets of $30.6 billion, said it sold $132.6 million in foreclosed real estate during the quarter, bringing total sales to nearly $2 billion since 1985. ■

Fed Approval of Sovran Application Expands Banks Advisory Powers

By JED HOROWITZ

Investment Banking

NEW YORK — The Federal Reserve Board, approving an application by Sovran Financial Corp., has slightly expanded the authority of banks to combine investment advice with brokerage services.

The Fed, in its unanimous decision on Tuesday, ruled that Sovran's subsidiary banks may provide customer lists and confidential financial information to help its investment banking arm make credit decisions on particular customers. Sovran promised it would do so only with the customer's prior consent.

The expanded authority was incorporated in approval of the Norfolk bank company's application to move its financial services group from its Sovran Bank subsidiary to Sovran Investment Corp., its investment banking and brokerage arm. The financial services group often gives its institutional and corporate customers nonfee investment advice on buying or selling commercial paper, collateralized mortgage obligations, money market preferred stock, and other securities.

The Fed ruled in 1986 that banks can offer investment advice and brokerage services under one roof without violating the Glass-Steagall Act's prohibition against underwriting. The Securities Industry Association unsuccessfully fought the Fed ruling in court. However, the Fed imposed various restrictions to ensure that the brokerage and banking activities of the parent company do not unduly influence each other.

In addition to limits on cross-marketing, the Fed restricts directors and officers of affiliate banks from serving in similar positions at the investment bank, a so-called management interlock ban. It also requires that all buy and sell notices and advertisements disclose that the investment bank is a separate corporation from other holding company affiliates.

The $14.6 billion-asset Sovran tried to ameliorate the managment interlock ban, arguing that regional banks are at a disadvantage because they must draw their directors and officers from a smaller pool of experts. However, according to an attorney close to the bank, the Fed was adamant about keeping the ban.

The Fed took more than a year to render a decision on the Sovran application.

Sovran's application said that it will offer advisory services only to corporate or institutional customers, although it did not suggest a net worth limit to define these terms. The Fed is considering an application from the Bank of New England that would push the law one step further by allowing a bank to combine investment advice and securities brokerage for small, retail investors.

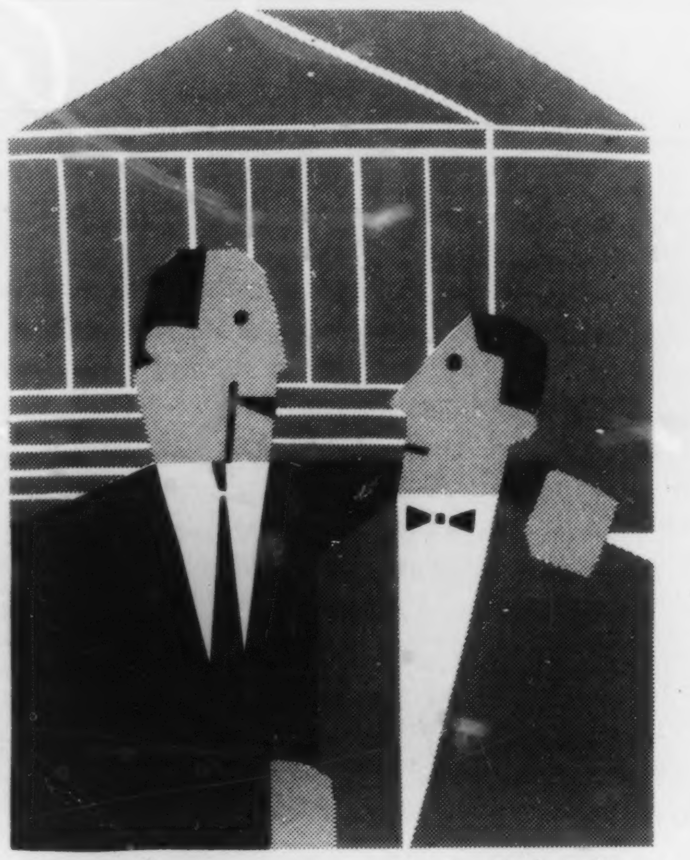
MARKETING MANAGEMENT

Persuading Bankers to Change with the Times

By JAMES DONNELLY

My library contains published proceedings from several industry marketing conventions that took place in the late 1960s and early 1970s. In those days the speeches and presentations were often bound and sold as a volume. It is very enlightening to review these volumes occasionally; they tell me how far we haven't come.

In a 1969 volume are numerous presentations encouraging bankers to become more customer oriented and market driven in their product development efforts. In 1971 we were emphasizing the need to improve service to customers. In 1972 a series of presentations urged banks to become "sales organizations." It occurred to me that if I changed "service to customers" to "service quality" and "sales organizations" to "sales cultures," all of the presentations could have been given at any major convention in 1988.



Joshua Shrier

The theme then and now among many marketers seems to be that the solution to our problems is that bankers and banks must change. They must change to become more customer oriented, market driven, sales oriented, service oriented, etcetera. We have always viewed change as the solution.

As I looked over the brown-around-the-edges speeches from 1970, I couldn't help but think that while some progress has certainly been made, we bank marketers are either decades ahead of everyone else, talking to ourselves, preaching to the converted, or we need to focus our energies in another direction.

I think it may be the latter. I propose that changing bankers and banks is not the solution, it is the problem. Managing change is the solution and it is here that we should focus our energies.

Getting People to Change

How do you get people to change? It seems to me that there are only three ways, and two of them have apparently not worked very well. One extreme is the application of power, the other extreme is the application of reason. Midway between these two extremes is an approach that relies on reeducation.

Using power implies the use of coercion. Bank managers can use their power to coerce everyone else to change in the direction they desire. They can implement power through their control over rewards and sanctions. They determine the conditions of employment, including promotion and advancement.

But except in a crisis, when the very existence of the bank is at stake, power has not been successful in bringing about the changes needed in the new world of banking. Power cannot make people sell, develop innovative products, or give their all for customer service.

Reason alone has not been sufficient to bring about change, either. The fact that we marketers are saying the same things we said 20 years ago is evidence that the application of reason has not brought about change in most banks. Despite all the articles, exhortations, and speeches, reason has not prevailed.

If we agree that people won't change just because someone tells them to — power — or asks them to — reason — then it seems to me that the middle ground is the only approach left. Once we accept that changing bankers and the bank is not the solution but the problem, we can focus attention on strategies for producing and managing change. We need a formal approach to reeducation and implementing the process of change.

Organizational Development

A management technique known as organizational development has an excellent record of success in helping organizations, including some banks, adapt to change. Organizational development is a planned, managed, systematic process to change the culture, systems, and behavior of an organization. Its purpose is to change attitudes and values of employees, modify behavior, and induce change in organizational structure and policies. It is a formal approach to reeducation and managing change.

However, before organizational development or similar approaches can be successful in banking, two things must occur. First, management must recognize that the inability to change is a problem for the bank and the use of power and reason have not brought about many of the needed changes. Second, management must face the issue of who will be the catalyst for change, the "change agent."

This question is an important one. Are agents of change necessary for organizational development to take place? If we recognize that organizational development involves changes in the way people think, behave, and act, and because there is a tendency to seek answers in traditional solutions, we can appreciate the necessity of someone to play the role of change agent.

But who? Existing managers? New managers? Or someone hired specifically for the purpose? Depending on

Marketing: Page 16 ➧

Mr. Donnelly is Turner Professor of Marketing at the University of Kentucky. His latest book is "Marketing Financial Services: A Strategic Vision," published by Dow Jones-Irwin Inc.

LETTERS TO THE EDITOR

Bank Librarians Provide Vital Services

To the Editor:

I recently read with great disappointment, Paul Nadler's article, "Reading Can Enrich the Bank's Young Blood," in the April 18 issue of the *American Banker* [page 4].

In his article he suggests that someone "like a librarian" keep a file of publications for bank executives to read. Many bank information centers already provide this vital and valuable service to the bank's staff. These information professionals gather, summarize, and disseminate this type of information in a systematic, formalized routine to keep the bank's decision makers informed.

The banking world's information professionals (librarians) are among the finest the profession has to offer. These professionals are continually developing new and more efficient ways to collect and distribute information needed for effective decision making. Additionally, they regularly evaluate the services provided to clients to ensure that their information services are meeting the needs of users.

The Special Libraries Association is an international professional association of more than 12,000 members. More than 2,500 of our members are found in the business and finance world and provide the information edge to banks and related financial institutions.

Mr. Nadler is correct in his assertion that reading is important. He has overlooked the very important first stop — the bank's information center and the professionals who manage information.

David Bender
Executive Director
Special Libraries Association
Washington

FLASHBACKS

What made news in the *American Banker* this week...

40 Years Ago

- The total value of guaranteed loans to veterans under the G.I. Bill topped $7 billion, according to the Veterans Administration. The agency said 1.29 million veterans had borrowed money under the program. Home loans accounted for $6.66 billion of the funds, business loans represented $291 million, and farm loans totaled $170 million.
- The U.S. Supreme Court struck down real estate agreements as being in violation of the equal protection provision of the 14th Amendment. The ruling invalidated eviction orders against blacks who purchased homes in "covananted," or restricted neighborhoods in St. Louis and Detroit. The eviction orders had been upheld by lower courts.

20 Years Ago

- The House passed a bill to compel federal regulators to set minimum requirements for security at financial institutions. The bill would require standards covering installation, maintenance, and operation of security devices.
- The Supreme Court let stand a lower court decision limiting the scope of court review of decisions by the Comptroller of the Currency on applications for national banking charters. The court denied a petition of Citizens Bank, Hattiesburg, Miss., for review of a Fifth Circuit Court of Appeals ruling that upheld the comptroller's approval of a charter for Southern National Bank, Hattiesburg.

10 Years Ago

- The Federal Reserve Board unanimously approved a regulation allowing member banks to arrange automatic funds transfers between customer savings and checking accounts. The American Bankers Association welcomed the decision.
- Japanese Prime Minister Takeo Fukuda called for greater international efforts to ease the burdens of poor countries and pledged a significant increase in his nation's foreign aid. He also proposed that Japan and the United States consider establishing a joint fund to advance cooperation between the two countries in science and technology, and he reaffirmed his government's determination to boost domestic economic growth. He provided no details, however, on how Japan would accomplish that.

5 Years Ago

- Senate Banking Committee Chairman Jake Garn, R-Utah, said it was unlikely that Congress would impose a moratorium on applications by nonbanking firms to charter banks. Federal Reserve Board Chairman Paul A. Volcker had urged Congress to block temporarily state and federal actions that allowed other types of financial service providers to expand beyond their traditional businesses. Mr. Volcker also asked Congress to impose a moratorium on bank and thrift combinations with nondepository institutions.

1 Year Ago

- The House of Representatives approved a $5 billion rescue plan for the Federal Savings and Loan Insurance Corp., rejecting a Treasury Department proposal to permit the FSLIC to raise up to $15 billion over five years.
- A bill that would limit bank check holds cleared the House of Representatives. The bill would require the Federal Reserve to adopt regulations within three years of enactment to limit holds to one day for local items and four days for out-of-town checks. During the first three years, a less stringent schedule would apply.
- The Federal Reserve Board approved bids by Citicorp, Bankers Trust New York Corp., and J.P. Morgan & Co. to underwrite and deal in commercial paper, municipal revenue bonds, mortgage-related securities, and — with the exception of Morgan — securities backed by consumer-related receivables. But the Fed imposed severe restraints on the banks' underwriting volume.

— Domenica Trevor

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TOP S&L SERVICERS
— STORY ON PAGE 5

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Today

The National Council of Savings Institutions will court 1,200 stock-owned savings and loans targeted for membership with mailings touting the organization's "procompetitive" solution to the current industry crisis. ____ 2

The credit union industry's two national trade associations are preparing legal and congressional action if the Fed approves check-processing regulations that the groups say favor banks and thrifts. ____ 2

Chemical Bank has promised to raise $3.1 billion for the pilots' $4.1 billion takeover of Allegis Corp., parent of United Air Lines. If successful, the buyout would be the biggest by an employee stock ownership plan. 2

Pressure from Wall Street and Capitol Hill is mounting to count preferred debt and goodwill as primary capital in a risk-based capital plan under final review by U.S. banking regulators. At the same time, bank supervisors in 12 countries are working on capital guidelines that would drop preferred stock and goodwill from primary, or tier one, capital and would require banks to hold 4% of assets as common equity. ____ 3

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COMMENT

Inadequate firewalls would separate banks from their securities units and mutual funds under the Senate Banking Committee bill that effectively repeals the Glass-Steagall Act, writes Matthew P. Fink. ____ 4

THRIFTS & MORTGAGES

Taking care of thrift institutions is a lucrative business for a wide variety of service companies. Taking stock in them is an ongoing activity for a select group of investors. The *American Banker* lists the most prominent servicers/investors as determined by a leading thrift consulting firm. ____ 5

The Bank Board is trying to stop the news leakers who have provided the press and the public with several confidential documents, including a controversial thrift examination. ____ 8

Apartment building mortgages could mean economies of scale and higher profits for CityFed Financial Corp., according to the chairman of Lehigh Financial Corp., a small mortgage banking firm that specializes in apartment building loans. ____ 8

Converting one of his 13 banks to a savings and loan is the latest trend-bucking project from Frank Farrar, a former South Dakota governor. ____ 9

Worth Repeating

They're like a paid escort... If anything, BCI should be paying Irving's expenses.

John Lyons, a New York banking consultant, on Banca Commerciale Italiana's reimbursement for expenses relating to the company's bid for Irving Bank Corp. [Page 1]

Irving to Pay Italian Bank's Bid Expenses

'No-Risk' Deal Includes Reimbursement for Ads

By BART FRAUST

NEW YORK — Irving Bank Corp. has agreed to reimburse Banca Commerciale Italiana for advertising, investment banking, legal, and other out-of-pocket expenses resulting from the Italian bank's friendly tender offer.

Patricia Skiggen, Banca Commerciale's New York attorney, said the Milan-based bank negotiated the reimbursement when it agreed last month to increase its offer to $75 a share from the original $65.

Banca Commerciale will be reimbursed whether its bid succeeds or fails. "It's a no-risk situation," one investment banker said.

For the past seven months, Irving has been fighting a hostile takeover by the Bank of New York. The battle is expected to come to a head today at Irving's annual meeting. Irving shareholders are expected to vote on a Bank of New York proxy bid to elect a slate of 16 Irving directors.

The reimbursement provision is contained in filings the two companies made with the Securities and Exchange Commission. "The agreement provides that the company [Irving] will reimburse the purchaser for its and its subsidiaries' reasonable actual out-of-pocket expenses incurred in connection with the agreement and the transactions contemplated thereby and by the business plan, including, but not limited to, the fees and expenses of its counsel and financial advisers, provided that the purchaser is not in material

Irving: Page 19 ➸

Commercial Loans Loom Larger At Top 100 Savings Institutions

By KENNETH J. HICKS

NEW YORK — After breezing along with huge commercial loan growth over the previous two years, the top 100 thrifts posted a moderate 10% rise in such loans for 1987. While gross operating income barely budged last year, interest on commercial loans was up almost 30%.

These are among the findings of the *American Banker*'s third annual survey of commercial lending at top thrift institutions. All data were taken from the quarterly financial reports submitted to the Federal Home Loan Bank Board.

All thrifts insured by the Federal Savings and Loan Insurance Corp. are included, while most thrifts insured by the Federal Deposit Insurance Corp. are excluded. Rankings were provided by ADP Data Services, New York, from its computer tape of the Bank Board data base.

Commercial loans, as defined by the Bank Board, include all secured loans on commercial properties that do not qualify as mortgage loans. Included are loans for automobiles or mobile homes.

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Top 100 Thrifts in Commercial Loans
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THRIFTS & MORTGAGES
AN AMERICAN BANKER WEEKLY FEATURE

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Boatmen's Favored over Mercantile In Bidding Competition for Centerre

By ANDREA BENNETT
Midwest Bureau

CHICAGO — Mercantile Bancorp. will have a hard time matching the $50 a share that Boatmen's Bancshares Inc. has offered for Centerre Bancorp., and Mercantile is likely to have difficulty winning shareholder approval for its original merger-of-equals agreement with Centerre, analysts said on Thursday.

Boatmen's offer for Centerre is valued at about $390 million, well above the $278 million, or $35.50 per share, that analysts have assigned to the merger-of-equals agreement Centerre reached with Mercantile on April 19.

"As long as Boatmen's offer... doesn't go away, I can't see why Centerre shareholders would accept Mercantile's offer as it presently stands," said Kenneth F. Puglisi, a bank analyst with Keefe, Bruyette & Woods Inc., New York. If Mercantile tries to match Boatmen's bid, Mr. Puglisi said, the initial dilution it produced would "wreak havoc" on Mercantile's stock price.

As of midday Thursday, there were no further comments from any of the three parties in the bidding war for Centerre, Missouri's fourth largest bank holding company, with $5.1 bil-

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Senate Bill Repealing Glass-Steagall Ignores Crucial Issues

The following is an excerpt from remarks by Matthew P. Fink, senior vice president and general counsel for the Investment Company Institute, presented March 22 at the 1988 mutual funds and investment management conference in Tucson, Ariz., cosponsored by the Commerce Clearing House and the American Bar Association. Mr. Fink participated in a panel on current securities legislation and regulation. The Investment Company Institute is a trade group for the mutual fund industry.

□

IN FEBRUARY, the Senate Banking Committee reported out a bill, by an 18 to 2 vote, providing for the virtual repeal of the Glass-Steagall Act.

Why did the committee move from its limited 1984 legislative action to such a sweeping measure? Was there a sea change in congressional attitudes regarding the basic philosophy underlying the Glass-Steagall Act?

I don't think so. I think that the members of the committee felt that the bank administrative agencies had gone so far in dismantling the Glass-Steagall Act through their administrative actions that the committee had no choice but to ratify their decisions.

What does this tell us about the next legislative arena, the House of Representatives? I venture to say that one of the key determinants in the House will be the strength, or the weakness, of the proposed new regulatory controls in the Senate bill, which are designed to replace the protections of the prohibitionist approach taken by Glass-Steagall.

The word usually used to describe these controls is firewalls. That word indicates the main purpose of these regulatory controls — to protect the bank from problems encountered by its securities affiliate.

The firewalls in the Senate bill are made of kindling, and will provide little, if any, protection, even if enforced in times of crisis.

Will Firewalls Work?

History indicates that bank regulators will encourage banks to rescue their affiliates in time of crisis. The recent Federal Deposit Insurance Corp. paper, "Mandate for Change," states that one reason banks were so damaged during the real estate investment trust crisis of the early 1970s was that the Federal Reserve Board actually supported efforts by banks to try to rescue their REITs.

Firewalls generally are designed to protect banks, and not to protect bank securities affiliates or the public. The bank regulators generally are not bothered by this, since their goal is to help banks. Indeed, the FDIC's paper states that "generally speaking, the potential for abuse of an affiliate to benefit the bank is of less concern than the reverse situation because there are fewer safety-and-soundness issues surrounding most nonbanking firms." Bankers share this view.

With that background, it is useful to consider the precise firewalls contained in the Senate Banking Committee's bill.

- Underwriting of poor loans. One of the classic abuses of the 1920s was bank sales of poor loans to the public through bank securities affiliates. In its recent decisions allowing bank securities affiliates to underwrite consumer receivables and mortgages, the Federal Reserve Board barred such underwriting where the underlying assets originate from an affiliated bank, citing "the temptation . . . that the affiliates' least creditworthy assets would be securitized."

But the Senate committee's bill permits the underwriting of poor loans through bank securities affiliates.

- Misuse of confidential customer information. In his testimony before the Senate Banking Committee, Securities and Exchange Commission Chairman David Ruder noted that under current law, banks are free to give confidential customer information arising from their lending activities to their securities affiliates, if the customer consents. Chairman Ruder urged Congress to consider mandating the use of Chinese walls to prevent the bank from giving confidential customer information to its securities affiliate.

But the Senate committee's bill does not mandate the erection of Chinese walls. How difficult will it really be for a bank to obtain the customer's consent when the customer is dependent on the bank for credit?

- Interlocks. The Senate bill would prevent an officer or director of a bank from serving as an officer or director of the bank's securities affiliate. But the bill does not prohibit an officer or director of a bank from serving as an employee of the securities affiliate. The bill thus allows the very persons who are most susceptible to conflicts of interest to be in positions to exploit them.

In short, the firewalls in the Senate bill are made of kindling, and will provide little, if any, protection, even if they are enforced in times of crisis.

The firewall issue poses the basic public policy dilemma. Weak firewalls may work in good times, but they will go up in smoke in the case of a real fire.

Required Reading: Page 16 ➜

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LETTERS TO THE EDITOR

Abboud Defends FDIC-Aided Rescue of First City

To the Editor:

Martin Mayer's rambling article, flippantly entitled "Amateur Hour Revisited" [May 2, page 1] is grossly unfair to the Federal Deposit Insurance Corp. and to First City.

The financial reorganization of First City Bancorporation of Texas, made possible by FDIC assistance, has brought $500 million in private-sector capital into Texas. The state's economy, rapidly diversifying from its energy base but still deeply troubled, desperately needs outside capital in order to lend momentum to the recovery already begun.

The First City transaction — the first investor-led recapitalization of a major bank holding company and one of the largest equity private placements ever — has shown the financial markets that it can be done. The positive implications for the economy of the Texas region, in terms of jobs and wealth creation, are enormous.

The First City reorganization may well become the prototype for addressing similar problems at other troubled institutions. It was a successful blending of private capital and FDIC assistance.

As with any prototype, some mid-course corrections were necessary as unforeseen problems arose. Some were anticipated and the corrections preprogrammed.

Because of its prototype nature, First City's was an extremely complex transaction. It was a learning experience in a totally new science.

For example, one of the problems encountered was in obtaining concessions from debtholders. The problem came not so much from long-standing debtholders facing losses, but from speculators who bought the bonds at a steep discount — in some cases, bonds that had been tendered by the original owners but then withdrawn so that the owners could then resell to arbitragers — seeking to turn a quick profit by holding the deal hostage.

While I'm all for a free market, I think the FDIC must have powers to deal with such a situation. That we were able to complete the transaction in the absence of such powers is attributable more to the tenacity of the parties involved, including the FDIC, than to anything else.

The problems experienced were not unexpected. In fact, I anticipated them in my book, "Money in the Bank: How Safe Is It?," (Dow Jones-Irwin, 1988), in the final pages of the chapter titled "Recapitalizing a Failing Bank."

I even predicted the need for the legislation now being sought. The real-time experience of the First City transaction validates what was only theory when I wrote the book.

Indeed, the First city experience illustrates the vulnerability of the public marketplace to speculators, who demonstrated that the lure of a trading profit will override any broader interest for the public interest in general and on the banking system itself. Who could argue with the FDIC's desire to avoid such a situation in the future? It is a gap in the law that needs to be filled.

In my opinion, the FDIC is correct in believing that the best, most practical solution to this problem would be to gain the authority to merge solvent and insolvent banks within the same holding company. The notion put forth by the author, that what the FDIC should really be seeking is control over the terms of the bonds that banking companies issue, is interesting from a theoretical standpoint. But does he really think that such a fundamental change in the way companies sell debt is feasible? Would bonds containing such terms be marketable?

I sincerely think not. The terms should be negotiated by the dictates of the marketplace at the time. I am totally opposed to constraints on the marketplace or its freedoms.

I much prefer to give the regulators proper and effective tools to be used only on an if-needed basis. That is what the FDIC is seeking.

Finally, the author states that the FDIC "was forced to raise the ante for preferred shareholders." Where he got such a notion is beyond me. It must have seemed like a good idea to buttress his argument. But it is simply not true. The terms for the old preferred shareholders were never changed from the day the transaction was announced last September 9.

In seeking concessions from debtholders, the drop from a 90% required tender level to 70% was contemplated internally. The acceptance of 67.5% instead of 70% was necessitated by the last-minute pullout of bonds by savings and loans solicited by the arbitragers making a market, as described earlier.

I have the highest respect for the way the FDIC cooperated with the private investor group to restore First City to sound financial condition. Mr. Seidman and the FDIC staff performed superbly and professionally and, most of all, successfully. I think the private marketplace owes them unqualified commendation for sticking fiercely to their free-market principles.

Now it's up to us in the private sector to do our part to reinvigorate the economies of the communities where we operate. I have no doubt that we will succeed.

A. Robert Abboud
Chairman of the Board,
Chief Executive Officer
First City Bancorporation of Texas
Houston

THRIFTS & MORTGAGES

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

Always go against the tide.

— Frank Farrar, former
South Dakota governor,
who is converting a
Beresford bank to a thrift.

Skimming the Cream of Investors/Servicers

Survey Gives High Five to S&L Industry's Prominent Figures

By **LINDA ELLIS**

TAKING CARE of thrift institutions is a lucrative business for a wide variety of service companies. Taking stock in them is an ongoing activity for a select group of investors — some private, some institutional.

The most prominent servicers/investors in each of 10 categories have been determined by SNL Securities, Hoboken, N.J., a leading thrift consulting and research firm. These listings will be published annually in the *American Banker.*

The survey covered 435 publicly traded thrifts, each of which is listed either on the New York Stock Exchange, the American Stock Exchange, or over the counter.

The listings include accountants, lawyers, 13D filers, institutional investors, stock transfer agents, investor relations firms, and market makers. For conversions, the list adds appraisers, lawyers, and underwriters. All have been ranked according to their prominence and/or activity in the thrift industry.

Form 13D must be filed with the Securities and Exchange Commission any time a holder of 5% of a registered security either changes intent or increases or decreasing holdings.

SNL compiled the rankings by plowing through annual reports, proxies, offering circulars, and the company's library of 13D filings to extract the names of firms in each category. In addition, each thrift was surveyed to verify the information.

The Federal Home Loan Bank Board requires a thrift to have an outside accountant, explained Reid Nagle, president of SNL Securities, but there is no similar requirement with regard to lawyers. SNL found that 301 of the 435 publicly traded thrifts list outside law firms in the role of special or general counsel.

The listings of conversion specialists include data only on thrifts that converted and were subsequently publicly traded. Conversion underwriters/agents listed are those that participated in the final stage of a share offering, whether the final stage was the community offering or the public offering. All conversions require a lawyer and an appraiser, but not necessarily an underwriter/agent.

A transfer agent does back-office work for a thrift, keeping track of shareholders

Survey: Page 14 ➜

Leading Conversion Appraisers

For public thrifts converting in 12 months ended March 31

Name	Number	% of all Conversions
Kaplan Smith/First Boston, Atlanta	27	38.0
Trident Financial Corp., Raleigh, N.C.	12	16.9
Kallop & Co., Washington	8	11.3
Financial Strategy Group, Washington	8	11.3
MCS Associates, Newport Beach, Calif.	5	7.0

Source: SNL Securities

Leading Lawyers

Name	Number	Percent of Thrifts Listing Outside Counsel
Housley, Goldberg & Kantarian, Washington	56	18.6
Elias, Matz, Tiernan & Herrick, Washington	31	10.3
Muldoon, Murphy & Faucette, Washington	20	6.6
Hogan & Hartson, Washington	19	6.3
Goodwin, Procter and Hoar, Washington	13	4.3

Note: Relationships are listed here if a law firm was identified as legal counsel, general counsel, or special counsel in an annual report or through a survey sent to all publicly traded thrifts. Each of the firms listed above performs additional legal work for thrift clients in less formal relationships.

Source: SNL Securities

Top Five Institutional Investors in Thrifts

As of Dec. 31 (dollar amount in millions)

Investor	Market Value
Wellington/Thorndike, Boston	$551.5
FMR Corp., Boston	338.8
Wells Fargo Bank, San Francisco	272.7
Pacific Financial Research, Beverly Hills, Calif.	264.4
Berkshire Hathaway, Omaha[1]	195.3

[1] Investment in one company, Westco Financial Corp., Pasadena, Calif.

Source: 13F filings provided by CDA Investment Technologies and aggregated by SNL Securities.

Leading Accountants

Name	Number	Percent of Public Thrifts
Peat, Marwick, Main & Co., New York	166	38.2
Deloitte, Haskins & Sells, New York	59	13.6
Ernst & Whinney, New York	49	11.3
Touche Ross & Co., New York	26	6.0
Coopers & Lybrand, New York	19	4.4

Source: SNL Securities

Five Leading Market Makers

As of April 20

Name	Number	% of OTC Thrifts
Herzog, Heine, Geduld, New York	177	45.4
Merrill Lynch Capital Markets, New York	152	39.0
Shearson Lehman Hutton, New York	108	27.7
Sherwood Securities, New York	102	26.2
Troster Singer Stevens Rothchild, New York	101	25.9

Source: SNL Securities

Leading Investor Relations Firms

Name	Number	Percent of Thrifts Using Relations Firms
Morgen-Walke Associates, New York	22	51.2
Swofford & Sharff, New York	6	14.6
Allen Nelson & Co., Seattle	5	11.6
Investor Relations Group, New York	3	7.0
JSL Associates, Pittsburgh	3	7.0

Note: Represents client relationships obtained through a survey of all publicly traded thrifts and verification with firms listed above.

Source: SNL Securities

Five Most Active 13D Filers

For 12 months ended April 28 (excluding institutions required to file form 13F)

Name of Filer	Number of Thrifts With 5% or More Ownership
New Milford Savings Bank, New Milford, Conn.	12
Baupost Group, Cambridge, Mass.	10
Abramson, Albert, Bethesda, Md.	5
Greenblatt, Leon, Chicago	5
Jaindl, Frederick, Orefield, Pa.	4

Note: This list ranks noninstitutional 13D filers by the number of thrifts in which they had a 5% or more ownership interest in the 12 months ended April 28.

Source: SNL 13D Dictionary, SNL Document Retrieval.

Leading Conversion Lawyers

For public thrifts converting in 12 months ended March 31

Name	Number	Percent of All Conversions
Housley, Goldberg & Kantarian, Washington	13	19.1
Elias, Matz, Tiernan & Herrick, Washington	11	16.2
Muldoon, Murphy & Faucette, Washington	9	13.2
Silver, Freedman & Taff, Washington	4	5.9
Thacher Proffitt & Wood, Washington	3	4.4

Source: SNL Securities

Survey Reports S&L Industry's Prominent Investors/Servicers

Continued from Page 5

nd issuing stock certificates.

A conversion appraiser determines the fair market value of a thrift before conversion from mutual to stock ownership.

Market makers are brokers who are prepared to buy or sell a stock on a continuous basis.

The law firms that are the heaviest hitters in the thrift industry are in Washington, D.C., where they can stay close to the regulatory bodies that make it necessary for savings institutions to hire lawyers in the first place.

Housley, Goldberg & Kantarian and Elias, Matz, Tiernan, & Herrick have lawyers on their staffs who were formerly with the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corp., or the Federal Deposit Insurance Corp. Specialties of both firms include conversion work and mergers and acquisitions.

Because there are such frequent changes in accounting rules, thrifts frequent five of the Big Eight accounting firms.

"Every major tax act has affected thrifts — as does the Financial Accounting Standards Board — and we expect that to continue," said Kathleen M. Riley, tax manager for Deloitte, Haskins & Sells.

In the 13D milieu, sharing an interest in owning hefty blocks of thrift stock are investors from a New England savings bank, a group that includes Harvard Business School faculty members, a Washington construction mogul, and the partner in a family turkey farm.

The heaviest filers of thrift-related 13D forms are F. Wayne Arnold, chief executive officer of NewMil Bancorp, and Brian A. Arnold, chief operating officer of the holding company in New Milford, Conn., that is parent of New Milford Savings Bank. Other active [more than 5%] holdings of the Arnolds include Brooklyn Savings Bank, Danielson, Conn.; DS Bancor, Derby, Conn., and Cayuga Savings Bank, Auburn, N.Y.

"We know most of the institutions we have positions in very well," said Mr. Arnold. "We feel the thrift industry is a good investment."

Second is the Baupost Group, an eclectic band of investors in Cambridge, Mass., that includes professors from Dartmouth and Harvard and assorted businessmen. Baupost's holdings include Fidelity Federal Savings Bank, Marion, Ind.; Greencastle Federal Savings Bank, Greencastle, Ind.; Peoples Savings Bank, Monroe, Mich., and Valley Federal Savings Bank, Sheffield, Ala.

"We're value investors and we try to be long-term oriented," said Seth Klarman of Baupost. "If a thrift is attractive in that it has good-quality assets, decent earnings, and a good track record, then a thrift at conversion is a way of buying value at a discount. We try to buy a dollar with 50 cents. We're not flippers," who buy at an initial public offering and sell very shortly after.

Lead Conversion Underwriters/Agents

For public thrifts converting in 12 months ended March 31

Name	Number	Percent of All Conversions Using Underwriter/Agent
Trident Financial Corp., Raleigh, N.C.	7	10.6
Merrill Lynch Capital Markets, New York	7	10.6
Ryan, Beck/Community Capital, W. Orange, N.J.	7	10.6
McDonald & Co., Cleveland	3	4.5
Legg Mason Wood Walker, Baltimore	3	4.5
Keefe, Bruyette & Woods, New York	3	4.5
Alex. Brown & Sons[1], Baltimore	3	4.5

Note: Represents lead underwriter for public offering or conversion agent/manager for community offerings. Public offerings may also have had a community offering, but only the underwriter/agent for the final stage of the offering is listed. [1]Four way tie.

Source: SNL Securities

Leading Transfer Agents

Name	Number	% of Thrifts Using Outside Transfer Agents
Manufacturers Hanover Trust, New York	57	13.4
IBJ Schroeder Bank & Trust, New York	45	10.6
First National Bank of Boston	35	8.3
Mellon Bank, Pittsburgh	33	7.8
Registrar & Transfer Co., New York	16	3.8

Note: Survey lists all transfer agents either listed in annual reports or confirmed through a survey sent to all publicly traded thrifts.

Source: SNL Securities

Albert Abramson, a Washington contractor and independent investor, owns more than 5% of Collective Federal Savings Bank, Egg Harbor, N.J.; Citizens Savings Financial Corp., Fort Lauderdale, Fla.; Stockton Savings and Loan Association, Stockton, Calif.; and Valley Federal Savings and Loan Association, Van Nuys, Calif.

Frederick Jaindl, Orefield, Pa., sticks close to home and the family turkey farm when he invests in S&Ls. His active holdings are all in Pennsylvania; they include First Financial Savings Bank, Downingtown; First American Savings, Jenkinton; Harleysville Savings Association, Harleysville, and Pennview Savings Association, Souderton.

Investor relations firms are hired by thrifts to arrange road shows and to ensure that lavish attention is heaped on brokers, analysts, big investors, and opinion makers. More than half the thrifts that use investor relations firms use Morgen-Walke Associates, New York.

Lynn Morgenroth and David Walke had represented bank and thrift clients before the mid-1980s conversion wave, so they were poised to hold the hands of dozens of newly public savings institutions. Many of the companies had little previous following on Wall Street, said Edward A. Nebb, the firm's executive vice president, so Morgen-Walke has made it easier for them to be recognized.

Swofford & Sharff, New York, which has 14.6% of the market in thrifts that hire outside relationship firms, also credits the conversion wave for their burgeoning thrift business. It's a new world for many institutions, said George Dube, executive vice president.

The market value of the holdings of four of the top five institutional investors fell as of Dec. 31, 1987 from the period ended Sept. 30, 1987.

Wellington-Thorndike, a unit of Wellington Management Co., Boston, saw the value of its thrift portfolio fall to $551.5 million from $637.4 million. The thrift portfolio of FMR, Boston, parent of the Fidelity family of funds, decreased in value to $338.8 million from $474.3 million in the prior quarter. The value of the portfolio held by Pacific Financial Research, Beverly Hills, however, rose to $264.4 million from $172.7 million. ■

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Centennial Saving Bank's Directors Approve Bid

Continued from Page 8

amination of Lincoln Savings and Loan Association, Irvine, Calif., a thrift controlled by the politically influential Charles Keating.

We suggest that the Bank Board transfer the suspected leakers to the agency's information services department as part of their praiseworthy effort to improve the flow of information there. The department also administers Freedom of Information Act requests.

Only last month, the Bank Board held what can best be described as a group therapy session. Members of its information services department, the press, and the public met discuss creative solutions to a data jam that has been decried by frustrated information seekers.

Attendees exchanged perceptions of one another. The employees saw the public and press as impatient and pushy. The public and press saw the employees as sullen, slow, and unresponsive. Following the catharsis, attendees broke up into small groups, made up, and promised to work together to make the Bank Board a better place to obtain documents. The session was a kickoff to a yearlong effort to improve the department.

How about placing the leakers on the staff of House Banking Committee Chairman Fernand J. St Germain? The Rhode Island Democrat is furious with the Bank Board for withholding documents on its activities at troubled Financial Corporation of America, Irvine, Calif.

Mr. Hoyle said an offer by Robert Bass of Fort Worth to buy FCA is impeding the paper flow. The Bank Board has documents on the table for Mr. St Germain, but it wants to ascertain that their release will not jeopardize any deal with publicity-shy Mr. Bass. ■

American Banker /THRIFT LENDING

Top 100 Thrifts in Total Commercial Loans

Dec. 31, 1987, Compared with Dec. 31, 1986 (Dollar Figures in Thousands)

Rank 1987		Total Commercial Loans			Interest on Commercial Loans			Gross Operating Income		Commercial Loans /Total Assets (%)		Int. Comm. Loans /Gross Oper. Inc. (%)	
		12/31/87	12/31/86	% Chg.	1987	1986	% Chg.	1987	1986	12/31/87	12/31/86	1987	1986
1	**California Federal S&L Assn., Los Angeles**	732,104	716,252	2.21	71,006	53,196	33.48	2,159,958	2,079,849	3.12	3.49	3.29	2.56
2	**Crossland Savings FSB, Brooklyn, N.Y.**	699,408	478,682	46.11	50,850	31,816	59.83	834,239	719,304	6.04	5.44	6.10	4.42
3	**Home Federal S&L Assn., San Diego, Calif.**	699,169	532,183	31.38	64,169	43,812	46.46	1,286,845	1,214,049	4.94	4.46	4.99	3.61
4	**Old Stone Bank FSB, Providence, R.I.**	681,018	880,542	-22.66	72,642	66,433	9.35	332,261	289,903	17.32	25.07	21.86	22.92
5	**Empire of America FSB, Buffalo, N.Y.**	605,946	576,753	5.06	40,443	44,986	-10.10	702,096	637,869	5.48	9.13	5.76	7.05
6	**Atlantic Financial Federal, Bala Cynwyd, Pa.**	448,955	261,349	71.78	28,161	17,993	56.51	670,765	522,193	6.70	4.70	4.20	3.45
7	**Lincoln S&L Assn., Los Angeles**	416,386	311,088	33.85	17,909	2,258	693.14	415,650	372,565	9.70	8.63	4.31	0.61
8	**Guaranty Federal S&L Assn., Dallas**	405,050	47,236	757.50	3,906	3,044	28.32	151,320	218,892	13.65	2.10	2.58	1.39
9	**Great American First Savngs Bank, San Diego, Calif.**	375,126	243,292	54.19	14,778	12,867	14.85	1,090,244	1,053,306	3.17	2.31	1.36	1.22
10	**Perpetual Savings Bank FSB, McLean, Va.**	305,172	175,415	73.97	18,221	8,726	108.81	452,791	415,982	6.51	3.98	4.02	2.10
11	**Glendale Federal S&L Assn., Calif.**	302,646	263,768	14.74	13,224	20,695	-36.10	1,854,223	1,646,745	1.35	1.51	0.71	1.26
12	**Western S&L Assn., Phoenix**	283,481	300,022	-5.51	22,102	19,861	11.28	635,725	568,261	4.68	5.41	3.48	3.50
13	**AmeriFirst Federal S&L Assn., Miami**	280,284	221,578	26.49	22,727	17,304	31.34	397,985	440,176	6.70	5.52	5.71	3.93
14	**Great Lakes Bancorp. FSB, Ann Arbor, Mich.**	272,971	239,504	13.97	24,343	19,969	21.90	312,255	298,216	8.68	8.90	7.80	6.70
15	**Sunbelt Savings Assn. of Texas, Dallas**	266,612	261,149	2.09	24,921	23,972	3.96	238,491	315,550	7.87	8.17	10.45	7.60
16	**Fortune Savings Bank, Clearwater, Fla.**	258,116	234,392	10.12	23,151	14,189	63.16	253,378	233,862	8.75	9.78	9.14	6.07
17	**First Nationwide Bank FSB, San Francisco**	256,935	226,028	13.67	25,055	19,205	30.46	1,464,467	1,343,491	1.50	1.50	1.71	1.43
18	**Midwest Federal S&L Assn., Minneapolis**	255,133	179,097	42.46	18,965	13,801	37.42	315,694	319,728	7.15	5.50	6.01	4.32
19	**City Federal Savings Bank, Bedminster, N.J.**	225,481	615,448	-63.36	38,326	49,466	-22.52	1,051,701	1,032,667	2.10	5.89	3.64	4.79
20	**University Savings Assn., Houston, Tex.**	219,555	172,078	27.59	20,625	15,566	32.50	392,634	382,319	5.12	4.37	5.25	4.07
21	**TCF Banking and Savings FA, Minneapolis**	201,763	215,973	-6.58	19,404	15,635	24.11	440,690	579,461	3.44	3.46	4.40	2.70
22	**Wilmington Saving Fund Society, FSB, Del.**	181,551	124,218	46.16	17,954	14,722	21.95	108,633	99,151	14.67	11.59	16.53	14.85
23	**Florida Federal S&L Assn., St. Petersburg**	177,613	235,380	-24.54	20,556	21,253	-3.28	470,212	487,938	3.23	4.28	4.37	4.36
24	**American Pioneer Savings Bank, Orlando, Fla.**	176,751	191,019	-7.47	23,842	15,019	58.75	187,973	142,739	8.85	10.34	12.68	10.52
25	**First Federal Savings Bank, Santurce, P.R.**	169,856	134,685	26.11	14,230	12,308	15.62	146,425	138,565	10.63	9.72	9.72	8.88
26	**Horizon Financial FA, Southampton, Pa.**	161,481	172,628	-6.46	15,599	14,699	6.12	232,184	227,944	6.40	7.13	6.72	6.45
27	**First Federal S&L Assn., Greenville, S.C.**	155,322	131,644	17.99	14,077	14,359	-1.96	195,645	204,222	7.84	7.07	7.20	7.03
28	**Eastover Bank for Savings, Jackson, Miss.**	154,542	124,716	23.92	13,862	4,678	196.32	50,241	38,754	30.25	24.05	27.59	12.07
29	**Carteret Savings Bank FA, Newark, N.J.**	149,302	221,283	-32.53	17,873	28,889	-38.13	602,128	583,611	2.51	3.92	2.97	4.95
30	**Dollar Bank FSB, Pittsburgh**	147,565	129,757	13.72	12,276	9,620	27.61	244,173	243,321	5.99	5.45	5.03	3.95
31	**Southwest S&L Assn., Phoenix**	142,416	118,382	20.30	12,319	8,863	38.99	206,233	215,136	6.30	5.67	5.97	4.12
32	**Western Federal S&L Assn., Dallas**	139,672	106,102	31.64	6,185	1,550	299.03	2,004	-6,321	16.35	6.70	308.63	-24.52
33	**Professional Savings Bank, South Miami, Fla.**	137,733	42,363	225.13	8,636	1,435	501.81	49,373	37,851	19.71	11.11	17.49	3.79
34	**Caguas-Central Federal Savings Bank, P.R.**	134,289	135,311	-0.76	12,049	8,711	38.32	144,915	128,492	9.36	9.71	8.31	6.78
35	**First Minnesota Savings Bank FSB, Minneapolis**	128,245	101,467	26.39	9,393	8,970	4.72	272,435	280,391	3.91	3.31	3.45	3.20
36	**Security S&L Assn., Vineland, N.J.**	120,708	84,782	42.37	10,011	9,376	6.77	104,462	98,269	9.77	8.92	9.58	9.54
37	**Champion Savings Assn., Houston**	115,898	77,481	49.58	6,372	1,890	237.14	39,604	87,270	14.94	8.70	16.09	2.17
38	**Bank Western Federal Savings Bank, Denver**	115,508	114,836	0.59	9,688	10,205	-5.07	338,572	295,853	3.24	3.27	2.86	3.45
39	**Naples Federal S&L Assn., Fla.**	115,428	118,886	-2.91	14,603	13,546	7.80	150,245	144,241	7.37	8.56	9.72	9.39
40	**Freedom S&L Assn. FS&LA, Tampa, Fla.**	112,500	N.A.	...	4,812	N.A	...	78,359	N.A.	6.66	...	6.14	...
41	**Numerica Savings Bank FSB, Manchester, N.H.**	112,478	91,394	23.07	10,502	6,662	57.64	65,245	65,464	13.85	13.37	16.10	10.18
42	**Metropolitan Federal S&L Assn., Nashville, Tenn.**	111,321	98,275	13.27	10,123	8,470	19.52	113,980	109,371	9.38	9.45	8.88	7.74
43	**American Diversified Savings Bank, Lodi, Calif.**	108,890	124,621	-12.62	7,722	2,749	180.90	5,032	-277,574	19.94	20.32	153.46	-0.99
44	**Peoples Heritage Federal S&L Assn., Salina, Kan.**	107,583	41,626	158.45	5,434	4,341	25.18	211,105	221,597	4.99	2.53	2.57	1.96
45	**Albuquerque Federal S&L Assn., N.M.**	107,471	135,047	-20.42	9,684	14,315	-32.35	242,006	209,245	5.06	6.43	4.00	6.84
46	**Pacific First Federal Savings Bank, Tacoma, Wash.**	104,679	114,206	-8.34	10,458	9,917	5.46	450,476	406,218	2.32	2.79	2.32	2.44
47	**MeraBank Federal Savings Bank, Phoenix**	102,469	170,551	-39.92	8,036	12,540	-35.92	597,406	628,459	1.56	2.73	1.35	2.00
48	**Sandia Federal S&L Assn., Albuquerque, N.M.**	101,327	116,214	-12.81	5,200	6,255	-16.87	64,833	112,061	8.64	9.80	8.02	5.58
49	**Home Savings Assn. of Kansas City, FA, Mo.**	98,740	39,122	152.39	8,134	2,408	237.79	166,011	109,885	3.58	3.46	4.90	2.19
50	**First Home FS&LA of the Carolinas, FA, Greensboro, N.C.**	96,689	67,798	42.61	7,072	5,704	23.98	138,592	130,382	8.14	5.16	5.10	4.37
51	**First Federal Savings Bank & Trust, Pontiac, Mich.**	96,264	72,365	33.03	7,435	10,334	-28.05	127,889	141,746	6.98	5.60	5.81	7.29
52	**San Jacinto Savings Assn., Bellaire, Tex.**	96,185	125,711	-23.49	9,755	14,216	-31.38	270,338	331,918	3.38	4.64	3.61	4.28
53	**San Antonio Savings Assn., Tex.**	92,205	106,136	-13.13	12,071	15,767	-23.44	275,843	243,641	3.17	4.06	4.38	6.47
54	**Citizens Savings Bank, FSB, Providence, R.I.**	88,953	65,004	36.84	11,751	8,043	46.10	164,961	148,452	4.58	3.38	7.12	5.42
55	**Columbia Savings, FS&LA, Englewood, Colo.**	88,471	72,739	21.63	9,049	4,289	110.98	263,254	259,278	3.09	2.68	3.44	1.65
56	**Continental Federal Savings Bank, Fairfax, Va.**	85,636	67,653	26.58	6,879	5,132	34.04	95,981	93,684	7.98	6.89	7.17	5.48
57	**Pioneer Savings Bank, Clearwater, Fla.**	83,773	73,086	14.62	7,667	6,010	27.57	189,762	195,364	3.92	3.62	4.04	3.08
58	**Ponce Federal Bank, FSB, P.R.**	83,124	40,078	107.41	5,237	3,559	47.15	101,426	85,054	7.39	4.59	5.16	4.18
59	**Midwest Federal Savings Bank, Minot, N.D.**	81,196	46,551	74.42	7,431	3,853	92.86	94,488	99,392	7.70	4.73	7.86	3.88
60	**Columbia S&L Assn., Fair Lawn, N.J.**	79,452	83,874	-5.27	8,868	9,638	-7.99	115,170	123,945	6.56	7.13	7.70	7.78
61	**Poughkeepsie Savings Bank, FSB, N.Y.**	78,176	43,262	80.70	6,133	3,520	74.23	136,702	94,333	4.79	3.59	4.49	3.73
62	**Capitol Federal S&L Assn., Aurora, Colo.**	76,493	76,227	0.35	7,967	5,829	36.68	113,662	128,178	6.04	6.32	7.01	4.55
63	**Downey S&L Assn., Costa Mesa, Calif.**	76,286	98,172	-22.29	4,494	5,781	-22.26	281,972	306,182	2.37	3.94	1.59	1.89
64	**Gibraltar Savings Assn., Houston**	72,940	N.A.	...	4,977	N.A.	...	455,074	N.A.	1.19	...	1.09	...
65	**Mechanics & Farmers Savings Bank, FSB, Bridgeport, Conn.**	72,190	57,762	24.98	13,081	10,781	21.33	121,024	107,959	5.36	5.58	10.81	9.99
66	**American Federal Bank, FSB, Greenville, S.C.**	70,754	52,209	35.52	6,970	6,722	3.69	95,678	98,332	6.85	5.24	7.28	6.84
67	**Far West Federal Bank, SB, Portland, Ore.**	67,752	124,199	-45.45	6,905	14,585	-52.66	194,962	225,505	3.14	5.51	3.54	6.47
68	**Gem Savings Assn., Dayton, Ohio**	66,790	62,028	7.68	6,337	5,383	17.72	151,919	174,551	4.21	3.87	4.17	3.08
69	**Commonwealth FS&L Assn., Norristown, Pa.**	66,570	24,815	168.27	10,726	3,275	227.51	110,867	115,605	5.91	2.19	9.67	2.83
70	**CenTrust Savings Bank, Miami**	66,556	625,731	-89.36	22,563	43,163	-47.73	758,633	637,622	0.83	10.24	2.97	6.77
71	**Columbia Banking Federal S&LA, Rochester, N.Y.**	66,517	49,082	35.52	5,726	3,863	48.23	136,943	153,329	4.35	3.42	4.18	2.52
72	**North American Savings Assn., Grandview, Mo.**	66,115	70,674	-6.45	5,846	5,130	13.96	40,898	46,783	16.28	16.37	14.29	10.97
73	**First Atlantic S&L Assn., Plainfield, N.J.**	65,548	41,819	56.74	4,440	3,191	39.14	125,977	129,346	4.94	3.48	3.52	2.47
74	**Standard Federal Bank, Troy, Mich.**	65,519	71,802	-8.75	2,795	3,850	-27.40	771,122	760,637	0.75	0.91	0.36	0.51
75	**ComFed Savings Bank, Lowell, Mass.**	65,045	52,408	24.11	5,767	2,074	178.06	143,905	147,601	4.11	4.10	4.01	1.41
76	**Anchor Savings Bank, FSB, Northport, N.Y.**	63,900	44,421	43.85	4,932	4,318	14.22	645,838	704,962	0.83	0.60	0.76	0.61
77	**Penn Savings Bank FSB, Wyomissing, Pa.**	63,644	16,804	278.74	5,584	901	519.76	74,199	62,877	7.02	2.55	7.53	1.43
78	**Eureka Federal S&L Assn., San Carlos, Calif.**	62,931	93,154	-32.44	4,379	3,154	38.84	175,851	162,066	3.72	5.84	2.49	1.95
79	**Security S&L Assn., Milwaukee**	62,083	N.A.	...	5,462	N.A.	...	178,275	N.A.	2.92	...	3.06	...
80	**Altus Bank FSB, Mobile, Ala.**	61,758	58,453	5.65	5,680	17,532	-67.60	249,409	256,491	2.28	2.34	2.28	6.84
81	**Ensign Bank FSB, New York**	59,195	46,391	27.60	5,011	5,677	-11.73	158,485	114,269	3.23	3.08	3.16	4.97
82	**Bankers First Federal S&L Assn., Augusta, Ga.**	58,497	50,144	16.66	6,382	5,286	20.73	69,133	84,313	8.08	7.07	9.23	6.27
83	**Georgia Federal Bank, FSB, Atlanta**	57,691	28,421	102.99	3,248	1,037	213.21	333,165	308,619	1.52	0.89	0.97	0.34
84	**Second National Federal Savings Bank, Salisbury, Md.**	57,590	31,308	83.95	4,719	3,312	42.48	83,719	71,472	6.22	4.68	5.64	4.63
85	**Gibraltar Savings, Beverly Hills**	56,600	154,638	-63.40	7,296	21,898	-66.68	1,030,521	1,107,417	0.42	1.36	0.71	1.98
86	**Mutual S&L Assn., FA, Bay City, Mich.**	56,468	36,744	53.68	4,411	2,911	51.53	125,196	124,135	4.52	3.14	3.52	2.35
87	**Investors Savings Bank, Richmond, Va.**	56,163	49,311	13.90	6,296	2,038	208.93	155,535	146,950	2.71	3.04	4.05	1.39
88	**Gill Savings Assn., Hondo, Tex.**	55,583	79,119	-29.75	18,287	13,303	37.47	107,278	133,109	3.42	4.89	17.05	9.99
89	**Boston Five Cents Savings Bank, FSB**	55,319	57,798	-4.29	4,820	4,015	20.05	196,773	199,061	2.44	2.99	2.45	2.02
90	**Home Owners Federal S&L Assn., Boston**	55,105	2,244	2,355.66	1,293	689	87.66	278,713	244,639	1.95	0.16	0.46	0.28
91	**Security Savings Assn., FSA, Texarkana, Tex.**	54,272	N.A.	...	2,089	N.A.	...	12,530	N.A.	13.52	...	16.67	...
92	**County Savings Bank, Newark, Ohio**	54,119	30,093	79.84	3,580	3,835	-6.65	65,147	57,754	7.68	5.03	5.50	6.64
93	**Commonwealth Savings Assn., Houston**	53,744	52,567	2.24	2,422	3,018	-19.75	166,497	301,991	3.01	2.99	1.45	1.00
94	**Raleigh Federal Savings Bank, N.C.**	53,476	38,830	37.72	3,541	5,102	-30.60	44,745	47,471	11.08	8.22	7.91	10.75
95	**Benjamin Franklin Savings Assn., Houston**	53,333	113,758	-53.12	14,298	8,820	62.11	163,159	203,923	2.24	5.87	8.76	4.33
96	**Landmark Savings Assn., Pittsburgh**	53,185	36,751	44.72	3,785	3,193	18.54	159,349	157,237	3.20	2.37	2.38	2.03
97	**Metropolitan Federal Bank, FSB, Fargo, N.D.**	52,285	53,408	-2.10	5,162	5,662	-8.83	204,759	218,290	2.29	2.78	2.52	2.59
98	**South Carolina Federal S&L Assn., Columbia**	52,012	41,491	25.36	4,616	3,214	43.62	68,296	70,026	7.44	6.22	6.76	4.59
99	**First Federal Savings Bank, Cleveland**	51,577	34,504	49.48	3,469	2,434	42.52	144,735	128,786	3.47	2.32	2.40	1.89
100	**Commercial Federal S&L Assn., Omaha, Neb.**	51,564	880	5,759.55	3,055	140	2,082.14	472,000	333,652	0.88	0.03	0.65	0.04

Data source: ADP Data Services Division, New York, from its data base of thrifts reporting to the FHLBB on the "Quarterly Financial Report to the Federal Home Loan Bank Board." All FSLIC-insured thrifts are included, but most FDIC-insured thrifts are excluded. **Commercial loans** include both secured and unsecured loans. **Secured commercial loans** include all loans on commercial properties having a security interest but not qualifying as a mortgage loan. **Unsecured commercial loans** include all unsecured loans for commercial purposes. **Interest on Commercial Loans** is the gross interest earned for the year on commercial loans. **Gross Operating Income** is the sum of all interest and noninterest income earned for the year. **Commercial Loans/Total Assets** is total commercial loans at the end of the period expressed as a percentage of total assets at the end of the period. **Int. Comm. Loans/Gross Oper. Inc.** is gross interest earned on commercial lending expressed as a percentage of gross operating income for the year. **N.A.**— Not available.

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Foreign Central Banks Buy Long-Term US Securities

By MARGARET SOARES
The Bond Buyer

NEW YORK — Foreign central banks purchased nearly $26 billion in Treasury notes and bonds in 1987 — double their 1986 purchases and nearly three times the 1985 total, a financial economist said.

By comparison, the banks bought just $13 billion of Treasury bills in 1986, said Samuel Kahan, chief financial economist at Kleinwort Benson Government Securities, Chicago. "The lengthening of maturity appears to be continuing," he said.

Economists say central banks have changed their investment strategies because long-term maturities are more profitable and there is renewed confidence in the stability of their own currencies and the dollar.

The largest share of central bank purchases was, until recently, in Treasury bills. Since 1986, however, banks in the Group of Ten industrialized countries have broadened their holdings to include notes and bonds. The Group of Ten includes Belgium, Canada, England, France, Japan, Italy, the Netherlands, Sweden, the United States, and West Germany.

Foreign central bank purchases of dollars and government securities is common. In a period when investor interest in Treasury issues is slim at best, the banks' purchases have given technical support to a market widely viewed to be in a downtrend.

"Because the central banks needed to support the dollar, they needed to rein in funds," said Mr. Kahan. Treasury bills "aren't paying much, and the amount they need to buy is too large. It would stultify the bill market."

While the specifics of individual bank purchases are buried in Treasury statistics, economists say the note and bond purchases have run into several billions, and at least half of the total purchases have been made by the West German Bundesbank and the Bank of Japan.

"From the evidence we've gotten through market participants, we've learned several billion dollars were bought in the first four months of this year," said William Griggs, managing director of Griggs & Santow. "And it's been in coupons of two years to five years, and some seven years.

"The fact that they've decided to move out on the yield curve suggests there's been a change in strategy of central banks vis-a-vis the way they hold reserves," he said. "And there is the feeling it will continue."

Buying long-term maturities, Mr. Griggs said, is a vote of confidence for their currencies. "It suggests banks aren't worried about having to intervene to buy their own currencies."

Richard Smith, chief international economist at Continental Illinois National Bank and Trust Company of Chicago, said, "The central banks are looking at the more stable exchange rate situation and seeing that their capital losses are not great.

"Given the relative stability in the exchange markets, there has been movement, especially in Germany and Japan, where the yield differential improved relative to the dollar," he said. "U.S. securities have become more attractive than in the past."

William Sullivan, senior vice president and money market economist at Dean Witter Reynolds Inc. in New York, said, "There's one basic explanation: investment return. The yield curve has steepened and it's time to take advantage of better rates." ■

Commercial Loans Reported Down at Thrifts

➜ Continued from Page 1

Retail auto loans are included only if the cars are for commercial use.

Unsecured commercial loans include unsecured loans to builders for the construction of residential property. Also included are overdrafts on commercial demand deposits.

In 1987, commercial lending at all FSLIC-insured thrifts was down 1.8%, to $23.3 billion from $23.7 billion. In 1986, those loans jumped 51.7%. From Sept. 30, 1984, to Sept. 30, 1985, they were up 33.4%.

For the top 100 FSLIC-insured institutions, business lending grew 9.7% to $16.5 billion in 1987. In 1985 and 1986, those loans rose 73% and 43%, respectively.

Buffalo-based Empire of America FSB was the nation's fifth largest thrift corporate lender at yearend 1987. Two months ago, Empire announced it will phase out the bulk of its commercial lending activities. The higher-quality credits are not providing adequate spreads, said Paul A. Willax, chairman and chief executive officer. Gibraltar Savings, Beverly Hills, Calif., is also edging out of commercial lending.

A Bank Board spokesman noted that "mergers and liquidations, as well as switch-overs to Federal Deposit Insurance Corp. insurance, account for most of the loss" in commercial and industrial lending. The number of FSLIC-insured thrifts fell to 3,147 from 3,220 in 1986. Further, thrifts enjoyed very rapid growth when they were first granted commercial lending powers in 1982, the spokesman said.

Thus, thrift institutions began with a very small base. "With the maturing of the market, commercial loan growth has moderated," the Bank Board spokesman said.

Last year, 43 of the top thrifts in business lending had increases of more than 25%, with 18 of those posting gains of 50% or more. In the previous year, 34 of the top 100 had increases of 50% or more.

The regional concentration of thrifts with big lending gains shifted from a year earlier. In 1986, growth occurred in the Southeast, with more than a third of the big gainers in that region. Last year, 17 of the thrifts with a 25% rise in business lending were located in the Northeast and Middle Atlantic regions — including New York, New Jersey, Pennsylvania, Maryland, and Virginia.

Interest collected on commercial loans showed sizable gains. The top 100 thrifts posted a 28.2% increase to $1.4 billion in that category. In the year-earlier period, commercial loan interest was up 34.9%.

Gross operating income, on the other hand, was up a scant 1.5% to $30.9 billion. Thus, interest on commercial loans was a larger percentage of gross revenues at these institutions — 4.67% versus 3.72%

• In 1987, there was a total reshuffling of the top five thrifts in business lending from a year earlier. California Federal Savings and Loan Association, Los Angeles, moved into the top spot, with $732.1 million, an increase of 2.2%. Crossland Savings FSB, Brooklyn, N.Y., rose six places to rank second, reporting a 46.1% increase in commercial loans to $699.4 million. Home Federal Savings and Loan Association, San Diego, was third, with $699.2 million, up 31.4%. Old Stone Bank FSB, Providence, R.I., fell from the top spot in 1986 to fourth in 1987, reporting a 22.7% drop in commercial lending to $681 million.

• The largest percentage drop in commercial lending was posted by CenTrust Savings Bank, Miami. The thrift's commercial loans fell 89.4% to $66.6 million. CenTrust ranked fourth in 1986, but fell to 70th place in 1987. Gibraltar Savings Bank, Beverly Hills, Calif., reported a 63.4% loss in commercial lending, to $56.6 million. The savings bank fell to 85 from 32. City Federal Savings Bank, Bedminster, N.J., which placed fifth in 1986, posted a 63.4% drop in business lending to $225.5 million, ranking 19th. ■

Bank Call Notice

CONSOLIDATED REPORT OF CONDITION OF

THE MERCHANTS BANK OF NEW YORK

of New York, New York

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business March 31, 1988 published in accordance with a call made by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS		Dollar Amounts in Thousands
1. Cash and balances due from depository institutions:		
a. Noninterest-bearing balances and currency and coin		$ 44,277
b. Interest-bearing balances		17,143
2. Securities		270,824
4. Loans and lease financing receivables:		
a. Loans and leases, net of unearned income	203,550	
b. Less: Allowance for loan and lease losses	2,090	
d. Loans and leases, net of unearned income, allowance, and reserve		201,460
6. Premises and fixed assets		5,008
9. Customers' liability to this bank on acceptances outstanding		11,405
11. Other assets		10,159
12. TOTAL ASSETS		$560,276
LIABILITIES		
13. Deposits:		
a. In domestic offices		$492,470
(1) Noninterest-bearing	158,388	
(2) Interest-bearing	334,082	
14. Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		3,000
16. Other borrowed money		206
18. Bank's liability on acceptances executed and outstanding		11,405
20. Other liabilities		2,768
21. TOTAL LIABILITIES		$509,849
EQUITY CAPITAL		
24. Common stock		$ 3,444
25. Surplus		19,728
26. Undivided profits and capital reserves		27,255
28. TOTAL EQUITY CAPITAL		$ 50,427
29. TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL		$560,276

I, Richard A. Urbano, V.P. & Comptroller, of the above-named bank do hereby declare that this report of condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

RICHARD A. URBANO

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

SPENCER B. WITTY
RUDOLF H. HERTZ
BERNICE AHRENS
Directors

Chemical Backs Pilots' Buyout of Allegis Corp.

➜ Continued from Page 2

Trust Co., and Morgan Guaranty Trust Company of New York were coagents on that $2.44 billion restructuring loan for Allegis, earlier this year, and Chase Manhattan Bank was part of the syndicate that provided the loan.

One banker characterized the pilots' bid as a "long shot," not worth sacrificing the bank's relationship with Allegis. The proposed takeover faces a number of problems, including the opposition of the union representing machinists at the airline.

Chemical has also had a relationship with Allegis. The bank's 1986 annual report highlights a $750 million financing that Chemical lead-managed for Allegis. And the bank was in the running for a role in the restructuring loan.

New management at Allegis changed many of the company's relationships with financial institutions, however. And the bank decided that being the leader in the pilots' takeover could be more lucrative.

The pilots have agreed to concessions that will save the airline $350 million a year. That will easily finance the additional debt burden arising from the buyout, according to Robert Harrity, a managing director at Chemical. ■

Bank Call Notice

Consolidated Report of Condition of

THE BANK OF NEW YORK

of 48 Wall Street, New York, N.Y., 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 1988, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

ASSETS		Dollar Amounts in Thousands
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$ 1,282,596
Interest-bearing balances		1,230,101
Securities		2,093,872
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		1,266,982
Securities purchased under agreements to resell		25,094
Loans and lease financing receivables:		
Loans and leases, net of unearned income	13,116,503	
LESS: Allowance for loan and lease losses	358,850	
Loans and leases, net of unearned income, and allowance		12,757,653
Assets held in trading accounts		103,801
Premises and fixed assets (including capitalized leases)		158,966
Other real estate owned		122,037
Investments in unconsolidated subsidiaries and associated companies		12,934
Customers' liability to this bank on acceptances outstanding		1,094,549
Intangible assets		43,287
Other assets		709,215
Total assets		$20,901,087
LIABILITIES		
Deposits:		
In domestic offices		$11,174,777
Noninterest-bearing	4,012,108	
Interest-bearing	7,162,669	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		5,280,231
Noninterest-bearing	10,224	
Interest-bearing	5,270,007	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		763,063
Securities sold under agreements to purchase		354,483
Demand notes issued to the U.S. Treasury		73,786
Other borrowed money		764,586
Mortgage indebtedness and obligations under capitalized leases		1,466
Bank's liability on acceptances executed *and outstanding*		1,094,933
Notes and debentures subordinated to deposits		236
Other liabilities		308,900
Total liabilities		19,816,461
EQUITY CAPITAL		
Common Stock		112,272
Surplus		453,863
Undivided profits		516,960
Cumulative foreign currency translation adjustments		1,531
Total equity capital		1,084,626
Total liabilities and equity capital		$20,901,087

I, Robert E. Keilman, Senior Vice President & Comptroller, of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

J. Carter Bacot
Peter Herrick
Donald L. Miller
Directors

5/9/88

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Today

Irving Bank Corp. and the Bank of New York Co. each expressed optimism that it had won a proxy fight to control Irving's board. Official results will be disclosed May 24. ______ 2

Ads by the Bank of New York were termed insulting and "nearly xenophobic" by Italian bankers. The print ads were designed to tap a nationalistic vein and promote Bank of New York's bid for Irving over the one by Banca Commerciale Italiana. ______ 2

Citicorp is selling its domestic investment management company to USF&G Financial Services Corp., Baltimore, for an impressive $102.5 million. ______ 3

The ABA has reached an agreement on legislative proposals with the National Association of Realtors. Real estate brokerage and investment activities should be conducted through a bank holding company subsidiary, the two groups concluded. ______ 3

Manufacturers Hanover Trust Co. has struck a deal with Trintex to provide banks and thrifts with software and processing for Prodigy home banking. ______ 3

The fire-ravaged headquarters of First Interstate Bancorp remains off limits to all 2,000 employees, but the bank company appears to be operating as if disaster never struck. ______ 3

Advest Group Inc., Hartford, Conn., said it will acquire Lyons, Zomback & Ostrowski, a bank consulting firm in New York. ______ 12

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COMMENT

A lack of enthusiasm among bank employees can generally be traced to out-of-touch, inflexible management, writes Dr. Paul S. Nadler. ______ 4

The decline in the U.S. dollar indicates American living standards are due to slip in relation to Europe and Japan, writes H. Erich Heinemann. ______ 4

NEWS MONDAY

Shareholders have the right to demand the extinction of banks they own as evidenced by the Bank of New York-Irving Bank Corp. takeover war. But such situations pose problems — for employees who have staked their futures on the company's continued existence and customers who depend on its services. ______ 7

Political action committees have become standard operating procedure in Washington. Financial lobbyists say the "best" PAC belongs to Barnett Banks of Florida. ______ 10

Worth Repeating

We are not in the business of acquiring. We are not in the business of merging. We are in the business of improving the performance of Bank of America.

A.W. "Tom" Clausen, chairman of BankAmerica Corp. [Page 1]

As Election Nears, PACs Shift to High Gear

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — John Porter, president and chief operating officer of Delaware Trust Co., Wilmington, figures on going into the 1988 elections with a bankroll well in excess of $1 million.

"We raised $645,000 last year, and we should take in another $765,000 this year," he said. "That comes to about a million four, doesn't it?"

Mr. Porter isn't a candidate or even a campaign manager. But he heads one of the big league political action committees that fund a major share of the American political process.

With the 1988 general election only six months away, the American Bankers Association's BankPac, which Mr. Porter oversees, is roaring along in high gear. It has been disbursing money here and there over the past 15 months, much of it in denominations of $250 or $500 for the fund-raisers held here — morning, noon, and night — almost every day Congress is in town.

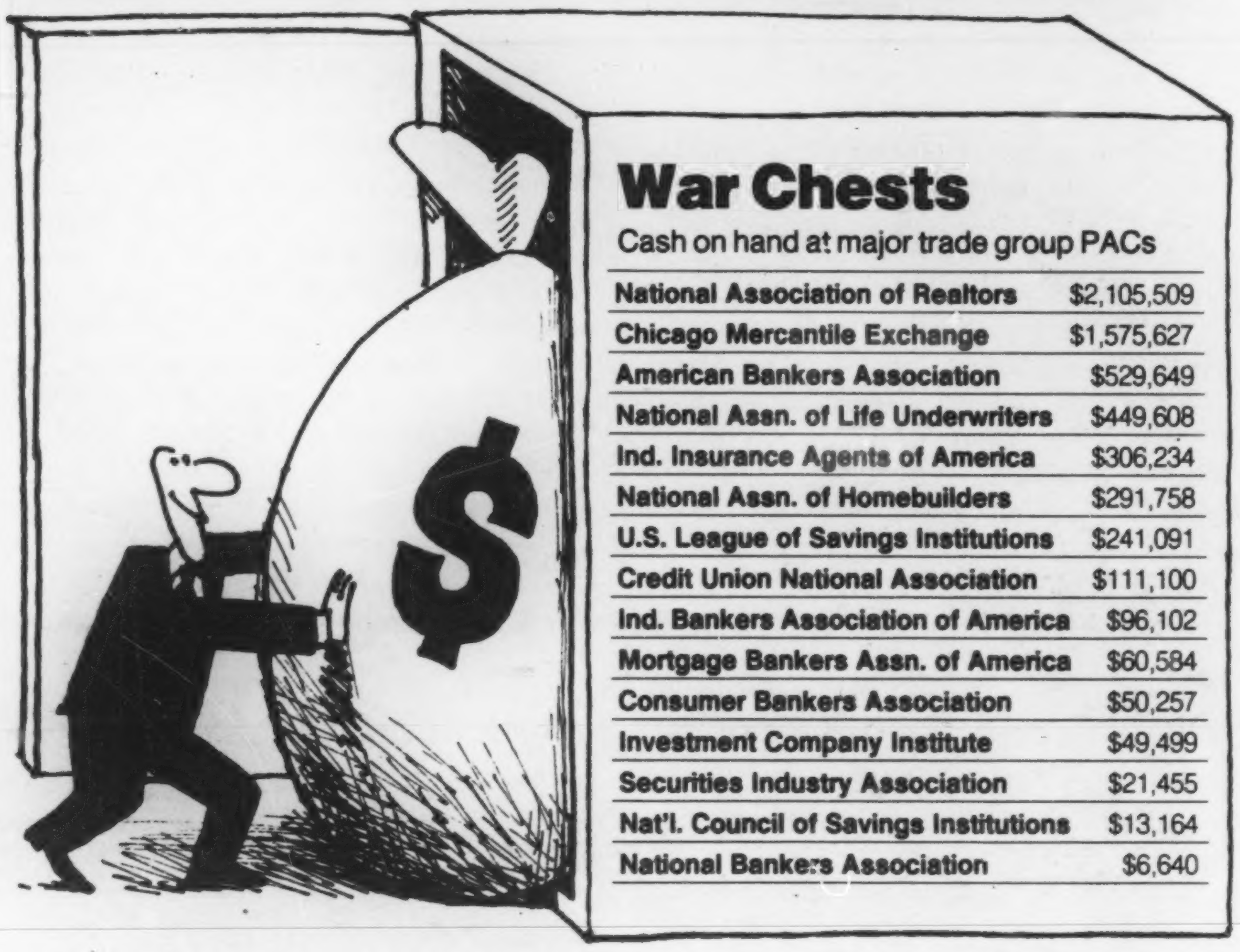
AN **American Banker** SPECIAL REPORT

Come August, though, BankPac's directors will meet to decide on a final distribution of the fund, and then some real money will roll out. On the Senate side, the ABA will "max out" — give the full $10,000 permitted in an election cycle for the primary and general election — for those it favors.

"In the House, we obviously can't do that," said Mr. Porter, given the larger number of elected officials. "So we concentrate on five committees: Banking, Agriculture, Energy and Commerce, Rules, and Ways and Means."

In the view of Common Cause, the self-styled "citizens lobby," BankPac and its counterparts are working steadily to undermine the foundations of representative government.

PACs: Page 11 ➔



War Chests

Cash on hand at major trade group PACs

National Association of Realtors	$2,105,509
Chicago Mercantile Exchange	$1,575,627
American Bankers Association	$529,649
National Assn. of Life Underwriters	$449,608
Ind. Insurance Agents of America	$306,234
National Assn. of Homebuilders	$291,758
U.S. League of Savings Institutions	$241,091
Credit Union National Association	$111,100
Ind. Bankers Association of America	$96,102
Mortgage Bankers Assn. of America	$60,584
Consumer Bankers Association	$50,257
Investment Company Institute	$49,499
Securities Industry Association	$21,455
Nat'l. Council of Savings Institutions	$13,164
National Bankers Association	$6,640

All reports are for period ending March 31, 1988, except National Association of Life Underwriters, which is for period ending Feb. 29, 1988, and National Council of Savings Institutions, which is for period ending Dec. 31, 1987.
Source: Federal Election Commission.

Interview

BankAmerica's Clausen Shoots For $1 Billion Earnings by 1990

By MICHAEL A. ROBINSON
West Coast Bureau

SAN FRANCISCO — BankAmerica Corp. — despite seven straight years of declining earnings and the deep stain of red ink — hopes to earn more than $1 billion on a pretax basis in 1990, company chairman A.W. "Tom" Clausen declared.

In a little less than three years, he said, he wants the company to exceed its performance of 1980, when the holding company's Bank of America was the world's largest and most profitable bank. Pretax earnings in 1980 were $1.02 billion, before the effects of securities transactions.

"My goal is, with a smaller balance sheet, 10 years after, to beat our best year ever," Mr. Clausen said in a 35-minute interview with the *American*

Clausen: Page 15 ➔

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Management Sets the Tone for Service

By DR. PAUL S. NADLER

IT was quite a contrast! I had listened to Stew Leonard, the fabulous owner of Stew Leonard's, a grocery store in Norwalk, Conn., as he told bankers at a Total System Services User conference how he keeps his employees happy.

Mr. Leonard was written up in "A Passion for Excellence" by Tom Peters as one of America's great managers, and his talk explained why.

- He listens to employees' complaints and suggestions personally.
- He stresses every achievement in his monthly magazine for employees (which must have, by his demand, at least 10 pictures per page so employees in his single store get their faces in the magazine frequently.)
- He lets people know what is expected of them and what is expected of the store. (Mr. Leonard tells of the meat manager who personally delivered a new fresh turkey to a customer when she complained that the other one was a little frozen.)

Everyone in the audience left Mr. Leonard's talk feeling that he deserves his reputation and that it would be fun to work for his store.

But then I sat and talked with the head of operations at a major Southern bank. His story was quite different.

Nadler Says:

Enthusiam makes or breaks a bank. You can tell immediately if you have a happy shop or a dull one.

"We have no enthusiasm," he said. "We just hang in there because we need the job. And the reason is that everything is too rigid and we think top management doesn't give a damn about us.

"Nobody ever sees the key people in the bank," he said. "We have the feeling they don't even know where the operations department is, even though we are pretty damn efficient and complaints are few."

How to Dampen Staff Spirits

Specifically, this operations head, who has been with the bank for many years, lists policies that kill employee enthusiasm:

- "We have people who have done their job and done it well for years. They are the backbone of the bank, but they are at the top of the salary range as the bank has structured it. So they sit year after year, getting no raises at all except cost-of-living adjustments, while they see less-qualified people get raises because the table of organization says that there is room for them to be rewarded."
- "We have job postings. So we train people and take the time and effort to bring them up to standard, only to find that they leave us as soon as they are trained because another job that is posted in the bank pays more than we are allowed to pay them. So instead of benefiting from their training, we have to start all over with new people, because we have no salary flexibility and the other department has a higher pay range available."
- "Even with regard to outside help, we are locked in by policies we can't control. We wanted to use one service provider for our credit card operation. But we were told we had to use another one that was much less efficient and more expensive, because the bank got large balances from the latter organization.

"But once we signed a long-term contract, the service company pulled its balances, and they held us to the contract anyway. So here we are with a system everyone knows is expensive and causing trouble, no way to correct it, and no benefit coming to the bank from the customer in any other way, either."

As I heard these complaints from a banker who obviously was trying to do a good job, all I could think of was the old adage, "When a fish starts smelling, it starts from the head." Top management caused these problems at the operations officer's bank, and the unhappiness filters down to the employees, who, in turn, make the customers feel less than wanted.

And as Stew Leonard pointed out in his remarks, "What bothers us is that people who are unhappy walk away without saying a word, so we can't do anything about the loss. And it is five times easier to keep an old customer than to win a new one."

Mr. Leonard points out that each customer can be worth a fortune to the store. For if a customer spends $100 a week, that's $5,000 a year and $50,000 a decade! No wonder Stew Leonard's has a policy that the customer is always right — and he means always.

He gave the example of a lady who complained that the casaba melon she bought the day before was rotten, and the store refunded her money even though they had not stocked or sold a casaba melon for months. Why risk a $50,000 account for one melon?

Happy Employees Mean Happy Clients

As another example, he said that the store people just watch as customers nibble strawberries, nuts, and other bulk items in excessive quantities (although one manager jokingly suggested that they give up the price tags and just weigh the customers in and out of the store, charging per pound gained.)

Evidently the Southern bank never learned this lesson — that a good, flexible personnel policy can keep employees happy, and this can, in turn, keep customers happy.

Enthusiasm makes or breaks a bank. You can tell immediately if you have a happy shop or a dull one. One way I have always had of testing this is to ask my host when I speak if it is all right to kid the chief executive officer.

When he says yes and the staff roars as I kid the chairman, I know it is a happy bank. If my advice is wrong, and they gasp when I use a joke on the CEO, I know there is trouble. My best example is the time I was told by the officer who hired me: "Don't even mention the CEO's name in your talk." The bank went down the tubes within the next two years — possibly because of this same feeling of distance between the staff and the top people.

The sad point is that to the typical customer, the bank is its local people. A branch manager seems like the top officer to the typical customer. No one has ever heard of the people in the head office.

So if the head office makes these contact people feel that they are the bank, and their decisions do make it or break it, this can do far more good for the organization than almost any decisions made in the rarified atmosphere of the executive floor. ■

Dr. Nadler is professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker.*

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OVERVIEW

Stroll on Pall Mall Can Be Humbling For New Yorker

By H. ERICH HEINEMANN

LONDON

A VISIT to London is a humbling experience for an American these days — especially for someone from New York. The roads here are not full of potholes. Homeless derelicts are an exception on the London streets, not a rule.

The bridges across the Thames, unlike those across the East River, are not collapsing from decades of neglect. The subways work; they are gaining passengers, not losing them.

The fruits of sustained economic expansion and prosperity are everywhere in London, as in New York. The major uncertainty is whether the boom will be sustainable. Governments in Japan and Europe have driven their economies at top speed, in part to accommodate their huge imbalance in trade with the United States.

Looming in the background is a sense of foreboding that inflationary pressures may lurk not far from the surface. When — if — inflation resurfaces, this could set in motion a chain reaction that would end the longest period of growth in peacetime since World War II.

The dollar, quite plainly, will hold the key. The rule of thumb is that prices in London are roughly the same as in New York, except that they are expressed in sterling. The ordinary tourist has to pay about $2 to buy one pound, which makes the exchange rate easy to calculate.

Just multiply everything by two. That is as clear evidence as you are likely to get of the decline in America's relative purchasing power (and, in time, living standards), as well as a measure of the competitive edge that U.S. industry will likely have in world markets in years to come.

It would be all too easy to dismiss the current exchange rate as simply reflecting an overvalued pound, a warning to the British government of a potential loss of competitive position, of falling exports and then ultimately another painful currency crisis. There is some truth in that analysis. Prime Minister Margaret Thatcher has to watch out, lest she fall into a trap that has brought down many British governments in the past.

Yet in a broader context that is only part of the story. The United States is in the preliminary stage of a basic transformation in its role in the world economy: from importer to exporter, from creditor to debtor, from leader to follower. A significant decline in the real purchasing power of the dollar — and increase in the real value of the yen, deutsche mark and pound — is certain to play a major role in that transformation. Americans had best understand that their real living standards will slip, particularly so in relation to Europe and Japan.

The National Business Economic Issues Council, an organization of U.S. business economists, debated the prospect for the dollar, plus lots more, at a meeting here last week. The council has long had overseas members, but for the first time the group went abroad to discuss prospects for the world economy with counterparts from Europe and Japan. As U.S. business turns outward to exploit the export opportunities that the falling dollar will bring, meetings of this sort will become more and more routine.

To get down to the nitty-gritty, the outlook for business in the main industrial nations in 1988 is excellent. Japan is enjoying a full-fledged economic boom. Industrial production is running

Overview: Page 12 ➡

Who's Getting the Most From PACs?

Senate Banking Committee	PACs[1]	Total Receipts[2]
James Sasser, D-Tenn.	$821,631	$1,934,780
Donald Riegle, D-Mich	$729,784	$2,030,153
John Heinz, R-Pa.	$504,859	$2,067,008
Chic Hecht, R-Nev.	$487,150	$1,349,634
Paul Sarbanes, D-Md.	$327,599	$800,217
House Banking Committee		
Nancy Pelosi, D-Calif.	$312,265	$1,356,315
Mary Rose Oakar, D-Ohio	$257,625	$467,906
Tom McMillen, D-Md.	$221,743	$389,472
Fernand J. St Germain, D-R.I.	$198,206	N/A[3]
Joseph DioGuardi, R-N.Y.	$175,650	$800,748

[1] Contributions principally from PACs but also includes money contributed by other candidates' committees.
[2] Includes fund-raising totals during first 15 months of the election cycle, Jan. 1, 1987 through March 31, 1988.
[3] Less than $328,000.

Source: Federal Election Commission.

PACs Shifting into High Gear

Continued from Page 1

"What they are getting is access, the opportunity to make their case," says Common Cause vice president Randy Huwa of the PACs. "The most precious commodity a member of Congress has is time. It's difficult for the average citizen to get the eye or the ear of a member."

PAC money, he adds, sharpens the "laser-like focus" of the special interest groups, speeding the move toward single-issue politics, a trend Common Cause views as decidedly unhealthy.

Mr. Porter disagrees. "I believe in the PAC process," he responds. "There are limits, but basically it gives everybody a chance to make a meaningful contribution."

Healthy or not, PACs are likely to be around for a while. Senate Majority Leader Robert C. Byrd, D-W.Va., struggled mightily this year and last in an ultimately unsuccessful effort to force a vote on legislation that would have established a system of public financing for Senate races. That bill is moribund, and the House is not considering similar legislation.

ELECTIONS
'88

THE financial services industry has bred literally hundreds of PACs. The major trade groups all have their own funds, as do the major banks, securities firms, insurance companies, and others.

The granddaddy of them all however, is RealPac, the political action committee of the National Association of Realtors. The ABA's $1.4 million makes the trade association a serious player, but that sum pales alongside the $6.5 million the Realtors expect to spend this year on political campaigns.

One staffer connected with the trade group's PAC said the Realtors will contribute to about 300 races this year. Most of that money will go to incumbents, but in about 10% of the races the trade group will support challengers, said the spokesman.

The Realtors' deep pockets give it a distinct advantage over the ABA. Where BankPac is forced to target key committee chairman and members of a limited number of panels, the Realtors can literally cover the floor in both bodies — contribute to enough members to assure that a working majority in each chamber has benefited from RealPac.

Still, bank industry PACs are not exactly impoverished. Records on file at the Federal Elections Commission show that the top 10 banking concerns have already spent nearly $1 million through their own committees. The Independent Bankers Association of America will spend nearly $200,000, and the Consumer Bankers Association will add money as well.

What the PAC figures don't account for, however, is campaign contributions from individuals. The Securities Industry Association PAC, for example, is relatively small; so far it has contributed only $62,383, according to Election Commission records.

But individuals in the securities industry ante up in political contests too, as do individuals in the insurance and real estate industries.

The Independent Insurance Agents of America, for example, sponsors fund-raisers at their offices as often as several times a week when Congress is in town, according to Robert Rusbuldt, the organization's chief Capitol Hill lobbyist.

Individual agents invited to the fund-raiser pay $250 or $300 to attend and, in return, get a lunch or breakfast and an opportunity to ask a few questions. The fund-raisers generate anywhere from $7,000 to $20,000, "depending upon who the member is, what committees he serves on, and how senior he is," Mr. Rusbuldt said.

Individual contributions do not go unnoticed, and Delaware Trust Co.'s Mr. Porter, for one, wishes individuals in his industry would emulate the investment bankers.

"You have to recognize that the people in the securities, insurance, and real estate industries are quite dependent upon performance-oriented compensation," he said. Individuals are encouraged to be entrepreneurial and to spend their own money.

"We have more of a corporate culture," he added, suggesting that bankers are more likely to participate in company-sponsored activities than in initiatives of their own.

In deciding who receives money, PACs use similar criteria. Almost all try to reward their friends and punish their enemies, though the ABA, among others, has in the past taken the view that "tribute money" should also be paid to one's enemies, if they are important enough.

"We look at need — how tight their race is," added Joseph Belew, president of the Consumer Bankers Association. That theory, widely shared, argues that if funds are limited, a PAC should use its resources to keep friends in Congress, rather than to pad the treasuries of sure-thing campaigns.

Small trade groups must also aim carefully, choosing strategic committees and races they can win.

"With a small PAC, we look at the banking and the agriculture committees, with banking coming first," said Kenneth Guenther, executive vice president of the Independent Bankers Association of America, which represents small banks.

Mr. Guenther adds that the IBAA "rarely goes the challenger route," a sensible reaction to easily verifiable fact that incumbents rarely lose.

Some PACs hedge by giving to both sides. In the Republican primary, for example, the National Association of Home Builders gave $5,000 each to the campaigns of George Bush, Robert Dole, Alexander Haig, and Jack Kemp. On the Democratic side, Richard Gephardt and Paul Simon both received $5,000 as well.

EVEN organizations that play only one side of the fence during the campaign ante up with post-election "debt-retirement contributions" for the winner if they back a loser during the campaign.

From the Senate Banking Committee, James Sasser, D-Tenn., has received the most in PAC funds this election cycle with $821,631. Donald Riegle, D-Mich. — who's likely to become next year's committee chairman — follows closely with $729,784. His total campaign receipts, including PAC and individual contributions, was $2,030,153 as of March 31.

In general, seniority — which ordinarily implies power — is rewarded in the PAC game. On the House Banking Committee, however, a number of freshman Democrats have done exceedingly well in this election cycle, even though first-term House members are virtually powerless.

Two freshman Democrats — Tom McMillen of Maryland and Nancy Pelosi of California — show up among the top 10 recipients of PAC contributions in this election cycle. Ms. Pelosi, in fact, was first.

In each case, there are individual reasons: Mr. McMillen's fame as a National Basketball Association star, and Ms. Pelosi's former involvement as a key Democratic party fund-raiser from a large a , rich and rich state, are among the considerations.

Rep. Nancy Pelosi

But one congressional staffer who works for a banking committee member that has been a heavy beneficiary of PAC contributions offered a more cynical explanation: "There's a banking bill under consideration."

In other words, with Congress engaged in the consideration of legislation that could reshape the financial services industry for years to come, it's hard to say no when invitation to a banking committee member's fund-raiser arrives.

And players in the PAC game have very little doubt that members take note of who gives and who doesn't.

Mr. Guenther, for example, recalls a particular member of Congress who is widely regarded as influential on banking issues.

"If he has a fund-raiser and we don't attend, he comments on it," said Mr. Guenther, who asked that the member's name not be printed. "He'll come up to me and say, you weren't there."

Suffice it to say, the Independent Bankers rarely miss one of his fund-raisers. ■

How Major Financial PACs Are Spending Their Money

Organization	Funds To Democrats (No. of Recipients)	Funds To Republicans (No. of Recipients)	Total
ABA BankPac	$201,500 (113)	$114,950 (59)	$316,450
Independent Bankers Association	$64,320 (87)	$26,000 (39)	$91,220
Consumer Bankers Association	$9,575 (20)	$5,300 (11)	$14,875
National Bankers Association	$3,100 (9)	$1,875 (6)	$4,975
New York State Bankers Association	$6,700 (5)	$1,600 (2)	$8,300
Securities Industry Association	$42,283 (54)	$20,100 (27)	$62,383
Investment Company Institute	$74,100 (47)	$13,100 (9)	$87,200
Chicago Mercantile Exchange	$148,900 (75)	$77,750 (51)	$226,650
Independent Insurance Agents	$148,192 (113)	$80,327 (113)	$228,519
National Assoc. of Life Underwriters	$272,900 (136)	$198,606 (139)	$471,506
American Council of Life Insurance	$95,490 (120)	$76,454 (95)	$171,944
National Association of Realtors	$382,196 (197)	$300,406 (152)	$682,602
U.S. League of Savings Institutions	$166,000 (106)	$86,250 (71)	$252,250
National Council of Savings Institutions	$36,700 (54)	$32,669 (54)	$69,369
Credit Union National Association	$185,025 (113)	$66,600 (62)	$251,625
National Association of Homebuilders	$323,186 (179)	$239,785 (136)	$562,971
Mortgage Bankers Assoc. of America	$105,758 (134)	$67,100 (92)	$172,858
Citicorp	$140,197 (79)	$100,047 (45)	$240,244
Chase Manhattan Corp.	$39,075 (43)	$19,195 (37)	$58,270
BankAmerica Corp.	$19,933 (40)	$14,120 (25)	$34,053
Chemical New York Corp.	$34,378 (46)	$21,015 (30)	$55,393
J.P. Morgan & Co.	$89,250 (31)	$68,000 (29)	$157,250
Manufacturers Hanover Corp.	$34,015 (33)	$17,850 (27)	$51,865
Security Pacific Corp.	$15,933 (24)	$12,600 (14)	$28,533
Bankers Trust New York Corp.	$60,500 (31)	$32,200 (19)	$92,700
First Interstate Bancorp.	$16,725 (17)	$20,900 (14)	$37,625
First Chicago Corp.	$25,308 (33)	$16,850 (24)	$42,158
Merrill Lynch & Co.	$40,554 (39)	$45,899 (48)	$86,453
American Express Co.	$20,850 (26)	$14,000 (17)	$34,850
First Boston	$103,500 (46)	$54,500 (33)	$158,000
Morgan Stanley	$59,500 (55)	$48,500 (40)	$108,000
Bear Stearns & Co.	$28,300 (13)	$11,700 (8)	$40,000

The numbers represent total contributions reported for the 1987-88 election cycle.

Source: Federal Elections Commission.

St Germain Gains A Big Headstart In Election Funds

By ROB WRIGHT

AS he gears up for his 1988 reelection bid, House Banking Committee Chairman Fernand J. St Germain has already accumulated more than 10 times the campaign funds his leading Republican opponent has — and a sizable share of it comes from sources in the financial industry.

As of March 31, the Rhode Island Democrat had more than $430,000 on hand for his reelection effort. Although Mr. St Germain has not yet officially announced he is a candidate, aide John Heilmann says there is "no doubt" Mr. St Germain will soon do so.

Mr. St Germain's most recent filing with the Federal Election Commission shows he has strong financial backing from political action committees in the housing industry and labor unions, in addition to financial services groups. Among his large receipts were:

- $5,000 — the biggest amount PACs are allowed to give any one candidate for each election — from both the First Boston PAC and the Credit Union Legislative Action Committee.
- $3,000 from the Investment Company Institute PAC.
- $2,500 from the Citicorp Political Fund.
- $2,000 each from the Independent Insurance Agents PAC and the National Association of Life Underwriters PAC. ■

Mr. Wright covers banking for States News Service.

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Today

Fifteen of the top 25 bank holding companies are now superregionals, making the newest category of holding company the norm rather than the exception. As a result of mergers, two new banking firms enter this top grouping: Shawmut National Corp., Hartford, Conn., and First Fidelity Bancorp., Newark, N.J. 2

Poor management and the failure of Colorado's Division of Banking to enforce regulations played a significant role in the state's industrial bank crisis, according to the state auditor. 2

National banks can now purchase stock in the Federal Agricultural Mortgage Corp., or Farmer Mac, the Comptroller's office has ruled. 14

Executive Changes 5
In the News 3

COMMENT

The leveraged buyout market is strong, but a number of pitfalls can hamper the unwary banker, according to Nora Ann Wallace. 4

TECHNOLOGY

Profit margins on check clearing services have declined over the past five years at half of the correspondent banks in a recent survey. 3

A highly integrated branch automation system is being brought to the U.S. market by the Nixdorf Computer Corp. The system is built on integrated software that allows a single workstation to handle banking applications, office automation, data processing, and system maintenance. 6

Transfirst Corp., Dallas, said it has retained a contract to provide automated teller machine services in 200 Houston-area convenience stores that were formerly part of the 7-Eleven chain. 6

The National Automated Clearing House Association appears likely to tighten its enforcement of the "prenotification" process, a technical procedure that many financial institutions have been either disregarding or rebelling against. Despite this, a majority of bankers and others submitting comments to the Washington-based association want the controversial rule to remain in effect. 7

Twelve major computer and communications companies announced support for a set of standards, known as the Open Systems Interconnection, that make it possible to link all computers, regardless of manufacturer. 8

The Fed Reserve System posted a 9.2% increase in net income last year from the payment services it provides financial institutions. 10

Worth Repeating

Intuition says that problems in New England are going to get worse, not better. The $64,000 question is: How much worse?

James J. McDermott Jr. of Keefe, Bruyette & Woods Inc., New York. [Page 1]

Security Pacific Forced to Curb Canadian Brokerage Strategy

By JED HOROWITZ

NEW YORK — The Federal Reserve Board has quietly indicated that bank subsidiaries cannot underwrite or deal in most securities even if they immediately shift the risk to an offshore company.

The decision came to light during Security Pacific National Bank's negotiations to purchase 30% of Canadian broker Burns Fry Corp. The Fed approved the application in late April but forced the Los Angeles-based bank to give up its plan for so-called riskless principal underwriting, according to Russell Freeman, general counsel of the bank.

The Fed also ruled that the large Canadian broker must end certain real estate and equity trading activities within one year of the purchase date.

The decision was not published in the Federal Register because Security Pacific made its application under Regulation K of the International Banking Act of 1978, which does not require bulletin notices by the Fed.

Security Pacific apparently sought to permit U.S. investors to buy and sell Canadian securities through Burns Fry's U.S. brokerage subsidiary.

Under the riskless principal concept, which has been approved by the Securities and Exchange Commission, a bank-owned unit could buy or sell a se-

Security Pacific: Page 5 ➞

FROM THE REGIONS

NEW ENGLAND

Loan Quality Holding Up – So Far

By MICHAEL WEINSTEIN
New England Bureau

BOSTON — Despite investors' jitters about shaky real estate loans, asset quality at New England banks remains above the national average, except for a handful of troubled construction loans.

A survey of the biggest New England banking companies showed that nonperforming asset ratios at the end of the first quarter were stable or up modestly at most of the banks, compared to yearend 1987. "The numbers would indicate that there hasn't been a change in asset quality," said Peter J. Ostrowski of the bank and thrift consulting firm of Lyons, Zomback & Ostrowski Inc., New York.

As of yearend, almost all of the banking companies surveyed had nonperforming asset ratios that were below the national average for banks of their size. New England's banks have plunged into real estate lending, taking advantage of the region's red-hot real estate market in recent years.

But the lending bacchanalia have created fears of a wicked loan-loss hangover, according to analysts. "I know some investors who are scared," said one bank ana-

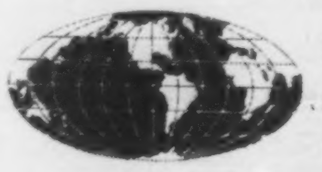
From the Regions: Page 12 ➞

Rules Will Force Japan's Banks To Raise Equity

Report Finds a Lack Of Core Capital Elements

By JOHN J. DUFFY
London Bureau

LONDON — Japanese banks may have to raise as much as $50 billion in equity in order to comply with the new international standards for capital adequacy, according to a report.



International Briefing

The report, by IBCA Banking Analysis Ltd., a London-based credit rating agency, said that while Japanese banks have ample reserves in the form of investments, they are severely lacking in so-called core capital elements such as shareholders' equity. Because of this shortfall, Japanese banks will need a big infusion of new equity before the capital proposals take full effect in 1992, the report said.

"With their low published equity-asset ratios, Japanese banks will, on the face of it, have to raise substantial equity," the report said. "At the moment, it is by no means certain just how this will be done, although Japanese banks' very substantial hidden reserves mean they clearly have ample resources."

Such hidden reserves consist largely of investments in Japanese equities, which the banks carry on their books at cost, rather than at their much higher market value. The Japanese ministry of finance has been allowing banks to include 70% of these reserves in their capital ratios. Under the new proposals, however, only 45% of such reserves will count as capital and those

Japan's Banks: Page 14 ➞

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IN THE NEWS

Reagan Has No Plan for Thrifts

WASHINGTON — A White House spokesman said President Reagan has no plan to deal with the growing thrift crisis but instead will depend on federal regulatory agencies to find ways of resolving the problem that some estimate could cost $50 billion to $60 billion to resolve.

"The regulatory authorities are in a position to deal with the problem, and we look to them for guidance," White House spokesman Marlin Fitzwater said on Tuesday when asked how Mr. Reagan intends to solve the thrifts' problems. Mr. Fitzwater said the President is being briefed on the thrift crisis by Treasury Secretary James A. Baker 3d and by Council of Economic Advisers Chairman Beryl Sprinkel.

Despite a $10.8 billion thrift bailout package Congress approved last year, which uses money from healthy thrifts to pay for closing weak ones, the Federal Savings and Loan Insurance Corp. finished 1987 twice as much in the red as at the end of 1986 — an estimated $13 billion of deficit, versus $6 billion. Thrift industry leaders say federal money will be needed to pay up to $50 billion for closing weak thrifts, which would worsen federal budget deficits.

Indian Citibank Branch Bombed

NEW DELHI — A bomb exploded on Tuesday inside a Citibank branch in New Delhi, leaving one person dead and 13 others injured, according to police and hospital officials. About 25 customers and 18 employees were inside the bank on the ground floor of a new, glass-covered 13-story building at Connaught Place, New Delhi's most prestigious shopping district, when the explosion took place.

Hundreds of police converged on the site and cordoned it off, preventing people from entering. Police bomb squad personnel searched for remains of the explosive device and also scoured Citibank offices on the third and fifth floors for other bombs.

A company official, who asked not to be identified, complained that "there is no security in the bank. The gates are not guarded. Anyone can walk in with bags that are not checked."

American Express Enters China

BEIJING — The next time Karl Malden appears in an American Express advertisement, he might be standing atop the Great Wall of China. American Express signed a deal on Tuesday with the state-owned Bank of China that gives the bank's customers access to the American Express corporate card and gold card. American Express is following a trail blazed by MasterCard and Visa, which set up their own deals with the Bank of China last year.

Hanover Signs Disaster Contract

NEW YORK — Manufacturers Hanover Trust Co. has signed a four-year contract with Comdisco Disaster Recovery Services Inc., under which Comdisco will supply the bank with custom disaster recovery services at its Carlstadt, N.J., recovery site. If service at a Manufacturers computer center is disrupted by fire or some other disaster, it has the right to use computers provided by Comdisco. Under an agreement announced by the bank on Tuesday, Comdisco will assume the majority of resources of Manufacturers Hanover Data Services Corp. Manufacturers Hanover Data Services Corp. and Comdisco have been jointly supplying disaster recovery services and facilities to the bank since 1984.

— Compiled by Dennis P. O'Connell

Half of Banks Say Check Clearing Profits Down

Survey Indicates Most of Declines Were Because of Competition from the Fed

By YVETTE D. KANTROW

NEW YORK — Half of the correspondent banks responding to a recent survey said their profit margins on check clearing services have declined over the past five years. Most of the declines were attributed to competition from the Federal Reserve System.

The survey, conducted by the Association of Reserve City Bankers, also found that two-thirds of banks providing check clearing services believe the Federal Reserve System "could eventually be the predominant provider" of these services.

The Federal Reserve has been competing with banks in the check clearing business almost since its inception in 1913. But with passage of the Monetary Control Act in 1980, the Fed has been explicitly charging fees for check collection and other payment services.

Bankers have continually accused the central bank of using its quasigovernmental status to obtain a competitive advantage. The Association of Reserve City Bankers, which represents big city banks that compete against the Fed, late last year surveyed users and providers of check clearing services to assess the impact of the Federal Reserve's aggressive entry into the business.

The results, which were published in April, showed that many smaller banks have increased their use of Fed services since 1981, citing price reductions as the main reason.

Frederick Heldring, chairman of the association's subcommittee on Fed relations, said the study indicated that prices for Federal Reserve services have "important competitive implications for the nation's private check collection system and the ability of that private system to continue providing check collection services to the public in the future." Mr. Heldring is chairman, president, and chief executive officer of Philadelphia National Bank.

Check collection, the biggest of the payment services for which banks are

Survey: Page 9 ➜

TECHNOLOGY TODAY
AN AMERICAN BANKER WEEKLY FEATURE
Section Begins on Page 6

Terry Hannum, Executive Vice President, Bank of Boulder

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May 11, 1988, American Banker

Beware of Pitfalls in Today's Leveraged Buyout Deals

The following is excerpted from remarks by Nora Ann Wallace, a member of the law firm of Willkie Farr & Gallagher, New York, presented March 31 as part of a panel discussion on loan quality at a symposium on restructuring the financial system. The symposium was sponsored by the Bank and Financial Analysts Association.

□

AS EACH WEEK goes by, the leveraged buyout market appears to get stronger and more financing becomes available. Junk bond market is coming back. Institutions are back in the market, attracted by the fact that leveraged buyouts are lower-priced and more soundly structured. And there are enormous resources in the hands of LBO funds looking for good investments.

Nonetheless, the unreliability of the junk bond market and the institutions has created new business opportunities for banks. Increasingly, banks are being called upon to provide subordinated financing in addition to their traditional secured financing, and they are able to demand higher rates, more equity contributions on the part of buyers, and equity participations for themselves.

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I'd like to turn to some of the pitfalls to avoid in making LBO loans in today's environment. Some areas where I have seen problems arise are 1) in the cash flow projections on which the deal is based, 2) the total financing structure of the deal, 3) the business due diligence review performed by the lender, and 4) conflicts of interest that can arise when a lender plays more than one role in a transaction.

First, as anyone who has participated in an LBO transaction knows, the most important structuring consideration is cash flow. If a leveraged buyout does not work on a conservative projection of cash flow, it shouldn't be done. Even where a lender has a security interest in hard assets worth many times the amount of debt, practical and legal problems may prevent the lender from ever realizing on those assets.

Cautions in Evaluating Projections

So what are the things to watch out for in evaluating projections? Watch out for numbers that rely on improving revenues through synergy or growth in sales, or cutting costs by reducing overhead, working capital, or capital expenditures. The deal should work based on the company's historical numbers, adjusted only for the new financing costs and the effect of taxes.

Next, even if the sponsors of the deal have a quick exit strategy, make sure there will be enough cash available to finance the working capital and capital expenditures necessary to stay in business during the term of the loan.

Make sure that the projections take into account any contingent liabilities such as pension costs, guarantees, or litigation costs, since these do not normally appear on the balance sheet but can represent significant cash items.

Next, make sure to do a sensitivity analysis for various rates of inflation and higher interest rates. (Remember that a leveraged buyout done today, with inflation and interest rates at relatively low levels, is likely to face an increase in both.) Also factor in a possible downturn in sales that might result in a recessionary period.

Don't overlook items such as payments due on subordinated debt and ordinary operating expenses that may not be so easy to buy back if the company is to stay in business, such as payroll and rent obligations.

Finally, be extremely careful where the projections rely on selling assets or on realizing on overfundings of pension plans. These assets may not turn out to be as valuable as the buyer hopes.

The second area in which problems can arise is in the total financing structure. A large leveraged buyout financing typically has multiple layers of debt and equity, and the senior lender must take care that terms of those securities don't impair the company's financial condition.

If an investment bank or institution has made a short-term bridge loan, how is it going to be repaid? If it is intended to be refinanced with junk bonds, what if the bonds can't be sold by the time the bridge loan matures?

If subordinated debt is a zero-coupon or a pay-in-kind note, have projections taken into account the fact that they will become cash-paying at some point? Does this happen automatically or only when certain interest coverage ratios have been achieved?

Does the financing make sense in terms of the buyer's exit strategy? If the deal is an "earn-out" rather than a "bust-up," none of the debt should be structured to require large paydowns in the short term. If it is a bust-up, make sure sales are for cash and that the paydown schedule takes into account costs of sale, including taxes.

Make sure your understanding of the strategy is the same as that of the equity holders, management, and the subordinated debt holders. They will be your financial partners in this enterprise, and it is better to have an understanding up front as to the buyer's plan for the business, and to build any necessary covenants into the loan documents.

Also make sure that any existing creditors are on board, including large trade creditors. From their point of view, capital of company has been impaired, management may be different, cash management policies may change. They may not be willing to deal with the company on the same basis as before.

The third kind of pitfall to avoid is taking short-cuts in the due diligence process. Don't rely on the buyout group or subordinated lenders to do it for you. They have different economic concerns and legal rights. An independent review will also help the senior lender maintain its seniority in a bankruptcy situation.

Also, be extra careful in hostile deals, or in hostile deals that become friendly, only because management has no choice. There is little opportunity to do due diligence in these deals, and merger agreements don't have substantive reps and warranties. The company is sold on a take-it-or-leave-it basis. It's in your interest to condition the financing on having an adequate opportunity to review the company.

Finally, you should be aware of some special risks that can arise when a bank plays several roles in an leveraged buyout, by providing senior financing, subordinated financing, and taking equity.

This is a risk for the senior lender because, in a bankruptcy, it might be considered to control the borrower and be put in the legal position of a shareholder instead of a creditor. This is called equitable subordination.

> If a leveraged buyout does not work on a conservative projection of cash flow, it shouldn't be done.

There is also a risk for the bank that purchases a participation in the senior loan but doesn't get a piece of the subordinated debt or the equity. The originating bank may have a conflict between its interests as a creditor and its interest as an equity holder. If it has sold down its loan to the point where its interest as a senior lender is not as significant as its equity interest, it is less likely to call a loan or take other action that would impair the equity position.

And now I'd like to turn to the legal issue: the issue of fraudulent conveyance. A bankruptcy court can use this concept to find that a secured lender's lien on the assets of a company was a fraudulent transfer that can be voided under the bankruptcy laws. The voiding of the security interest puts the secured lender in the same position as the general creditors.

A fraudulent conveyance can be found where either there was actual intent to defraud the other creditors of the acquired company or where the facts indicate that there was constructive fraud. Since actual fraud does not usually exist in a normal commercial setting, of much more concern is the concept of "constructive fraud."

In order to establish constructive fraud, two elements must exist:

First, the court must find that the borrower did not receive fair consideration for the security interest. Second, the court must find that as a result of the transaction the borrower did not have adequate capital: because the transaction caused the borrower either to become insolvent, to be unable to pay its debts as they would mature, or to have unreasonably small capital to carry on its business.

> Hostile deals offer management no choice and little opportunity to do due diligence.

It would seem that in a leveraged buyout the borrower should receive fair consideration for the security interest, as long as the borrower receives the proceeds of the LBO loan. The problem is that the borrower immediately uses the loan proceeds to pay the selling shareholders. Recent cases have held there was not fair consideration to the borrower when the proceeds ultimately were paid to shareholders. Under this reasoning every leveraged buyout will fail the fair consideration test.

It thus is essential in structuring a leveraged buyout to satisfy the second test, the capital adequacy test. It must be shown that at the time of the leveraged buyout that the borrower was solvent, the borrower and the senior lender reasonably believed that the borrower would be able to pay its debts as they matured, and the borrower would have sufficient capital to carry on its business.

Definition of solvency for this purpose is that the "fair salable value of assets exceeds all probable liabilities." This is not a GAAP balance sheet test.

Assets for this purpose are valued not at book value but at something close to fair market value. Liabilities for this purpose must include off-balance sheet items such as guarantees and future costs of litigation.

The remaining two measures of capital adequacy — that borrower's capital was not unreasonably small and that borrower had the ability to pay debts as they mature — can be met by applying the same considerations previously mentioned that are used in evaluating projections. The company must be able to generate enough cash to pay all its mandatory obligations and maintain its operations, including generating working capital and cash necessary capital expenditures.

Whether there was a fraudulent conveyance at the time of the leveraged buyout will be determined by a court with the benefit of hindsight, maybe several years after the transaction. But the court will be deciding whether the tests were met at the time of the leveraged buyout. This means that the documentation of the transaction, the certificates and financial information delivered at closing, and the lender's due diligence files made at the time of the transaction will carry a lot of weight. Those files should include at a minimum appraisals, a solvency letter from an independent party, and detailed pro forma statements and projections.

As for the near future, the pace of leveraged buyouts should keep up in the second and third quarters. Interest rates are projected to stay low, and fears of recession have eased.

Also, this is an election year, so there is pressure to buy now in case antitrust laws or the tax climate become less favorable.

The only real threat to continued leveraged buyout activity would be a downturn in the economy.

Survey Shows Check Clearing Profits Down for Many

Continued from Page 3

charged by the Federal Reserve, brought in revenues of $500.6 million last year. That equaled 77% of the Fed's $649.7 million in payment service revenue, according to the central bank's annual report on payment services. The 12 Federal Reserve banks processed 17 billion checks in 1987, 4.8% more than they did in 1986.

The Association of Reserve City Bankers commissioned Kenny & Associates Inc., Memphis, to study the role pricing plays when banks choose check clearing providers. Kenny mailed a questionnaire to 3,500 banks that use check collection services and another 324 that provide these services.

Banks in the user group ranged in asset size from $25 million to $750 million, while banks in the provider group had a minimum of $750 million in assets. More than 22% of the user group and 43% of the providers participated in the survey.

30% Have Boosted Use of Fed

Nearly 30% of the 775 user banks in the survey said they had increased their usage of the Fed's check clearing services since 1981. Only 14% said they decreased Fed usage, and another 54% said they have not changed their clearing practices.

More significantly, 34% of the banks that have increased Fed usage attributed their moves to reduced per-item and deposit charges. This was even more true for larger bank respondents. Six in 10 of those with assets between $500 million and $750 million said lower prices was the primary reason for their increased patronage of the Fed.

Another 21% said they increased Fed usage because they were able to reduce their float through speedier collections.

More than half of the user banks said they expect some change to occur in their check clearing practices. Of 778 banks responding to the question, "Which of the following statements describe the future of check clearing for your bank?" 25% said they expect to use the Fed more. Other answers included greater use of correspondent banks, which garnered a 17% response, and greater use of clearing houses, at 14%.

Of 117 service-providing banks — those competing directly against the Fed — 49% said their profit margins on check clearing services decreased over the last five years. Two-thirds of those that indicated a downward trend cited increased competition from the Federal Reserve as the primary reason. Another 15% attributed the trend to increased competition from other providers, while 8% attributed it to increased operating costs.

Of the 48 provider-banks that said their check clearing profits were decreasing, 65% said they expected this trend to continue, compared to 35% who said they did not.

Check clearing profit margins increased over five years for 34% of the provider-banks. No specific reason was cited in the survey report.

The survey also asked provider banks about changes in check clearing volume since 1981. Responses were evenly divided, with 44% saying volume has increased and 44% saying it decreased. A majority of those with decreasing volumes said they expect this trend to continue.

Correspondent bankers fear the central bank's power, the survey showed. Of 138 provider banks, 66% agreed with the statement: "The possibility exists that the Federal Reserve could eventually be the predominant provider of check clearing services."

Nearly 60% agree that the Fed can charge prices too low for commercial banks to match. Forty-one percent said the number of banks offering check clearing services is decreasing.

The Association of Reserve City Bankers, based in Washington, consists of 400 senior banking executives representing 150 major banks. The check clearing survey was endorsed by the American Bankers Association. ■

Why Check Clearing Profits Are Down

Survey base: 57 bankers who say their check clearing profit margins have declined in the past five years.

Increased competition from Federal Reserve	66%
Increased competition from other providers	15%
Increased operating costs	8%
Other	11%

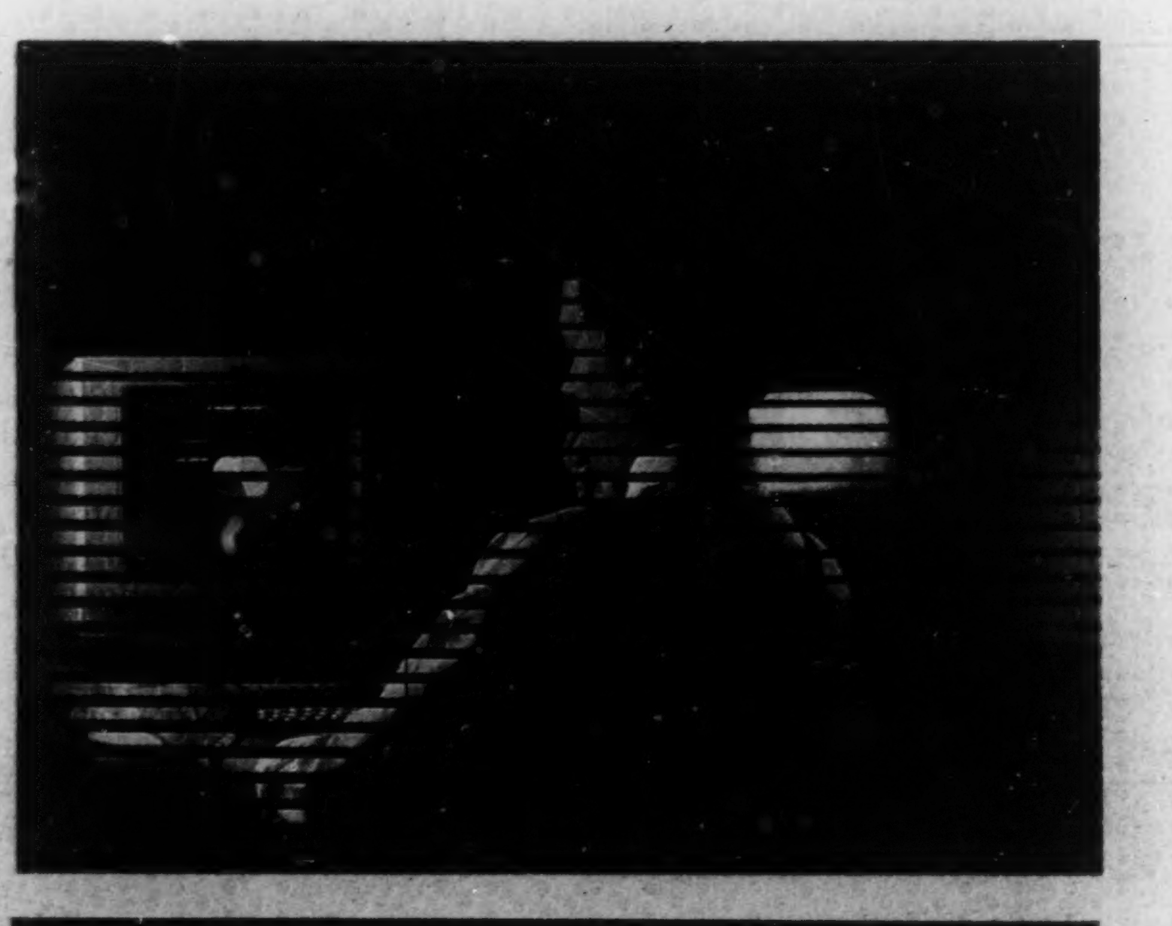
Source: Association of Reserve City Bankers

Banker-Retailer Disputes Will Be Mooney's Topic

NEW YORK — Banker-retailer disputes, which have hindered the development of electronic funds transfer systems at the point of sale, will be the discussion topic at the May 19 luncheon meeting of the Electronic Banking Economics Society of New York.

The guest speaker will be Robert A. Mooney, president of J.C. Penney Systems Services Inc., a vendor of point-of-sale payment systems to banks and retail merchants. He is also chairman of the Electronic Funds Transfer Association, which draws members from banking, retailing, and other industries with an interest in EFT.

For information on attending, call William Herzog of the Equitable Life Assurance Society at 212-554-3979. ■



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Consolidating domestic and foreign subsidiaries of the

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ASSETS		Dollar Amounts in Thousands
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$ 535,327
Interest-bearing balances		607,529
Securities		1,556,097
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs		5,929
Loans and lease financing receivables:		
Loans and leases, net of unearned income	8,866,660	
LESS: Allowance for loan and lease losses	411,691	
Loans and leases, net of unearned income, allowance, and reserve		8,454,969
Assets held in trading accounts		80,619
Premises and fixed assets		238,893
Other real estate owned		4,034
Customers' liability to this bank on acceptances outstanding		256,436
Other assets		201,523
TOTAL ASSETS		$11,941,356
LIABILITIES		
Deposits:		
In domestic offices		$ 8,293,761
Noninterest-bearing	2,074,021	
Interest-bearing	6,219,740	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		1,652,925
Noninterest-bearing	10,076	
Interest-bearing	1,642,849	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		735,975
Securities sold under agreements to repurchase		208,363
Demand notes issued to the U.S. Treasury		169,519
Other borrowed money		53,017
Mortgage indebtedness and obligations under capitalized leases		2,605
Bank's liability on acceptances executed and outstanding		258,646
Notes and debentures subordinated to deposits		2,065
Other liabilities		130,495
TOTAL LIABILITIES		$11,507,371
EQUITY CAPITAL		
Common stock		$ 38,376
Surplus		238,657
Undivided profits and capital reserves		156,952
TOTAL EQUITY CAPITAL		$ 433,985
TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL		$11,941,356

I, Robert Call, Vice President of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Robert Call
April 29, 1988

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

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Fed Income from Payment Services Rose 9.2% in '87

Change in Accounting Rules and a Tighter Rein on Costs Boosted Bottom Line

By JEFFREY KUTLER

NEW YORK — Controls on back-office operating costs and a fortuitous accounting change helped the Federal Reserve System post a 9.2% increase in net income last year from the payment services it provides financial institutions.

It was a big improvement over 1986, when the Fed suffered an 8.5% decline in income from what it calls priced services. Banks pay fees to the central bank for these services, which include check collections, wire transfers, automated clearing house processing.

In reversing course, the Fed managed to hold overhead to a 1.9% increase in 1987 — half the general inflation rate and well below the 6% to 8% increases in administrative costs that commercial banks have averaged in the past few years.

The Fed's costs would have risen 5.6% in 1987, closer to the banking industry norm, if there had not been a change in accounting for pension costs. Conforming to Federal Accounting Standards Board Statement No. 87, the central bank said it converted $18.7 million of pension expenses into long-term assets.

Without the accounting change, net income would have fallen by 23%.

The latest data come from the Fed's annual report on priced services, which was issued last month. It showed 1987 net income of $62.9 million on revenue of $649.7 million.

Fed Income from Priced Services

(Dollar amounts in millions)

	1987	1986	% Change
Revenue from services	$649.7	$627.7	3.5
Minus: Production expenses	506.8	497.5	1.9
Income from operations	142.9	130.3	9.7
Minus: Imputed costs	52.7	45.8	15.7
Plus: Other credits	5.0	8.0	-37.5
Income before taxes	95.2	92.4	3.0
Minus: Imputed income taxes	32.3	34.8	-7.2
Net income	62.9	57.6	9.2

Note: Priced services include large-dollar wire transfers, automated clearing house, check collections, book-entry securities transfers, float, and cash transportation. Totals in table may be off slightly due to rounding.

Source: Federal Reserve Board

Bankers Criticize Fed Reports

The Fed's priced-services reports usually are met with skepticism by executives of major correspondent banks that offer competing services. The bankers argue that the Fed, as a government agency, is not a fair or legitimate competitor. The bankers also question the cost-accounting assumptions that underlie the central bank's earnings statements.

In setting its prices and arriving at a net profit figure, the Fed calculates costs that it does not actually bear — such as taxes, deposit insurance, and interest. These figures make the Fed's bottom line theoretically comparable to that of a commercial bank.

While the accounting issues may be debatable, the growth trends are generally accepted as valid. The data-gathering methodology is consistent from year to year, making use of a Federal Reserve internal accounting system known as the Planning and Control System.

The data show the Fed has been increasing its priced-service revenue since enactment of the Monetary Control Act of 1980.

The law, which mandated the current pricing system, requires the Fed to recover its operating costs, not to make a profit. Last year it recovered 104.6% of total costs, compared with 104.2% in 1986 and 105.6% in 1985. The recovery goal for 1988 is 101.8%.

Priced services, though a major concern for the Fed's private-sector competitors, are relatively insignificant in the broader realm of central banking functions.

Services income is a fraction of the total operating income — most of it from interest on government securities — that the Federal Reserve banks earn and contribute to the Treasury each year.

In 1987, that contribution was $17.7 billion, with services income accounting for $62.9 million, or less than 4%.

Although the $62.9 million figure was up 9.2% from the previous year, the total priced-services revenue of $649.7 million was up a more modest 3.5%.

A year ago, the Fed reported that its 1986 revenue rose 2.3% to $627.7 million, but net income fell 8.5% to $57.6 million.

Back-office performance explained the difference between the 1987 and 1986 bottom lines. In 1986, these production costs rose 4.4% to $497.5 million. In 1987, they grew only 1.9% to $506.8 million.

The 1987 expenses would have been $18.7 million higher — amounting to $525.5 million and a 5.6% cost inflation — if FASB Statement No. 87 had not been invoked.

If that $18.7 million had come off of the bottom line, the after-tax net income from priced services would have fallen 23% to $44.2 million.

The imputed costs on the income statement — theoretical float, debt, sales taxes, and deposit insurance — rose 15% to $52.7 million in 1987. Income taxes, if the Fed paid those typical of the 25 largest bank holding companies, would have fallen 7.2% to $32.3 million.

The Fed said it had booked pretax profits and, hence, more than recovered its overhead costs from each of the payment services categories. They are check collection, wire transfer and net settlement, automated clearing house, securities safekeeping and noncash collection, book-entry securities transfer, and cash services.

Check collection is the biggest business, accounting for about four-fifths of revenue and expenses. The Federal Reserve banks processed 17 billion checks in 1987, 4.8% more than in 1986.

The volume of wholesale fund transfers over Fed Wire rose 14% to $142 trillion. The average transaction amount was $2.6 million.

The Fed processed 861 million automated clearing house payments, 21% more than in 1986.

Increases in Securities' Transfers

Acting as fiscal agent for the U.S. Treasury, the Fed said it processed 7.3 million transfers of book-entry Treasury securities, up 12.3% over 1986, and 2.1 million transfers of federal agency securities, up 19.9%.

Assets on the Fed's pro forma balance sheet for priced services rose 5% in 1987 to $$2.9 billion. These included $676 million of "net items in process of collection," or uncollected float, which more than doubled from $300 million at the end of 1986.

In its drive to eliminate float from the payment systems and charge banks for any remainder, the Fed recovered the cost of $756.6 million of average daily float during 1987. Only $48.2 million of average daily float went unrecovered, down from $105.6 million a year earlier. ■

US Using Automation to Collect Debts

NEW YORK — The Justice Department will use an automated system to assist in the collection of debts owed to the federal government.

The system is part of a project in which private law firms are being hired to litigate government claims against private debtors. These claims amount to $32 billion and do not include delinquent taxes.

The "privatization" of debt collection is now in a test phase, involving 10 U.S. attorneys' offices and 40 private law firms.

On April 19, Data Transformation Corp., Silver Spring, Md., won the government contract to link these offices in a computer network. It subcontracted with Legal Software Solutions Inc., Jericho, N.Y., to provide its debt collection software, known as EasyCollect.

Legal Software Solutions, formerly known as Excelsior Corp., has been developing and marketing legal and debt-collection software for the past 10 years. Last December, the City of Denver became the first government entity to buy EasyCollect, which is also being offered to banks, retailers, and other credit grantors.

The Justice Department's EasyCollect contract will yield $400,000 in software and services revenue the first year. The contract has four option years to follow. If exercised, the options could bring an additional $5.2 million to Legal Software Solutions, according to Jack Castro, president of the company. ■

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VOL. CLIII NO. 93 Thursday, May 12, 1988

Today

The issue of banks underwriting their own asset-backed securities is on the front burner again, with the focus now shifting to state-chartered member banks and their regulators. 2

Chief financial officers at commercial banks are paid less and work longer hours than their counterparts at other companies, according to a study by Heidrick and Struggles, the Chicago-based executive search firm. CFOs of banks received an average of $231,000 in cash compensation in 1987, compared to a $330,000 average for diversified financial companies and a $292,000 average for the entire sample of CFOs. 2

The Justice Department's decision to drop the investigation of House Banking Committee Chairman Fernand J. St Germain seems unlikely to affect either the politics or legislative output of the banking panel. 2

Charles J. Koch, the new chairman of the National Council of Savings Institutions, predicted that taxpayer funds would be used to bail out the insolvent FSLIC. 2

A smart card that may replace paper travelers checks is being created by the Thomas Cook Group. The travel company said it has commissioned SmartCard International to make prototypes of a plastic card with computerized memory that would keep track of purchases and itineraries for business travelers. 3

First-quarter profits at Columbia Savings and Loan Association fell to about $5.3 million, or 13 cents a share, from $98 million, or $2.60 a share, a year earlier. 12

After more than 20 years in banking, Richard Urfer has established his own corporate finance services firm. 16

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CONSUMER FINANCIAL SERVICES

Good-natured stabs at competitors and other humorous efforts took top honors among 1,400 entries in the 16th annual advertising awards of the Bank Marketing Association. 6

Daily newspapers are selling ad space in the middle of their stock market tables. The unusual position also offers an advertiser exclusivity — no other advertising can appear on the same page. 10

Closing a branch calls for care and attention to customers and staff, writes N.W. "Red" Pope in Marketing Management. 4

Worth Repeating

We haven't received the time of day . . . They're making no attempt to help us down here.

F. Hagen McMahon Jr. of the Independent Bankers Association of Texas on FDIC aid to small Texas banks. [Page 1]

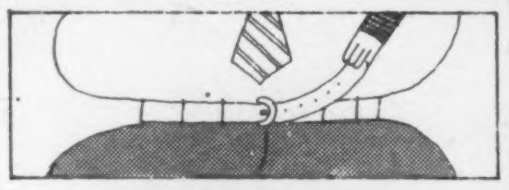
An American Banker Special Report

Regional Banks Step Up Cost-Cutting

By JOHN P. FORDE

Regional banks are preparing for a more competitive banking environment with a swarm of cost-cutting programs to stem growth in operating expenses, an *American Banker* study of annual reports shows.

Tactics include reducing staffs, combining computer systems, and building more efficient facilities.



Belt-Tightening

"Many banks have enacted aggressive restructuring programs in order to cut or control noninterest expenses," says Cheryl Swaim, a bank stock analyst at Oppenheimer & Co. The regional banking companies generally have held expense growth to less than 10% over the past year, she says, compared with faster expense growth at money center banks.

Annual reports indicate that regionals, many of which have been reporting double-digit increases in earnings over the past few years, are battening down their hatches in anticipation of tough times ahead.

Some regions, such as New England and the Southeast, are beginning to report increases in loan problems — especially in real estate lending. Analysts predict that increasing levels of nonperforming assets — combined with weak loan demand — may put regional bank earnings under some pressure over the next few years.

So far, however, the industry has not won raves for its success in containing costs. One of its most vociferous critics is J. Richard Fredericks, a bank stock analyst at Montgomery Securities, San Francisco.

In the first quarter, the 31 bank holding companies that Mr. Fredericks covers posted a 7.9% increase in noninterest expense from the year-ago quarter.

"Our cry for the industry to better control noninterest expense is falling on deaf ears," the analyst says in a recent

Regional: Page 15 ➸

Does FDIC Have a Big-Bank Bias?

Small Texas Institutions Think So and Consider Suit

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Independent bankers in Texas say they are tired of being "too small to survive" and aren't going to take it any more.

The Texans are venting their frustrations against federal bank regulators, claiming they are unresponsive to small-bank needs. A growing number of bankers and state officials are considering suing the Federal Deposit Insurance Corp. and other regulators for discrimination by bank size.

Of last year's 184 bank failures, 50 occurred in Texas. So far this year, 23 banks in the Lone Star State have been closed under the weight of bad loans in real estate, energy, and agriculture.

During the same period, more than $2.6 billion in federal money from the FDIC flowed into Texas to prop up three big failing banks: First City Bancorporation of Texas, First RepublicBank Corp., and BancTexas Group. Only one small Texas bank — Crossroads Bank in Victoria — was kept open with FDIC cash.

FDIC Chairman L. William Seidman "thinks there are too many banks in Texas and Oklahoma, and he's going to close them," contends John Shivers, president of the $140 million-asset Southwest Bank, Fort Worth.

"They have virtually refused to do

Texas: Page 14 ➸

Check-Hold Rules Finalized by Fed Despite Protests

By YVETTE D. KANTROW

NEW YORK — The Federal Reserve Board Wednesday cleared the way for the implementation of rules requiring banks to make checking deposits available to customers within specified time limits. The rules take effect Sept. 1.

The Fed, as required by the Expedited Funds Availability Act, proposed regulations in December to limit the holds banks may impose on checks before allowing withdrawals. The public had 60 days to comment on the Fed's rules, known as Regulation CC.

At an open meeting in Washington on Wednesday, the Board of Governors adopted its original proposals with

Fed: Page 14 ➸

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Asset-Backed Underwriting Under Attack

By JED HOROWITZ

NEW YORK — Banks are once again on the firing line for underwriting securities backed by their own assets.

A suit filed against the Comptroller of the Currency over the issue has been pending for almost a year, but the focus is now shifting to state-chartered member banks and their regulators, according to banking and securities industry sources in Washington and New York.

"Some challenge to asset-backed public offerings by state banks is something that the SIA will seriously consider," said James Weidner, an attorney representing the Securities Industry Association.

The Federal Reserve Board, which oversees state-chartered member banks, has not ruled on the legality of underwriting asset-backed issues. But sources at the Fed hinted that they have been asked to render an opinion.

If Fed officials find that the activity violates the Glass-Steagall Act prohibition on public underwriting of securities, the asset-backed activity could grind to a halt. If they give their imprimatur to underwriting, the securities industry is likely to sue the Fed as it has done with the Comptroller.

Chemical Bank started the ruckus last month, when it helped sell $257 million of securities backed by payments on auto and light-truck loans that the bank originated. Chemical, which is chartered in New York and regulated by the Federal Reserve Board, was lead underwriter on the deal but did not officially ask the Fed for permission to underwrite.

Manufacturers Hanover Corp., another New York-chartered bank regulated by the Fed, recently registered a $350 million securities offering backed by its credit card receivables. Salomon Brothers Inc. is lead manager on the deal, but sources at the bank said Hanover will be comanager. The application is now being considered by the Securities and Exchange Commission.

Yesterday, Chemical again pushed the issue by helping to sell a $58 million public offering of senior mortgage pass-through certificates. It underwrote one-third of the deal, for which First Boston was lead manager.

"We're underwriting where legally permissible," said Robert R. Rupp, vice president and manager of the bank's residential mortgage product management group. He noted that the mortgages were all originated by Chemical. "Our lawyers felt comfortable that we can underwrite."

A few months earlier, however, Chemical stayed out of the underwriting syndicate when it issued $52 million of mortgage pass-through certificates. At the time, Mr. Rupp cited caution by the lawyers.

Sources said that before Chemical underwrote its auto-backed securities, Fed lawyers cautioned bank officials that the regulator had not ruled on the legality of the activity. Chemical did not disclose this warning in its offering prospectus. There appears to be no need for such disclosure from an investor-protection standpoint, said John C. Roycroft, assistant director of corporate finance at the Securities and Exchange Commission. But an official at the Securities Industry Association countered that the omission could be cited if a disgruntled investor decided to sue the bank.

Ironically, the asset-backed underwriting debate arose just when it seemed quiescent. Earlier this week, First National Bank of Chicago said it was comanager on a $300 million issue of securities backed by payments on its credit card advances. Advocates of

Underwriting: Page 14 ➔

Finance Chiefs Make Less at Banks: Study

By DAVID NEUSTADT

NEW YORK — Chief financial officers at commercial banks are paid less and work longer hours than their counterparts at other companies, according to a study by Heidrick and Struggles Inc., the Chicago-based executive search firm.

Bank chief financial officers received an average of $231,000 in cash compensation in 1987. That was substantially below the $330,000 average for diversified financial companies and the $292,000 average for the entire sample of chief financial officers.

The finance chiefs worked an average of 58.3 hours a week at banks, slightly more than the 57.9 hours averaged by the group as a whole. But 16.2% of the bank officials reported working more than 70 hours a week, compared with only 3.6% at financial companies and 9% from the entire sample.

Also, the bank chief financial officers averaged 19 hours a week in meetings, compared with 17.3 hours for the other two groups.

The bankers are the most dissatisfied about their long hours: 47.2% complain they don't have enough time for family, compared with 35.7% at financial companies and 31.3% among all those polled.

Heidrick and Struggles received survey replies from 340 *Fortune* 1000 companies, including 38 commercial banks and 28 diversified financial companies.

The survey results suggest that commercial banks are very conventional in their choices of chief financial officers. Bank chief financial officers were 70.3% Protestant, compared with 53.5% for the group as a whole. All the bank officers in the sample were white, and only one was a woman.

The bank officers were slightly younger; their mean age was 47 years, compared with 49.5 years for the entire group. They were more likely to be married to their first spouse, 94.4%, compared with 82.1% for the entire group.

Bankers do not move around much. Respondents have relocated only 1.3 times, compared with 2.7 times for the larger group. They have had fewer employers, 2.4 each, compared with 3 each for the entire sample. Bankers have worked for their current employer for 15.9 years, compared with 9 years for chief financial officers of financial companies and 13.5 for the whole group.

Despite their relative stability, the bankers are less likely to have a management contract. Only 24.3% of bankers have a contract, compared with 42.9% at financial companies and 33.2% among the whole group.

If they do have a contract, chief financial officers of banks are less likely to have a golden parachute. At banks the figure was 66.7%, among financial companies 100%, and 82.1% for the entire sample.

The search firm asked the chief financial officers to identify their major challenges. Generally, the bank officers shared the views of others in the group. Everyone named "employing top people" as the biggest challenge. But 20% of bankers saw "creating a comprehensive financial reporting system" as a major challenge, compared with only 7.5% at financial companies and 5.4% for the whole sample.

When asked to identify the key factors in their own success, bankers — along with everyone else — ranked hard work first. But the bankers thought "people" skills were less important, while decisiveness and luck were more important than other chief financial officers said. ■

What CFOs Are Paid

Ranges of cash compensation at commercial banks, compared with other firms, in 1987

	Commercial Banks	Diversified Financial Companies	Fortune 1000
Less than $150,000	29.0%	3.6%	12.6%
$150,000-$249,999	31.6	35.7	33.3
$250,000-$349,999	26.3	25.0	25.8
$350,000-$449,999	10.5	14.2	14.7
$450,000-$699,999	2.6	17.9	11.1
More than $699,999	0	3.6	2.5
Mean Pay	$231,000	$330,000	$292,000

Source: Heidrick and Struggles Inc.

Dismissal of St Germain Probe Lifts Cloud from Banking Panel

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — The Justice Department's decision to drop its investigation of House Banking Committee Chairman Fernand J. St Germain without seeking an indictment seems unlikely to affect either the politics or legislation of the banking panel.

"We had been hearing in the street for months that the investigation was over," said one bank industry lobbyist. "So it really doesn't have any great effect."

"If anything," said another close observer of the banking committee, "it enhances his power a bit."

Last August, the Justice Department began looking into allegations that the Rhode Island Democrat had accepted expensive gifts of food and entertainment from financial services industry lobbyists. Members of the House are prohibited from accepting gifts of more than $100 in a calendar year from people with an interest in legislation, although gifts of under $50 do not count toward the limit.

The Justice Department investigation followed a 14-month inquiry by the House Ethics Committee into allegations that Mr. St Germain had used his office for personal gain. That panel, after spending $300,000, produced a 1,405-page report that exonerated Mr. St Germain on all but some minor reporting violations.

Mr. St Germain, who has refused comment throughout the ethics panel and Justice Department investigations, issued a terse statement on Tuesday, saying he had been told by his lawyer that Justice was dropping its inquiry. "This means the case is closed," he said. His lawyer, Raymond Banoun, could not be reached for comment on Wednesday.

One lingering dark cloud for Mr. St Germain is the possibility of another investigation by the House Committee on Standards of Official Conduct, the formal name for the ethics committee.

In closing its case, the Justice Department turned its files over to the ethics panel, according to John Russell, a department spokesman. Material developed before the grand jury was not provided to the panel, Mr. Russell said. He said a court order would be necessary to secure the release of that material.

It was not possible to learn from the ethics committee whether it would resume deliberations on Mr. St Germain.

However, one knowledgeable congressional staff member, said it is unlikely the ethics committee will begin another investigation. "We're not going to spend another damn dime on this thing," he said, noting the $300,000 price tag on the last inquiry.

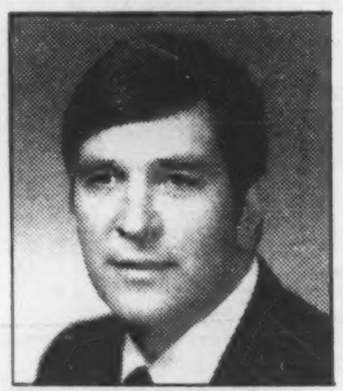
Still unknown is whether the allegations raised in the investigation will affect Mr. St Germain's bid for a 15th term in Congress or for a new term as chairman of the banking panel. It was known in 1986 that he was under investigation, however, and he still won reelection with 58% of the vote. He is expected to face a closer contest this time, in no small part because of the negative publicity from the investigations.

In 1987, when the 100th Congress organized, 70 Democrats voted against Mr. St Germain's reelection as banking committee chairman — a large number, considering he had no opposition. Working in his favor, say congressional sources, is the lack of a clear alternative to Mr. St Germain among the committee's most senior Democrats. ■

Taxpayer Funds Will Save FSLIC: Thrift Official

By JIM McTAGUE

TORONTO — The new chairman of the National Council of Savings Institutions predicted on Wednesday that taxpayer funds would be used to bail out the insolvent Federal Savings and Loan Insurance Corp.



Charles J. Koch

Charles J. Koch, in his inaugural address at the council's annual meeting here, also predicted that Congress would merge the FSLIC with the Federal Deposit Insurance Corp. "The reality is that FSLIC isn't going to make it with its current funds," he said. "Unfortunately, Congress and some trade groups haven't recognized this."

Regulators should be shutting down sick thrifts, not keeping them open, said Mr. Koch, president of the First Federal Savings Bank, Cleveland. He succeeds John T. Morgan, chairman of American Savings Bank, New York, an FDIC-insured institution.

The council's membership is dominated by New England savings banks.

Mr. Koch (pronounced "coke") said the cost of funds has been rising at his own FSLIC-insured institution, despite a downward trend in rates. "We have to begin to get Congress and the public to separate the sick institutions from the healthy," he said.

How to Take the Sting Out of Branch Closings

By N.W. "RED" POPE

WHO WOULD ever have thought the day would come when we would be closing, streamlining, and consolidating branches? But the fact is that a variety of circumstances over the past decade have slowed, if not reversed, the trend of the Sixties and Seventies to expand anywhere that opportunity or "gut feel" suggested.

I recall that during my first years in banking, initially in North Carolina and then in Florida, opening a new branch was among the more challenging of marketing tasks. In fact, in North Carolina we opened an average of one branch every other month for 12 years!

Today, however, the cost of land, buildings, and equipment for new branches has made return on investment highly questionable. With new technologies that make possible a variety of delivery systems and with more methods to determine branch profitability, bank management is fast concluding that there may indeed be better and cheaper ways to serve customers.

Pope Says:

The name of the game in closing a branch is care and attention to customers and staff. Employee morale is at stake. And service quality is an outgrowth of employee morale, good or bad.

As we continue to learn how to segment markets, to provide the products and systems customers want instead of the building and concepts we bankers have felt were appropriate, we face the fact that the cost of more mature facilities may no longer be justified. Plants are moved. Highways come through. Neighborhoods change. Businesses close. Demographics change, affecting the type of facility needed to serve the altered customer base.

Twenty years ago, human beings provided cash, accepted deposits, and made loans in a banking facility, but now we realize that a large percentage of our users would just as soon get cash from an ATM, borrow by telephone, write a check on a preauthorized credit line, and have their pay electronically deposited. It saves time, is simpler, and with new relationship pricing, could be cheaper for the customer as well.

So those of us with large branch networks must conclude that many of our older facilities are not serving customers as they once did. They are not providing the revenue streams of yesterday, and yet their operational and personnel costs rise. Also, we must build new branches in emerging markets to capture new business. That's an expensive, tough decision.

Certainly we do not wish to remove facilities that are critical to the financial well-being of a market area if there are no convenient alternatives for comparable services. And we do not want to lose good customers we have worked with for years.

One alternative is to reduce the number of people at the branch, reduce business hours, and perhaps relocate some servicing, such as lending to a "cluster," or hub, facility nearby.

Another possibility, which is palatable to many customers if there is another branch fairly close by, is consolidation. It means putting two branches together in a single facility to serve the overall market.

Whatever approach you take, there are numerous communications and marketing challenges to be aware of and to program for.

The principal audiences to be identified are, in order of importance: the customers, the employees, and the press.

Here is a brief checklist of questions to consider:

- When do you tell the customers? How do you explain what is taking place and where they will be served in the future? To what extent will they be inconvenienced, and what is the bank going to do about it?
- Will there be "premium" offers to relocated customers, such as free safe deposit boxes for a time or free checks, to keep their business? What will you use to placate them?
- Will there be any special promotion involving relocation? Are you going to make it a big deal in some significant and exciting way, or will you prefer to make the change as inconspicuously as possible?
- What about signage in the lobby and outside the branch, and maps showing the new home of the branch and other area branches?
- Will there be advertising of any sort? Direct mail to area businesses?
- Press releases in advance explaining what, when, and why? Visits to the press to discuss the matter and answer questions.
- How do you tell the staff what is going on and why? Where will they be reassigned? How will you assure them they will be taken care of? Who will handle this?
- Will there be a special promotion for staff to keep business that might leave, such as cash incentives for deposits retained?
- Do you have a system to ascertain, at certain periods up to a year after the consolidation, how much business was kept or lost and why?

Many banks believe a 5% loss is realistic. Some banks, with cash incentive plans for their branch staff, have kept a surprisingly large percentage of business. Many have learned that the branch manager must make personal calls on the largest depositors and borrowers. Having staff members telephone other good customers is a positive way to follow up the initial announcement of the change.

The staff must have a positive attitude about the move and demonstrate it to all customersin the period before relocation.This could be a very "down" time, but given the right atmosphere, with everyone understanding and believing the rationale behind the decision, some excitement and fun can be put into the project.

The staff in the new or alternative facility must be equally pumped up, welcoming their transferred customers as longtime friends. These customers must be given special treatment, with particular attention paid to their needs. Most people will accept change if it is pleasant, positive, and rewarding. That's the biggest role of the bank's employees as they manage this change.

The name of the game in closing a branch is care and attention to customers and staff who are affected. Employee morale is at stake. And service quality is an outgrowth of employee morale, good or bad.

Sooner or later, your bank may have to make the tough decision to close a branch. Marketing then plays a very important role in how well customers are treated and how much business is kept.

Determine your strategies far in advance. Get your tactics down pat. Produce a schedule of work and a timetable for each activity. Get a budget that will do the right job. This is not a time to save $100 and in so doing lose thousands of dollars in deposits or hundreds of good borrowers.

Closing, consolidating, and downsizing a branch is not as easy, or as much fun, as opening a new facility. The marketer, however, finds it is more of a challenge and more demanding professionally. More important, this is another of those times when skillful marketing can make a major difference in the end result. ■

Mr. Pope is senior vice president of marketing at Valley National Bank, Phoenix.

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Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

FLASHBACKS

What made news in the *American Banker* this week...

40 Years Ago

- Allan Sproul, president of the Federal Reserve Bank of New York, told a joint congressional committee that he did not believe the Federal Reserve needed additional powers to control inflation.

20 Years Ago

- Banks in the District of Columbia were charged with contributing to racial unrest by using a double standard in making loans to black applicants. In a report on April riots in the nation's capital, the city council said there was "substantial evidence indicating that the major local financial institutions, especially the banks, [used] a double standard in their credit policies . . ." Robert K. Koontz Jr., vice president of Security Bank in the District of Columbia, said "I have been in the banking business here since 1938, and I have never seen an application for a loan denied for that reason."
- Wachovia Bank and Trust Co. announced it would convert to a national charter. The Winston-Salem, N.C. bank said the switch was part of a reorganization in which it would become the major subsidiary in a one-bank holding company.

10 Years Ago

- Out of 20,500 employees eligible to do so, 226 minority and female employees or former employees of Crocker National Bank, San Francisco, filed job discrimination complaints under terms of a consent decree that ended a 1975 class action suit on behalf of 20,500 people who had worked for Crocker since 1973. Under the decree, employees had been given an April 15 deadline to file race or sex discrimination complaints. The decree in effect required each past or present employee to prove he or she was discriminated against before collecting any compensation.
- The Connecticut General Assembly failed to act on a bill that would have required all consumer contracts of $50,000 or less and all insurance contracts to be written in simple language. The measure required that every written contract use common words, avoiding such phrases as aforesaid, heretofore, and whereas. It called for the use of personal pronouns such as "I" and "you" instead of impersonal words or phrases such as "party of the first part." David Beizer of the Connecticut Bankers Association said the group supported "the concept of simple language," but said the bill had "a lot of problems." "I don't think that a simple language contract, like morals, can be legislated," he said.

5 Years Ago

- An American Banker survey showed that Citicorp chairman Walter B. Wriston became the first commercial banker to break the $1 million barrier in executive compensation. He earned $1,156,650 in salary and bonuses in 1982.
- The House of Representatives passed a bill authorizing $760 million in federal loans for jobless homeowners facing mortgage payment problems. The bill, which was opposed by the Reagan administration and by lenders, was considered a long shot for passage.

1 Year Ago

- Thomas A. Cooper resigned as president and chief operating officer of BankAmerica Corp., saying he wanted to "pursue other business interests." Sources at the bank, however, said they believed Mr. Cooper's decision was a result of clashes between himself and A.W. Clausen, who took over the No. 1 spot at the San Francisco bank in October.
- Calling home equity credit lines "land mines" threatening American home owners, consumer groups urged Congress to require lenders to disclose more information about loan terms and set caps on rate increases.
- The Securities Industry Association asked a New York appeals court to stay a Federal Reserve Board decision granting limited securities powers to three bank affiliates.

— **Domenica Trevor**

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TOP THRIFT EARNERS
— TABLE ON PAGE 16

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Today

CHICAGO: THE FINANCIAL CENTER

The newest arrival in the Chicago market is Mitsui Trust and Banking Co., which is also the first Japanese trust bank to start a branch in the Midwest hub. — 18

NBD Bancorp has paid a steep price to enter Chicago, including high premiums for acquisitions to control $3 billion in area banking assets. — 18

David Ganis, the first banker to become chairman of the Futures Industry Association, has taken over at just about the most controversial period in the industry's history. — 19

The cavernous retail banking floor at First National Bank of Chicago's headquarters is being redesigned to accommodate retail customers. — 19

INSIDE

U.S. bankers in Tokyo contend that the razor-thin margins carved by Japanese financial institutions will cut non-Japanese out of the market. — 2

International financial markets have withstood the turbulence following October's crash, according to the Bank for International Settlements. 2

U.S. banks are seriously undercapitalized and are overstating the value of loans to Third World countries, according to a GAO report. — 3

Lawrence J. Toal, president of PSFS Savings Bank, is studying the Philadelphia marketplace the way he studied Hong Kong. — 24

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COMMENT

Written loan policies can mean the difference between success and disaster in operating a bank, writes consultant John T. Morris. — 4

THRIFTS & MORTGAGES

The East Coast operations of First Nationwide Bank will get a boost from the opening of a Cherry Hill, N.J., branch. — 10

Two Texas thrift mergers are imminent, revealed John H. Rousselot, president of the National Council of Savings Institutions, after he phoned Bank Board Chairman M. Danny Wall from the pressroom of the group's Toronto conference. — 10

The potential for takeover of a depository institution can be identified through such considerations as market characteristics, writes Jerome I. Baron in the Observer column. 12

Worth Repeating

Consistency argues powers for all.

Federal Reserve Board Chairman Alan Greenspan, commenting, after a speech, that S&Ls should get whatever expanded powers are given to banks. [Page 1]

S&L Report Card: Who Won, Lost

By LINDA ELLIS

NEW YORK — Home Savings of America, Irwindale, Calif., was the biggest earner among thrifts last year, according to an *American Banker* survey of profit and loss at savings institutions.

This despite that yearend 1987 earnings of $202.7 million at subsidiary H.F. Ahmanson & Co., Los Angeles, were 39.8% lower than the year before.

Western Federal Savings and Loan Association, Dallas, lost the most money in 1987 — $885.3 million — and is now under a management consignment program. The second heaviest loser was Financial Corpor. on of America's American Savings and Loan Association, Stockton, Calif., with red ink amounting to $467.5 million.

The ranks of profit-making thrifts dwindled last year as the industry lost a record $6.8 billion, compared with earnings of $132 million in 1986.

At yearend 1987, according to the Federal Home Loan Bank Board, 66% of thrifts were profitable, or 2,089 of 3,147. That was down from 73% showing positive net income at yearend 1986.

Top Thrift Earners

Leaders in 1987 net income

	($ Mil.)
1. Home Savings of America	$202.7
2. Great Western	193.3
3. Glendale Federal	174.7
4. California Federal	151.5
5. World Savings	150.4

Thrifts: Page 17 →

People

Bill Simon's Man in Honolulu

By JEFFREY KUTLER

HONOLULU — Like many chief executive officers, the chairman of Honolulu Federal Savings and Loan Association hangs mottos on his office wall to impress the corporate mission upon colleagues and visitors.

The most prominent of several signs in Gerald Czarnecki's office reads: "We are not in the service business. We are in the business of selling services."

Nothing very unusual there, except that Mr. Czarnecki came to his job from what most resume readers would characterize as a bank-operations background. Without forsaking the need for technical competence, he has become a fervent believer in sales and marketing, and he is aiming to reshape an entire $2 billion-asset S&L around those functions.

It is a prodigious undertaking. Not only is Honolulu Federal on the mend after a close brush with failure, but Mr. Czarnecki's bosses also are some of the

'We need to do a better job of selling.'

— Gerald Czarnecki
Honolulu Federal Savings

Operating: Page 14 →

Fed Chief Backs New Powers For S&Ls, Too

Says Banks and Thrifts Should Be Treated Alike

By RICHARD RINGER
Midwest Bureau

CHICAGO — Federal Reserve Board Chairman Alan Greenspan suggested on Thursday that savings and loans should get whatever expanded powers are given to banks.

"Consistency argues powers for all," Mr. Greenspan said in response to a question following a speech in which he once again urged Congress to provide expanded powers for banks.

Mr. Greenspan did not elaborate on his comment about new powers for thrifts. His suggestion, however, differs from congressional testimony by M. Danny Wall, chairman of the Federal Home Loan Bank Board. Mr. Wall has said it would be inappropriate for Congress to consider giving federally chartered thrifts expanded powers until the financial problems of the Federal Savings and Loan Insurance Corp. are resolved.

In his speech at a Federal Reserve Bank of Chicago conference on the restructuring of the financial services industry, the Fed chairman said there are indications that the banking industry's profitability "is unlikely to be maintained." He urged broader powers for bank holding companies as a way for them to remain competitive.

Mr. Greenspan warned, however, that profits from new bank powers will not be substantial.

"Moreover, it does not seem likely, thanks to the competitive nature of the U.S. financial system, that there are ab-

Greenspan: Page 17 →

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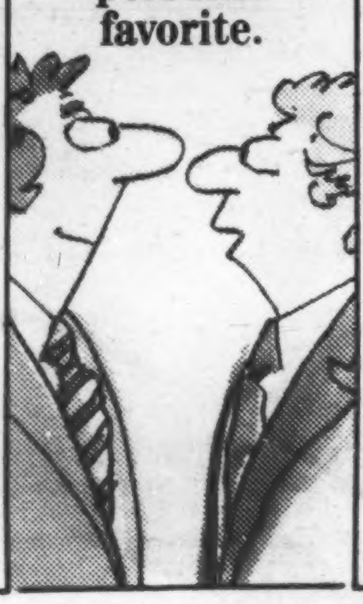

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What's the Big Deal About Developing Written Loan Policies?

By JOHN T. MORRIS

THE OFFICE of the Comptroller of the Currency recently released the results of a very interesting study. The purpose was to identify and classify the root causes for the failure of 162 national banks in the United States since 1979.

The conclusion of the Comptroller's staff — which is not all that earth shattering — was as follows: "The most often observed problems in these failed banks involved the lack of policies and procedures or the failure to follow them. This suggests that establishing and adhering to policies and procedures is important to a bank's success."

Obvious, right? But if it's so obvious, why do so many bank managements continue to go along day to day, year to year, without expounding even the most basic of loan policies?

I would go a step further. An even larger number of banks may have a semblance of loan policies in the minds of a few key managers. But they are still reluctant to publish even an outline of what they think their loan policies are. Why do so many bank managements resist putting loan policies in writing?

This article lists some of the more common reasons banks give for not developing written loan policies. Each of these reasons is in reality a nonsensical excuse that will eventually lead the institution into disaster.

Loan policies that are constantly being revised out of necessity are probably poorly written in the first place.

One of the most common reasons so many banks are reluctant to publish written loan policies is that management does not want to face the inevitable internal dissension and controversy. For example, loan policies normally define what types of risks are acceptable for the bank to assume.

Now if you or the area you're responsible for happen to be affected adversely by what is defined as "unacceptable," you undoubtedly will fight hard to change the definition — or at least try to loosen it up a little. If you are unsuccessful in your battle on this front, you will then probably try to affect your peers' areas adversely, to even out the internal playing field a little.

It turns into a political battle. And political battles are usually neither particularly productive nor healthy. But I contend that the dissension and controversy that grows out of developing written loan policies is of the healthiest kind.

Dissension Can Be Healthy

Deliberating loan policies is one of the most educational and insightful processes that can occur at any level of bank management, from the board on down. Reading a bank's loan policy conjures up the clearest image of the direction senior management wants to take an institution. Now that's where the rubber truly meets the road.

Another commonly mentioned reason for failing to develop written loan policies is that they usually end up being too restrictive. Written policies are certainly much harder to change than oral directives — the cast-in-concrete argument.

This argument says that one cannot possibly anticipate all the new types of loan requests that may arise. And most of these will prove to be acceptable risks anyway. When new situations actually do arise, they will have to be approved as "exceptions to policy" — or perhaps even the policy will have to be changed to accommodate. As a result, many of these new but acceptable situations just might take too long to win approval. Good business gets lost or turned away.

It should be possible to build into every written policy statement a mechanism for appropriately but quickly reviewing and making decisions on acceptable exceptions to policy. Exceptions to policy should be expected, not discouraged.

Whenever a particular aspect of policy becomes more the exception than the rule, it is probably time to change that aspect to reflect the real world more accurately. On the other hand, loan policies should be designed and written so that actual revisions are fairly infrequent. Loan policies that are constantly being revised out of necessity are probably poorly written in the first place and are possibly even more confusing than no written policies at all.

A corollary argument from the banks is that written loan policies sap the lending function's flexibility and imagination. Customers are turned off by constantly hearing their loan officer respond: "We just can't do it that way. It's against written policy."

Road Signs, Not Blinders

If the loan officers are saying this frequently — and they really mean it rather than just using the policies to hide their own lack of imagination — then the real problem is loan policies that are too specific, not that they happen to be in written form. Good loan policies should be like road signs that point the loan officer in the right direction rather than blinders that restrict the officer's vision to a very narrow, rigid path.

Another frequent argument against written loan policies is heard from a bank's chief executive officer who runs a one-man show: "I'm in charge here and I want to make all the decisions — including what is within policy and what is not. I don't want anyone but me trying to interpret loan policy around here."

Fine. If that's the CEO's wish and he's been given that prerogative by his board, let him operate in that fashion. But I don't agree with this approach.

I guarantee that it would be a lot easier and more productive for this type of CEO to write out the details of his credit philosophy. He can still make the final decisions.

Lacking written guidelines, everything — no matter how minuscule — must be referred to the CEO. How will he ever have the time or mental energy to handle the really meaningful credit policy matters? And how will the bank function if the CEO is called away or becomes temporarily incapacitated and there are no written guidelines?

Under this type of one-man regime it is common for a new lending officer to report for work and find no written loan policies to guide him. He therefore continues operating under the policies of his previous employer. And who knows how liberal those might have been?

If the new officer doesn't know what matters must be referred to the CEO, many times he won't refer anything — that is, until it's too late. Written loan policies let the new employee know from Day One what is expected of him.

Another commonly cited reason for not putting loan policies in writing is simply that bank management doesn't know what to include. This is probably the most valid of all the reasons I've listed.

But fear not! the Office of the Comptroller of the Currency has come to the rescue. "Comptroller's Handbook for National Bank Examiners" lists all the topics that should at least be considered for inclusion in a written loan policy.

This list can serve as an outline. Should the bank still need help, the Comptroller's staff certainly stands ready to assist.

In closing, let me point out the most disturbing argument that is often used to justify not publishing loan policies: It would merely be a big waste of time for the bank to put its loan policies in writing because no one follows the present oral policies, anyway.

Not taking established loan policy seriously is unfortunately a fairly common practice. The Comptroller's study alludes to this problem when it concludes that many banks fail because they do not follow closely enough their own loan policies and procedures.

I admit that developing written loan policies would indeed be a big waste of time if no one were serious about following them. But I am assuming that management is really serious about staying in business.

If a bank takes the step to formalize its loan policies, it should also take the steps to enforce them. Certainly some sort of monitoring system should be built into the loan policies themselves to ensure that they are taken seriously and followed closely. ■

Mr. Morris is president of J.T. Morris & Associates Inc., Weston, Conn., consultants to lending institutions.

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BRIEF COMMENT

Citicorp's Caravan to Washington Seeks Legislative Clout

The following item originally appeared in the April 29 edition of the Washington Weekly Report, published by the Independent Bankers Association of America.

□

CITICORP has decided it wants to get close to the people. No, not *those* people. The *big* people. The very important people in Washington who decide the fate of the big banks.

Perhaps the biggest of U.S. banks sees storm clouds forming over the nation's capital, over such costly-to-Citicorp propositions as assessing Federal Deposit Insurance Corp. premiums on foreign deposits. Citicorp is sending 20 of its own down Interstate 95 two-by-two to build an ark.

Until now, Citicorp has relied on the assorted talents of the Washington law firm of Barnett, D'Amours, Sivon & Shay to plead its case. The company says that won't change, although the new office will handle legal and regulatory affairs. (Indeed, most big banks have abandoned proprietary D.C. offices in favor of farming out lobbying chores to law firms, Bill Isaac's Secura Group, etc.)

Citicorp has instead opted for hands-on involvement. The hands are attached to Charles Long, an executive vice president of Citicorp who is a part of chairman John Reed's inner circle. Steve Hopkins, the bank's director of government affairs, is the second member of the caravan to be named.

Neither of these men are rubes; they are savvy, no-nonsense types who would probably like nothing better than to cultivate a reputation for walking on water without getting their argyles damp.

Around town, Citicorp & Co. is being viewed more as an embassy than an ark. And rightly so.

Citicorp is as foreign a form of life as one is likely to find in this international city. Perhaps it will attempt to dodge assessments on foreign deposits with claims of diplomatic immunity. ■

Top 100 Thrifts in Net Income

In Order of 1987 Net Income, Compared with 1986

Rank 1987		Net Income for Full Year		% Chg.	Rank 1986	Assets	R.O.A.
		1987	1986			12/31/87	1987
1	**Home Savings of America, FA, Irwindale, Calif. [2]**	202,671,000	336,730,000	(39.81)	1	30,533,471,000	0.66
2	**Great Western Bank, FSB, Beverly Hills [2]**	193,312,000	300,243,000	(35.61)	2	28,526,110,000	0.68
3	**Glendale Federal Savings & Loan Assn., Calif. [2]**	174,661,000	111,244,000†	57.01	8	23,206,137,000	0.75
4	**California Fed. Savings & Loan Assn., Los Angeles [2]**	151,500,000	143,400,000	5.65	5	23,219,400,000	0.65
5	**World Savings, FS&LA, Oakland, Calif. [2]**	150,437,000	183,010,000	(17.80)	4	12,837,910,000	1.17
6	**Columbia Savings & Loan Assn., Beverly Hills [2]**	119,349,000	193,526,000	(38.33)	3	11,227,256,000	1.06
7	**Dime Savings Bank of New York FSB, Garden City [1]**	113,604,000	130,612,000	(13.02)	6	10,944,187,000	1.04
8	**Home Fed. Savings & Loan Assn. of San Diego, Calif. [2]**	103,045,000	103,358,000	(0.30)	10	14,109,123,000	0.73
9	**CrossLand Savings FSB, Brooklyn, New York [1]**	100,136,000	101,232,000	(1.08)	11	13,774,567,000	0.73
10	**Franklin Savings Assn., Ottawa, Kan. [2]**	89,881,000†	119,971,000†	(25.08)	7	9,049,634,000	0.99
11	**Great American First Savings Bank, San Diego, Calif. [2]**	88,125,000	93,745,000	(5.99)	13	15,242,243,000	0.58
12	**Green Point Savings Bank, Brooklyn, New York [1]**	86,685,678	91,005,789	(4.75)	14	3,588,764,621	2.42
13	**Citicorp Savings of Illinois, FS&LA, Chicago [2]**	86,497,000	31,515,000	174.46	51	5,509,947,000	1.57
14	**Standard Federal Bank, Troy, Mich. [2]**	67,420,060	66,502,760	1.38	20	8,514,739,405	0.79
15	**CenTrust Savings Bank, Miami [2]**	63,786,000	51,848,000	23.02	28	8,187,242,000	0.78
16	**Long Island Savings Bank FSB, Syosset, N.Y. [2]**	63,536,000	80,005,000	(20.58)	17	5,666,304,000	1.12
17	**Citicorp Savings, FS&LA, San Francisco [2]**	57,903,000	59,873,000	(3.29)	24	6,976,531,000	0.83
18	**First Nationwide Bank, FSB, San Francisco [2]**	57,113,000	104,183,000	(45.18)	9	17,177,903,000	0.33
19	**Coast Savings & Loan Assn., Los Angeles [2]**	57,069,000	50,400,000	13.23	30	11,951,980,000	0.48
20	**Imperial Savings Assn., San Diego, Calif. [2]**	49,884,829	47,510,000	5.00	32	10,869,881,763	0.46
21	**Washington Federal Savings & Loan Assn., Seattle [2]**	49,821,000	39,291,000	26.80	40	1,900,475,000	2.62
22	**People's Bank, Bridgeport, Conn. [1]**	49,606,000	45,668,000	8.62	34	5,651,206,000	0.88
23	**Sears Savings Bank, Glendale, Calif. [2]**	46,850,000	7,056,781	563.90	...	5,604,724,000	0.84
24	**American Savings Bank FSB, New York [1]**	45,750,000	40,570,000	12.77	38	4,052,698,000	1.13
25	**Third Federal Savings & Loan Assn., Cleveland [2]**	42,549,507	36,211,248	17.50	47	2,021,473,945	2.10
26	**Lincoln Savings & Loan Assn., Irvine, Calif. [2]**	41,020,000	50,760,000	(19.19)	29	4,748,467,000	0.86
27	**Citicorp Savings of Florida, FS&LA, Miami [2]**	40,063,367	38,566,000	3.88	44	2,713,948,413	1.48
28	**Washington Mutual Savings Bank, Seattle [1]**	40,014,000	70,653,846	(43.37)	19	5,707,574,000	0.70
29	**San Jacinto Savings Assn., Houston [2]**	37,291,000	38,577,037	(3.33)	43	2,843,381,000	1.31
30	**Cragin Federal Savings & Loan Assn., Chicago [2]**	36,507,370	36,328,390	0.49	46	2,065,218,314	1.77
31	**Howard Savings Bank, Newark, N.J. [1]**	34,856,000	24,049,000	44.94	69	4,880,614,000	0.71
32	**Manhattan Savings Bank, New York [1]**	34,792,638	26,516,015	31.21	64	3,040,874,820	1.14
33	**First Federal of Michigan, Detroit [2]**	33,448,000	73,022,629	(54.20)	18	11,882,593,000	0.28
34	**Western Savings & Loan Assn., Phoenix, Ariz. [2]**	33,406,011	44,196,778	(24.42)	35	6,052,257,047	0.55
35	**Downey Savings & Loan Assn., Costa Mesa, Calif. [2]**	33,191,332	57,154,846	(41.93)	26	3,219,288,136	1.03
36	**Emigrant Savings Bank, New York [1]**	32,613,000	28,452,749	14.62	57	3,558,059,000	0.92
37	**Society for Savings, Hartford, Conn. [1]**	31,269,000	23,036,000	35.74	73	3,557,645,000	0.88
38	**East River Savings Bank, New York [1]**	31,232,000	31,522,390	(0.92)	50	2,596,003,000	1.20
39	**Anchor Savings Bank FSB, Northport, N.Y. [2]**	30,902,000	60,822,000	(49.19)	22	7,673,815,000	0.40
40	**Home Owners Federal Savings & Loan Assn., Boston [2]**	30,555,000	28,025,000	9.03	59	3,657,020,000	0.84
41	**Fidelity Federal S & L Assn., Glendale, Calif. [2]**	29,890,000	30,557,000	(2.18)	53	3,848,192,000	0.78
42	**Georgia Federal Bank, FSB, Atlanta [2]**	29,818,000	29,703,000	0.39	55	3,570,772,000	0.84
43	**Hudson City Savings Bank, Paramus, N.J. [1]**	29,522,442	16,122,612	83.11	...	2,891,962,321	1.02
44	**MeraBank, FSB, Phoenix, Ariz. [2]**	29,076,000	(24,149,000)†	120.40	...	6,635,588,000	0.44
45	**Carteret Savings Bank, FA, Morristown, N.J. [2]**	27,843,000	46,091,000	(39.59)	33	5,906,209,000	0.47
46	**Apple Bank For Savings, New York [1]**	27,567,000	22,487,000	22.59	79	2,866,754,000	0.96
47	**Dollar Bank FSB, Pittsburgh [2]**	27,264,000	11,288,000	141.53	...	2,463,892,000	1.11
48	**Astoria Federal Savings & Loan Assn., Queens, New York [2]**	27,148,484	25,999,288	4.42	66	2,643,382,160	1.03
49	**Rochester Community Savings Bank, N.Y. [1]**	26,976,000	19,408,000	38.99	96	3,272,385,000	0.82
50	**Capitol Federal Savings & Loan Assn., Topeka, Kan. [2]**	26,875,000	33,253,558	(19.18)	48	2,613,369,000	1.03
51	**Home Savings Bank, Brooklyn, New York [1]**	26,067,000	30,062,128	(13.29)	54	1,637,095,787	1.59
52	**Dollar-Dry Dock Savings Bank, White Plains, N.Y. [1]**	25,607,000	10,684,000	139.68	...	4,609,881,000	0.56
53	**Atlantic Financial Federal, Bala Cynwyd, Pa. [2]**	25,271,000	19,168,000	31.84	97	7,355,209,000	0.34
54	**Sacramento Savings & Loan Assn., Calif. [2]**	25,197,234	19,434,342	29.65	95	2,218,584,000	1.14
55	**Albany Savings Bank FSB, N.Y. [2]**	25,139,790	22,525,537	11.61	77	1,844,933,980	1.36
56	**Homestead Savings, FS&LA, San Francisco [2]**	24,651,000	29,444,563	(16.28)	56	5,512,871,000	0.45
57	**Citizens Savings Bank FSB, Providence, R.I. [1]**	24,482,913	28,290,310	(13.46)	58	1,949,534,113	1.26
58	**Pacific First Federal Savings Bank, Tacoma, Wash. [2]**	24,415,000	23,470,000	4.03	70	4,508,601,000	0.54
59	**Greater New York Savings Bank, New York [1]**	23,449,000	32,537,000	(27.93)	49	2,975,908,000	0.79
60	**South Boston Savings Bank, Boston [1]**	22,505,000	16,832,991	33.70	...	1,327,788,000	1.69
61	**Far West Savings & Loan Assn., Newport Beach, Calif. [2]**	21,828,000	23,129,000	(5.62)	72	3,751,520,000	0.58
62	**Talman Home Federal Savings & Loan Assn., Chicago [2]**	21,025,000	26,434,000	(20.46)	65	6,048,694,000	0.35
63	**St. Paul Federal Bank for Savings, Chicago [2]**	20,249,032	20,060,000	0.94	91	2,818,398,750	0.72
64	**Great Lakes Bancorp, FSB, Ann Arbor, Mich. [2]**	20,227,000	22,233,732	(9.03)	81	3,143,233,000	0.64
65	**Collective Federal Savings Bank, Egg Harbor City, N.J. [2]**	20,216,385	21,750,780	(7.05)	84	1,996,114,222	1.01
66	**Peoples Heritage Federal S & L Assn., Salina, Kan. [2]**	20,179,000	27,374,000	(26.28)	62	2,155,580,000	0.94
67	**San Francisco Federal Savings & Loan Assn. [2]**	20,031,000	22,132,000	(9.49)	83	2,911,825,000	0.69
68	**Farm & Home Savings Assn., Nevada, Mo. [2]**	19,989,929	21,738,996	(8.05)	85	3,494,095,183	0.57
69	**Federal Savings Bank of Puerto Rico, San Juan [2] (a)**	19,228,947	20,439,740	(5.92)	89	1,166,640,668	1.65
70	**Perpetual Savings Bank, FSB, McLean, Va. [2]**	19,208,000	22,655,000	(15.22)	76	4,690,121,000	0.41
71	**Northeast Savings, FA, Hartford, Conn. [2]**	18,723,000	39,446,000†	(52.54)	39	7,368,279,000	0.25
72	**Seamen's Bank for Savings FSB, New York [1]**	18,330,000	26,954,000	(32.00)	63	4,124,084,000	0.44
73	**Nevada Savings & Loan Assn., Las Vegas [2]**	18,032,698	17,679,906	2.00	...	2,368,063,436	0.76
74	**Benjamin Franklin Federal S & L Assn., Portland, Ore. [2]**	17,367,000	27,926,982	(37.81)	60	4,923,795,000	0.35
75	**Ridgewood Savings Bank, Queens, New York [1]**	17,279,822	13,427,833	28.69	...	1,116,915,634	1.55
76	**Security Savings & Loan Assn., Milwaukee, Wis. [2]**	17,059,363	16,905,056	0.91	...	2,129,228,723	0.80
77	**Jamaica Savings Bank FSB, Lynbrook, N.Y. [1]**	17,020,836	21,240,967	(19.87)	87	1,392,342,356	1.22
78	**Bay View Fed. Savings & Loan Assn., San Mateo, Calif. [2]**	17,005,000	15,058,000	12.93	...	2,091,251,000	0.81
79	**Northwestern Savings & Loan Assn., Chicago [2]**	17,002,824	12,567,140	35.30	...	1,358,346,000	1.25
80	**Honolulu Federal Savings & Loan Assn., Hawaii [2]**	16,924,000	1,769,000	856.70	...	2,143,861,000	0.79
81	**Peoples Heritage Savings Bank, Portland, Me. [1]**	16,706,000	11,432,000	46.13	...	1,700,371,000	0.98
82	**Goldome, Buffalo, N.Y. [1]**	16,681,000	52,880,000	(68.45)	27	15,153,370,000	0.11
83	**Valley Federal S & L Assn., Van Nuys, Calif. [2]**	16,544,000	17,033,000	(2.87)	...	3,324,584,000	0.50
84	**First Constitution Bank, New Haven, Conn. [2] (b)**	16,276,000	13,538,000	20.22	...	1,767,068,000	0.92
85	**Bowery Savings Bank, New York [1]**	16,232,000	18,887,000	(14.06)	98	6,513,306,000	0.25
86	**New Bedford Institution for Savings, Mass. [1]**	16,171,000	11,393,000	41.94	...	883,879,000	1.83
87	**Silverado Banking Savings & Loan Assn., Denver [2]**	16,004,000	15,624,000	2.43	...	2,257,151,000	0.71
88	**Roosevelt Federal Savings & Loan Assn., Chesterfield, Mo. [2]**	15,911,000	16,578,000	(4.02)	...	2,293,689,000	0.69
89	**Firstrust Savings Bank, Philadelphia [1]**	15,902,000	13,000,000	22.32	...	1,039,933,000	1.53
90	**First American Savings Bank for Savings, Boston [1]**	15,741,000‡	12,204,000‡	28.98	...	688,231,000	2.29
91	**Fairfax Savings, FSB, Baltimore [2]**	15,299,000†	4,483,000†	241.27	...	373,540,000	4.10
92	**Western Federal Savings & Loan Assn., Marina Del Rey, Calif. [2]**	15,249,000	11,303,000	34.91	...	2,188,199,000	0.70
93	**Columbia Banking Federal S & L Assn., Rochester, N.Y. [2]**	15,048,000	25,703,527	(41.46)	67	1,482,999,326	1.01
94	**Champion Federal Savings & Loan Assn., Bloomington, Ill. [2]**	15,018,490	59,041,000†	(74.56)	25	2,316,818,354	0.65
95	**Union Federal Savings & Loan Assn., Los Angeles [2]**	15,013,070	16,344,756	(8.15)	...	1,927,646,417	0.78
96	**Mutual Savings & Loan Assn. FA, Bay City, Mich. [2]**	14,905,367	13,427,917	11.00	...	1,248,501,000	1.19
97	**Hunter Savings Assn., Cincinnati [2]**	14,844,000	14,704,000	0.95	...	1,301,177,000	1.14
98	**Ohio Savings Bank, Cleveland [2]**	14,750,899	15,576,000	(5.30)	...	1,392,092,437	1.06
99	**Hawthorne Savings & Loan Assn., Calif. [2]**	14,536,192	11,855,344	22.61	...	859,443,989	1.69
100	**Citizens Federal Savings & Loan Assn., Miami [2]**	14,476,824	13,693,587	5.72	...	3,005,091,000	0.48

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data from the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. were used. These data were provided by **ADP Data Services Division, New York.** ADP has two thrift data bases for thrifts: (1) Its data base of thrifts reporting to the FHLBB on the "Quarterly Financial Report to the Federal Home Loan Bank Board." Virtually all of these thrifts are FSLIC-insured. To obtain a net income figure for calendar 1987 using the FHLBB data, current net income for each the four quarters of the year are summed. (2) Its new data base of savings banks reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks." All the institutions in this data base are FDIC-insured. A dagger **(†)** indicated FHLBB data were used, and a double dagger **(‡)** indicates FDIC data were used. **Net Income** is income after taxes but before extraordinary items. It is total income (operating plus nonoperating) minus total expenses (operating, nonoperating, and income taxes) for calendar years 1987 and 1986, unless otherwise noted. **ROA**— return on assets, or net income for 1987 divided by total assets on 12/31/87. **(a)**— Formerly Bayamon Federal S&L Assn. **(b)**— Formerly First Federal Bank of Connecicut. Changed title and insurance (from FSLIC to FDIC) in January 1988. **( )**— Indicate a net loss in the net income column and a percentage decline in the percent change column. **(1)— An FDIC-insured institution. (2)—An FSLIC-insured institution.**

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Number of Thrifts Posting Gains Dwindled in '87

➝ Continued from Page 1

The 33% of the industry that was unprofitable last year lost a total of $13.4 billion. Nationally, 345 thrifts are insolvent, the Bank Board said.

Only one institution among the 50 that lost the most, Meritor Savings Bank, Philadelphia, is insured by the Federal Deposit Insurance Corp. All the others are covered by the Federal Savings and Loan Insurance Corp. Meritor, which lost $395.8 million, blamed the higher cost of funds as well as lower earning assets due to what the company called a "strategic shrinking" of the balance sheet.

50 Largest Thrift Losses
Table on Page 20

According to the *American Banker*'s survey, Texas and California accounted for a significant number of losers and winners, respectively.

The survey shows a disproportionate number of Texas thrifts in the loss column, 8 out of the top 10. California is home to 7 of the 10 most profitable thrifts as rated by net income.

Even among the most profitable thrifts, however, the results for the year were lower, sometimes sharply, from 1986. Great Western Bank, Beverly Hills, Calif., is second in profitability but its net fell 35.6%. Glendale Federal Savings and Loan Association, Glendale, Calif., with the third highest net income, and California Federal Savings and Loan Association, Los Angeles, with the fourth highest, are the only thrifts among the top 10 earners that registered improvement in 1987. Glenfed's earnings would have been even higher, the company said, except for one-time expenses associated with the acquisition of Guarantee Savings, Fresno, Calif.

Between the coasts, regional thrifts had ho-hum results for the most part. Earnings were depressed in the Midwest for the same reasons they were elsewhere: competitive pricing of deposit rates and new mortgages, reduced gains from the sale of loans in the secondary markets, and new accounting standards.

Among 70 predominantly eastern and midwestern thrifts, the return on assets in 1987 tumbled to 0.43% from 0.72% in 1986, a consequence of negative nonoperating results, according to Sanford Rose, an associate editor of the *American Banker*. Last year, for the first time in five years, nonoperating expenses, which include mark-to-market losses on mutual fund investments and loan-loss provisions, exceeded nonoperating income.

For the industry as a whole, including all 3,147 insured thrifts, net operating income was $3 billion, compared with $4.6 billion in 1986, according to the Bank Board. Nonoperating losses were $7.1 billion, versus $1.3 billion in 1986.

An increase in the provision for loan losses to $10.9 billion from $8.6 billion reflected an incentive to take losses under the Tax Reform Act of 1986. ■

Riggs Sells Mexican Loans

WASHINGTON — Riggs National Corp. said its Riggs National Bank unit sold $22.2 million of Mexican loans for about $14 million.

The bank said it did not realize any loss on the sale because reserves for the loans had been established in prior periods. It did not identify the buyer of the loans.

With the sale, Riggs said its total "problem country exposure" had been reduced to $66.5 million, or 1.1% of assets, from $107 million, or 1.7% of assets, as of Dec. 31, 1987. ■

Greenspan: Grant New Bank Powers to S&Ls

➝ Continued from Page 1

normally high profits in very many markets now closed to banks just waiting to be captured by banks once new powers are granted," he said.

Mr. Greenspan has long favored repeal of the Glass-Steagall Act.

"Of all the possibilities for expanded bank powers, repeal of Glass-Steagall is the most consistent with addressing the fundamental market and regulatory developments undermining the long-run health of the U.S. banks."

The Fed chairman reiterated his support of the blanket authorization of securities powers contained in a Senate-passed bill drafted by Banking Committee Chairman William Proxmire.

"I believe it would not be useful to grant only specific, limited securities powers to banking organizations, since that runs the risk of product obsolescence as market innovations and technological change continue," said Mr. Greenspan.

In his speech, he also repeated the Federal Reserve Board's assertion that any new powers given to banks should be conducted through subsidiaries of a bank holding company. He said that the Fed believes bank holding companies should not be regulated by function.

"So long as some portion of a holding company has access to the federal safety net," said Mr. Greenspan, "our view is that it would be inappropriate to abandon the holding company to a piecemeal regulatory structure that leaves no agency responsible for seeing that the activities of the organization as a whole don't impose undue risk on the depository system."

The Fed chairman said that economic and competitive factors have eroded bank earnings, and that the factors contributed to a fivefold increase in loan-loss provision in the 1980s and a near tripling of net chargeoffs.

While some banks remain profitable, Mr. Greenspan said, a decline in aggregate bank earnings has resulted from "the deteriorating credit quality experienced by most money center banks, and the large number of banks west of the Mississippi [that are] heavily committed to energy, agriculture, and real estate credits."

Other financial companies that provide credit have taken away some of the banks' best customers, said Mr. Greenspan. While "the highest-quality business borrowers have been attracted away from banks to the money and capital markets for direct financing, the banking system has found its remaining customers to be less creditworthy than earlier in the postwar period," he said. ■

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

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The 50 Largest Losses in the Thrift Industry

Based on Net Losses for 1987

Rank 1987		Net Income/Loss for Year 1987	1986	% Chg.	Assets 12/31/87	R.O.A. 1987
1	Western Federal Savings & Loan Association, Dallas [2]	(885,310,000)†	N.A.	.....	854,082,000	-103.66
2	American Savings & Loan Association, Stockton, Calif. [2]	(467,553,000)	95,989,000	-587.09	33,843,873,000	-1.38
3	Sunbelt Savings Association, Dallas [2]	(459,446,000)†	(80,680,000)†	-469.47	3,386,571,000	-13.57
4	Meritor Savings Bank, Philadelphia [1]	(395,799,000)	22,920,000	-1,826.87	19,016,456,000	-2.08
5	Lamar Savings Association, Austin, Tex. [2]	(253,675,000)†	(90,439,000)†	-180.49	1,919,183,000	-13.22
6	First Texas Savings Association, Dallas [2]	(242,540,000)†	(137,016,000)†	-77.02	3,484,217,000	-6.96
7	Meridian Savings Association, Arlington, Tex. [2]	(233,872,000)†	(9,101,000)†	-2,469.74	183,097,000	-127.73
8	State Federal Savings & Loan Association, Lubbock, Tex. [2]	(226,302,000)†	(65,150,00)†	-247.36	466,849,000	-48.47
9	Continental Savings Association, Bellaire, Tex. [2]	(201,359,000)†	(11,607,000)†	-1,634.81	384,629,000	-52.35
10	Gill Savings Association, Hondo, Tex. [2]	(199,772,000)†	55,672,000†	-258.84	1,626,630,000	-12.28
11	Franklin Savings Association, Austin, Tex. [2]	(193,121,000)†	(55,320,000)†	-249.10	474,785,000	-40.68
12	United Savings Association, Houston [2]	(185,673,000)	60,287,000	-407.98	5,802,246,000	-3.20
13	Champion Savings Association, Houston [2]	(179,316,000)†	(5,697,000)†	-3,047.55	775,667,000	-23.12
14	Beverly Hills Savings, FS&LA [2]	(151,410,000)†	(244,924,000)†	38.18	1,683,651,000	-8.99
15	Bell Savings & Loan Association, FS&LA, San Mateo, Calif. [2]	(149,850,000)†	(156,444,000)†	4.21	1,000,324,000	-14.98
16	Gibraltar Savings, Beverly Hills [2]	(138,283,000)	40,616,000	-440.46	13,486,564,000	-1.03
17	Commodore Savings Association, Dallas [2]	(134,301,000)†	(250,655,000)†	46.42	746,296,000	-18.00
18	Lyons Savings, FSB, Hinsdale, Ill. [2]	(133,576,000)	N.A.	.....	1,906,373,000	-7.01
19	Victor Savings & Loan Association, FS&LA, Muskogee, Okla. [2]	(131,848,000)†	N.A.	.....	262,683,000	-50.19
20	City Savings & Loan Association, San Angelo, Tex. [2]	(126,608,000)†	(52,230,000)	-142.40	708,994,000	-17.86
21	Commonwealth Savings Association, Houston [2]	(124,448,000)†	2,492,000†	-5,093.90	1,783,796,000	-6.98
22	Stockton Savings Association, Dallas [2]	(122,531,000)†	(58,880,000)†	-108.10	650,129,000	-18.85
23	Baltimore Federal Financial, FSA [2]	(120,074,000)	2,078,000	-5,878.34	1,794,634,000	-6.69
24	Sandia Federal Savings & Loan Association, Albuquerque, N.M. [2]	(117,191,000)†	(3,266,000)†	-3,488.21	1,172,316,000	-10.00
25	Pacific Savings Bank, Costa Mesa, Calif. [2]	(113,062,000)†	(47,371,000)†	-138.67	1,119,803,000	-10.10
26	American Diversified Savings Bank, Lodi, Calif. [2]	(111,628,000)	(505,212,000)	77.90	546,120,000	-20.44
27	North America Savings & Loan Association, FS&LA, Santa Ana, Calif. [2]	(111,173,000)†	N.A.	.....	101,105,000	-109.96
28	Savers Federal Savings & Loan Association, Little Rock, Ark. [2]	(107,174,000)	N.A.	.....	937,111,000	-11.44
29	Guaranty Federal Savings & Loan Association, Dallas [2]	(104,439,000)†	4,143,000†	-2,620.85	2,966,890,000	-3.52
30	Southwest Savings & Loan Association, Abilene, Tex. [2]	(103,566,000)†	(6,400,000)†	-1,518.22	251,819,000	-41.13
31	Cardinal Federal Savings Bank, Cleveland [2]	(99,219,000)†	307,000	-32,418.89	1,595,312,000	-6.22
32	Ben Milam Savings & Loan Association, Dallas [2]	(99,019,000)†	(87,871,000)	-12.69	127,614,000	-77.59
33	Heights Savings Association, FSA, Houston [2]	(97,220,000)†	(71,607,000)	-35.77	293,644,000	-33.11
34	Gibraltar Savings Association, Houston [2]	(94,824,000)†	(76,558,000)†	-23.86	6,148,164,000	-1.54
35	Security Savings & Loan Association, Scottsdale, Ariz. [2]	(92,049,000)†	(190,732,000)†	51.74	798,734,000	-11.52
36	First Federal Savings of Arkansas, FA, Little Rock [2]	(89,602,000)	11,033,000	-912.13	1,737,758,000	-5.16
37	Universal Savings Association, Houston [2]	(83,560,000)†	(8,655,000)	-865.45	156,678,000	-53.33
38	Bright Banc Savings Association, Dallas [2]	(69,623,000)	(34,876,000)	-99.63	4,794,234,000	-1.45
39	Summit Savings Association, Dallas [2]	(68,692,000)†	(63,257,000)	-8.59	193,532,000	-35.49
40	Peoples Savings & Loan Association, Llano, Tex. [2]	(67,041,000)†	(18,433,000)	-263.70	283,669,000	-23.63
41	TCF Banking & Savings, FA, Minneapolis [2]	(66,562,000)	21,401,000	-411.02	5,871,264,000	-1.13
42	Key Savings & Loan Association, FS&LA, Englewood, Colo. [2]	(64,790,000)†	N.A.	.....	189,320,000	-34.22
43	First Financial Bank, FSB, New Orleans [2]	(64,470,000)†	(29,200,000)†	-120.79	752,471,000	-8.57
44	Eureka Federal Savings & Loan Association, San Carlos, Calif. [2]	(63,882,000)†	(22,430,000)	-184.81	1,689,565,000	-3.78
45	Spindletop Savings Association, Beaumont, Tex.[2]	(60,608,000)†	(6,040,000)†	-903.44	272,128,000	-22.27
46	Paris Savings & Loan Association, Tex. [2]	(57,691,000)†	(6,534,000)†	-782.94	347,979,000	-16.58
47	Southern Federal Banc S&L Association, Lancaster, Tex.[2]	(56,124,000)†	(14,489,000)†	-287.36	111,079,000	-50.53
48	Banc Home Savings Association, Midland, Tex.[2]	(52,368,000)†	(4,556,000)†	-1,049.43	641,044,000	-8.17
49	Mercury Savings Association of Texas, Wichita Falls [2]	(52,277,000)†	(81,378,000)†	35.76	499,919,000	-10.46
50	Ameriway Savings, Houston [2]	(52,214,000)†	(3,028,000)†	-1,624.37	209,743,000	-24.89

Data Sources: American Banker questionnaire and Federal Home Loan Bank Board data. A dagger **(†)** indicates FHLBB data were used. FHLBB data— which are the sum of current net income for the four quarters of the year— were provided by **ADP Data Services, New York. Net Income** is income after taxes but before extraordinary items. It is total income (operating plus nonoperating) minus total expenses (operating, nonoperating, and income taxes) for calendar years 1987 and 1986, unless otherwise noted. **ROA**— return on assets, or net income (loss) for 1987 divided by total assets on 12/31/87. **( )**— Indicates a loss. **(1)**— A FDIC-insured institution. **(2)**— A FSLIC-insured institution. **N.A.**— Not available.

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First Nationwide Corp. Expansion Moves East

➼ Continued from Page 10

branch within five or six miles of one or several K mart stores; the spokes are the offices within the discount retailer.

The company recently opened New York State hubs in Syracuse and the Albany area, the latter circled by four K marts. In King of Prussia, Pa., 11 K marts surround the hub.

Overall, Mr. Kaiser is responsible for retail operations in Florida, Maryland, New Jersey, New York, Pennsylvania, and Virginia. The 115 branches (51 in K mart stores) now are generating 38% of First Nationwide's $18.8 billion in assets. The Cherry Hill office will be the flagship operation in New Jersey.

East Coast Move in '81

The East Coast move began in 1981 with the acquisition of West Side Federal Savings and Loan Association, New York. Later that year, First Nationwide bought Washington Federal Savings and Loan Association, Miami. In 1987, the company opened branches in K mart stores in the East.

Because the Bank Board grants branching rights in three states to an acquirer that takes over a troubled thrift, First Nationwide gained branching rights for Illinois, Michigan, and New Jersey when it purchased the troubled Lincoln Federal Savings and Loan Association, Louisville, Ky., in December 1986.

"Our marketing focus is consistent; it's a statement we make very clearly," Mr. Kaiser said. "We serve the middle-income, middle-class customer. And draw a line under service.

"Our slogan is 'Respect, concern, and understanding: Don't worry, you'll get used to it,' and we really mean it," the executive said. "We make you feel like a human instead of a number. The secret is developing loyal customers who will use all our services rather than jump from bank to bank."

He notes, however, that customers in New York and Florida are particularly rate-conscious. The money in those two states, he said, is hotter than in other parts of the country.

"We push service, the vast array of products, and the network," he said, referring to the First Nationwide Network, a franchise for independent savings institutions. "You can bank anywhere — just about. And we continue to have our mergers and acquisitions team looking out beyond K marts, looking for acquisitions. We're not married to K mart, as we look throughout the East Coast for partners.

"A K mart branch is very striking," Mr. Kaiser said. "It doesn't look makeshift. It's real marble and looks like it's been there for years. We're expanding services within the K marts. In Virginia and Maryland, we're offering a full range of investment products."

First Nationwide, which pioneered the adjustable-rate mortgage in the early 1980s, is selling its ability to provide national banking services to customers. The 55 members of the First Nationwide Network have combined assets of $36 billion, with approximately 800 branch locations in 39 states. The network is separate from the retail branches. ■

Operating . . .

➼ Continued from Page 14

billion-deposit Bank of Hawaii and the $3.3 billion-deposit First Hawaiian Bank, both in Honolulu.

Real estate development is a new venture for Honolulu Federal. It is currently building three facilities in an industrial park and seeking financing for an office building in Honolulu.

Mr. Czarnecki said he is preparing Honolulu Federal for the long haul. He said this also describes the type of commitment he has received from the Simon investment group.

Honolulu Federal has already begun yielding profits for H.F. Holdings Inc., the company that Mr. Simon and his partners set up to serve as 'the thrift's parent. Out of $6.9 million in 1987 net income, the S&L paid its owners $2.25 million in dividends last year, or more than 10% of the $17.5 million in cash they used to purchase the institution in November 1986. (The cash was in addition to $40 million in subordinated securities.)

But Honolulu Federal has only just begun to turn itself around. Most of last year's profit, which set a company record, came from selling off assets including repossessed real estate. Future profits will also be depressed by the gradual amortization of more than $100 million worth of goodwill left on the balance sheet at the time of the Simon group's takeover.

It will be up to Mr. Czarnecki and his marketing efforts to deliver new and sustainable streams of earnings. ■

LEGAL ADVERTISING

Notices of Foreclosure

SUPREME COURT - COUNTY OF BRONX. Lend-Mor Corporation, Plaintiff against Anthony Brown, et al Defendant(s). Pursuant to a judgment of foreclosure and sale, entered herein and dated February 3rd, 1988, I, the undersigned Referee, will sell at public auction at the Bronx County Courthouse, 851 Grand Concourse, Bronx, N.Y., in Room 118, Mezzanine, on the 6th day of June, 1988, at 12 Noon, premises briefly described. On the south side of 223rd Street, 142.51 feet west of White Plains Road, being a plot 114.31 feet by 20.54 feet and known as 682 East 223rd Street, Bronx, N.Y. Approximate amount of lien $69,066.90 with interest and costs. Premises will be sold subject to provisions of filed judgment, Index Number 16071/87. Dated: May 12th, 1988, Stephen B. Kaufman, Referee. Philip Irwin Aaron, Attorney(s) for Plantiff 400 Jericho Turnpike, Jericho, N.Y. 11753.

Auction Notices

CORRECTED NOTICE FRED REISNER INC, Auct'r Lic #733421 Sold May 6, 1988 at 12 Noon at 710-720 E. 98th St, Bklyn, NY 1985 Ford 2FABP19X6FB281809 Acct Joan &/Or Wayne Angelson.

Ronald Zaza auctr will sell 5/16/88 9 AM at 1864 Utica Ave, Bklyn, 1967 Pont 2 Dr #223377U133335 Re: Greg Levine. Published 5/6 & 5/13/88.

R. A. Felder Lic #793917 will sell to satisfy lien on 5/31/88 10 AM at 940 Peekskill Hollow Rd, Putnam, '87 Chevy #1G1JF11WXHJ198290 Re: D. Soler; at 585 Uniondale Ave, Uniondale, '78 Olds #3R47F8G401343 Re: W. Ross; at 3400 Baychester Ave, Bx, '81 Chevy #1G1AX68X2B6144775 Re: W. Miller; at Lindskoog Rd, Alcove, '70 Ford #0F02H190002 Re: R. Smart; at 119-33 Spfld Blvd, Cambria Hts, '81 Buick #1G4AB6959BT218595 Re: P. McCargo. Published 5/13 and 5/20.

5/16/88

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American Banker

TOP MORTGAGE SERVICERS — TABLES BEGIN ON PAGE 8

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VOL. CLIII NO. 95 Monday, May 16, 1988 153rd Year

Today

The United Kingdom remains the world's largest international banking center, but its market share continues to fall while that of its chief rival, Japan, continues to expand rapidly. 2

Japanese bankers say profitability is increasingly important, despite Western claims that Japan's banks are sacrificing earnings for market share. 2

Citicorp is among the active bidders for the ailing, $140 million-asset Columbia Federal Savings Bank in Westport, Conn. ______2

Prospects for a major overhaul of the Glass-Steagall Act have dimmed considerably in recent weeks; the revised bill is unlikely to reach the House floor before the deadline set for committee action. ______3

British banks are offering career-break programs to keep well-trained women on staff after they have children. ______ 20

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COMMENT

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The U.S. economy is chugging along, despite predictions of doom or boom from followers of the financial markets, writes H. Erich Heinemann. ______6

Savings and Loans should get the same expanded powers granted to banks, though profits from new powers will be minimal, said Fed Chairman Alan Greenspan. ______7

NEWS MONDAY

Asset size as a measurement of bank strength has gradually become less important over the past few years, though it is not completely worthless, writes Bart Fraust in the Perspective column. ______ 21

Trade groups are merging and coordinating policy with other associations to better position themselves for the future business environment. 22

Worth Repeating

Citicorp has been warning away other bidders by saying, 'Whatever it takes, we buy it.'

An anonymous source commenting on Citicorp's bid for ailing Columbia Federal Savings Bank in Westport, Conn. [Page 2]

Massive Loss At Texas S&L May Not Be Last

'Big Blips' Expected At Other Sick Thrifts

By DAVID LaGESSE
Southwest Bureau

DALLAS — Regulators last week revealed that a Texas thrift suffered a staggering $1.2 billion loss in the first quarter. Industry experts reacted by saying the worst may be yet to come.

Sources said the loss occurred at Sunbelt Savings Association of Texas, Dallas. Sunbelt chairman Thomas Wageman would not confirm or deny the reported loss, but he said nobody should be surprised at big losses at other thrifts nationwide.

To support his statement, he cited a combination of regulatory and accounting changes that will force thrifts to follow generally accepted accounting principals instead of the more liberal rules thrift regulators previously allowed.

"All the Band-Aids are going away," Mr. Wageman said.

While future one-time losses at thrifts may not reach $1 billion, "big blips will appear at a number of institutions," said Edward Montgomery, Dallas-based chairman of the thrift accounting group at Arthur Young & Co.

Sources say Sunbelt also enjoyed leniency from regulators in fully recognizing its losses. Mr. Wageman took over management at Sunbelt in 1986. Regulators had forced out Edward T. McBirney, the former chairman, because he had filled Sunbelt's portfolio with high-risk commercial real estate.

A number of thrifts, like Sunbelt,

Further: Page 30 ➞

American Banker Special Report

Top Mortgage Firms Record Hefty Increase in Servicing

By PHIL ROOSEVELT

NEW YORK — The nation's major mortgage companies posted a sharp 23% gain in their servicing portfolios last year, reflecting near-record originations and brisk purchases of servicing from smaller, often troubled firms.

In the *American Banker*'s latest survey of servicing, the top 100 mortgage companies said they were servicing $567.6 billion in home loans at the end of 1987, up from $461.2 billion a year earlier. Companies with servicing gains outnumbered losers by a margin of more than 4 to 1.

St. Louis-based Citicorp Mortgage Inc., reorganized last October to handle all the servicing of parent Citicorp's sprawling mortgage operations, easily led the pack at yearend, with a portfolio of $44.4 billion.

Servicing, long the most lucrative part of mortgage banking, entails collecting payments from borrowers and

Servicing: Page 9 ➞

Mortgage Servicers

Top firms at yearend 1987

	($ Bil.)
1. Citicorp Mortgage	$44.4
2. GMAC Mortgage	24.5
3. Lomas & Nettleton	21.7
4. CityFed Mortgage	19.7
5. Fireman's Fund Mortgage	17.9

Capital Adequacy Plan Under Fire

Citicorp, ABA Go on Record Requesting Revisions

By BARBARA A. REHM
Washington Bureau

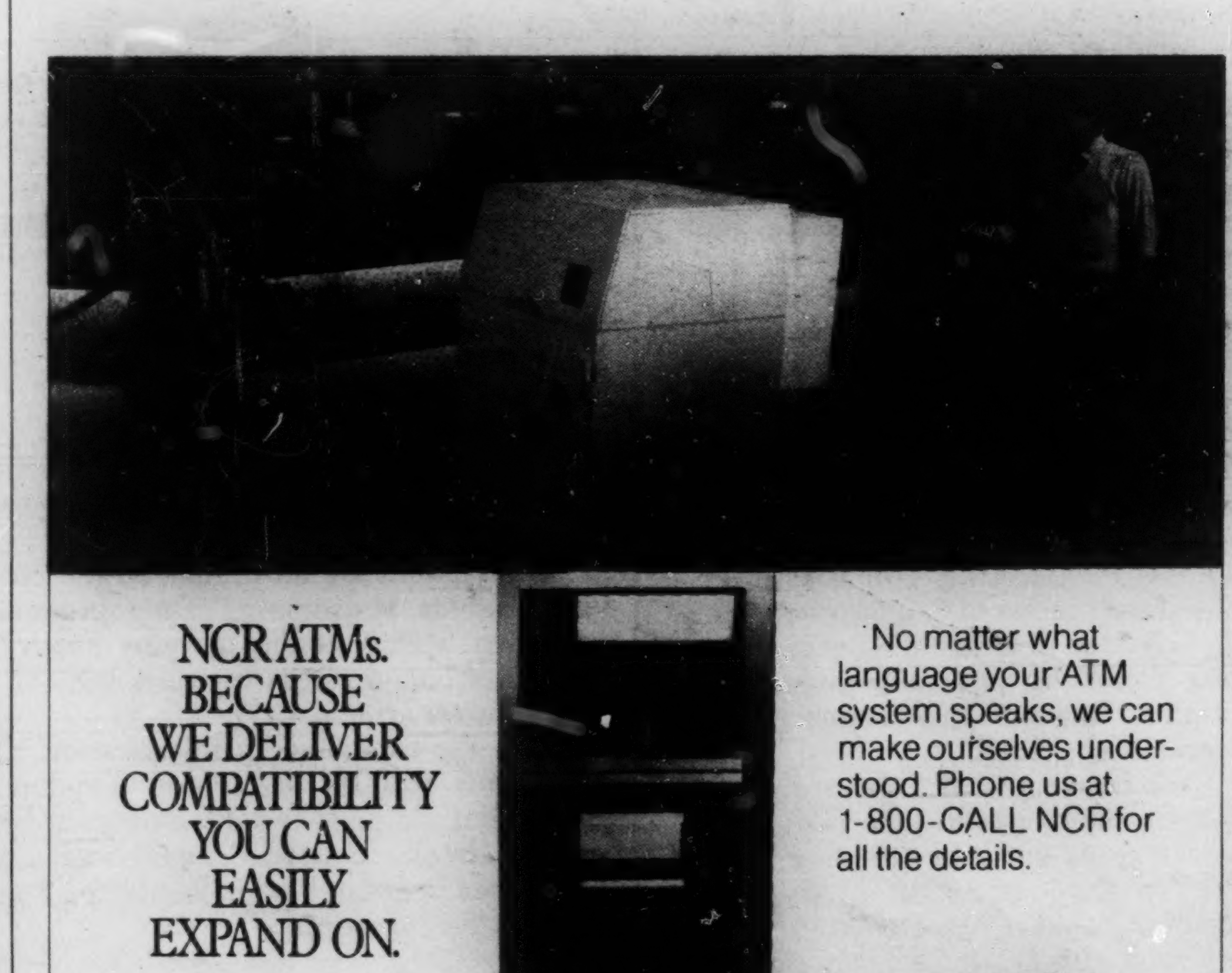
WASHINGTON — Citicorp last week endorsed new capital standards for banks but told federal regulators that the risk-based capital proposals should not touch bank holding companies or their nonbank subsidiaries.

"Such an extension would make U.S. banking organizations less competitive, make bank subsidiaries of bank holding companies less sound, and increase the strain on the federal safety net," Citicorp said in a statement to the Federal Reserve Board.

The nation's largest bank conceded that changes in capital requirements are inevitable and even necessary. But Citicorp requested numerous revisions to the risk-based capital guidelines drawn up by regulators in 12 countries.

The American Bankers Association generally agreed with Citicorp. But in its letter to the Fed, the trade group said that while accepting the theory behind risk-based capital, "our members continue to believe that the banking system is adequately capitalized and until . . . the banking agencies can

New Rules: Page 31 ➞



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The Financial Automation Solutions Team™

Personnel Training Offers Unexpected Benefits

By DR. PAUL S. NADLER

AFTER VISITING the human resources department of a major financial service institution, I am reminded of the man who said, "I make the major decisions in my home, and my wife makes the minor ones. I decide what we should do about American-Soviet relations, and she decides where we live and where the kids go to school."

Mutual Benefit Life Insurance Co. in Newark, N.J., is a financial institution that has advanced its development and training programs well beyond the level of most banks. A visit to the top people in the company's human resources department shows that the skills their program teaches that truly help the organization are not things like understanding insurance, risk management, or the like, but basics like phone manners, time management, clear writing, and performance appraisal skills.

How does it work?

I talked with Christine Ertle, manager of Mutual Benefit's human resource development department, and two of her full-time consultants, Beverly Kagan and James Fortier. I learned that courses run continually in several well-equipped classrooms, and that each of the four people in the department must be prepared to teach all of the skills mentioned above plus others, including new skills that management deems necessary. This might seem like an impossible job, but as Ms. Ertle points out, the teaching mainly is common sense and logic. Her staff members need to be "people persons" more than knowledgeable educators.

Nadler Says:

Employees who attend classes with people from other departments learn about the rest of the company and that they are not the only ones with problems.

As evidence of this, she notes that most of the people who have worked in training, including herself, have come from other areas of the company and were pulled into human resources because of an enthusiasm for being with people and an ability to communicate.

Ms. Kagan was working elsewhere in the company when human resources spotted her as a potential trainer while she was a student in a short class. Ms. Ertle herself already had seven years in another function when management decided she would be a natural for human resource development work.

Role of Top Management

What was the role of top management in developing this department?

At the beginning, it was to give its blessing and have the human resource people go around the company to discover what managers' needs were and to develop programs to meet those needs.

Management found unexpected blessings in this approach. For example, the human resources department was told repeatedly that the company needed to train people in telephone skills — to get them to learn quickly what callers (from both inside and outside the company) wanted and to handle their requests.

From that, they learned the staff really needed to understand what services they were providing to the public and to the rest of the company. Only after they knew the big picture could they truly be skilled in phone contacts. In essence, then, the course in phone skills gave employees an understanding of what their jobs were all about.

A second unexpected benefit of the training programs was that employees who attended classes with people from other departments learned about the rest of the company and also discovered that they were not the only ones with problems.

So after coming to a class, say, on writing skills, a person in claims could be more sympathetic with someone in sales or investments, even though the basic goal of the class was to learn that in writing, clarity and brevity are important.

Even in classes with students from the same department, discussions reinforced skills other than the ones being taught and expanded each student's knowledge of what other people in the area do and need in the way of support.

Training Pitfalls

But training has its pitfalls.

What happens when a training class erupts with complaints about certain managers and practices? Is it the function of the trainers to tell top management?

Ms. Ertle points out that if she or any of the staff violated the confidentiality of the classroom and told management about the complaints, naming names, they would never be trusted again. Mutual Benefit, like most banks, has a strong network, and people would quickly learn what was going on with regard to complaints and recommendations.

Similarly, if a student does poorly in a class, it is not the trainer's job to tell his boss, because no one would want to risk the chance of hurting a career because of classroom behavior or ability.

Certainly, if a problem comes up again and again, the human resources people have to tell management in some way — trying to insulate completely the people who complained.

These are side benefits to the training programs. But, as Ms. Ertle explains, "trainers have to have some management orientation and think somewhat like managers rather than just like employees. Because people who do think like employees often find every policy of management needs criticism and improvement — they do not have the perspective to see when a complaint is worth taking upstairs and when it is not."

Courses can be useless at one time and a real boon at another. For example, a creativity course is valuable when a new product is being offered and people need new knowledge and approaches. Otherwise, sending someone to a course on "creativity" without some specific tie-in might be insulting, because an employee might wonder, Why does management feel I need this?

On the other hand, situational leadership — teaching people how to work with subordinates and how to explain what the subordinate's job really entails and performance appraisal are courses that can be offered at any point in a person's career. Here the attitude of the training people is that these are continuing programs — you evaluate people regularly and tell them when they are doing a good or bad job. This helps them grow. If you wait and evaluate only once a year or half year, an employee has no idea how he is doing in the meantime. Both the individual and the boss could be in for rude shocks.

How does human resources learn its job? As indicated, part is common sense and an innate ability to work with people, part is visiting other organizations to see how they do programs, part is research on developing curriculums for new programs (the area that brings the greatest gleam to Ms. Ertle's eyes), and part is buying programs from outside vendors.

But all three people interviewed at Mutual Benefit stressed repeatedly that the key to all this lies with top management. If top management is not behind training, then it is looked at as a boondoggle — just a way of getting away from the desk for a couple of days.

How can top management make training work?

Banking Trends: Page 28 ➔

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 18.

1. When fire struck the Los Angeles headquarters of First Interstate Bancorp, employees had been thoroughly trained in deploying the bank holding company's business contingency plan. They were able to reestablish computer operations quickly — without an apparent lapse in customer service — partly because they had been through a detailed disaster drill only a few weeks earlier. What type of disaster did the drill simulate?

Video Banking

2. Manufacturers Hanover Trust Co. recently cemented an alliance with Trintex to provide depository institutions with software and processing for home banking on the nationwide Prodigy interactive videotex service. Consumers will pay only a small portion of the cost of this service — a flat $9.95 a month, with no charges for connect time. What will be the main source of Prodigy's revenue?

3. When American investors scrambled to get their money out of stock market mutual funds after the October crash, most observers could envision only one likely destination for this flight to safety — interest-yielding products offered by banks and thrifts. According to data from the Federal Reserve Board, the Federal Home Loan Bank Board, and the Investment Company Institute, what was the actual safe haven of choice for consumer investments: a) banks and thrifts or b) money market mutual funds?

4. Approaching the era of uniform international standards for capital adequacy, a report by IBCA Banking Analysis Ltd., London, suggests that the financial institutions of one powerful banking nation may have to raise as much as $50 billion in equity in order to comply. Which nation's banking system has been found to be so severely lacking in core capital?

5. A recent study by Heidrick and Struggles Inc., a Chicago-based executive search firm, compared the pay for chief financial officers at Fortune 1,000 corporations, commercial banks, and diversified financial companies. Match these categories of employers with the following mean annual compensation for CFOs: $231,000, $330,000, and $292,000.

6. The ranks of profit-making thrifts dwindled in 1987, when the industry as a whole lost a record $6.8 billion. Identify last year's top earner among savings and loan institutions for 1987, with net income of $202.7 million as measured in this newspaper's annual survey.

7. A General Accounting Office study, released Thursday by Iowa Republican Jim Leach of the House Banking Committee, claims federal regulators have been unrealistically generous in the way they allow banks to value their loans to Third World countries. What yardstick did the accounting office use in recommending that banks increase their reserves for losses on these loans by at least $28 million?

— **Robert Paul Molay**

Top 25 Mortgage Servicers in Combined Servicing

Based on the total combined servicing for investors by a firm's bank, thrift, and mortgage company subsidiaries on Dec. 31, 1987, compared with Dec. 31, 1986 (dollar figures in millions)

Rank 12/87	Rank 12/86		Servicing Volume 12/31/87	12/31/86	% Chg.	Number of Subsidiaries 12/31/87	12/31/86
1	1	Citicorp Mortgage, Inc., St. Louis (a)	44,400	24,325	(‡)	1	6
2	**4**	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (b)**	**27,700**	**18,654**	**(‡)**	**6**	**3**
3	2	GMAC Mortgage Co., Philadelphia	24,497	22,872	7.10	...	...
4	3	Lomas & Nettleton Financial Corp., Dallas	21,672	21,628	0.20	...	...
5	**6R**	**CityFed Financial Corp., Bedminster, N.J. (c)**	**19,651**	**16,155**	**21.64**	0	2
6	**5r**	**Metropolitan Life Insurance Co., New York (d)**	**19,043**	**16,300r**	**16.83**	**2**	**2**
7	7R	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	17,912	14,610	22.60	...	...
8	**10**	**Sears, Roebuck & Co., Chicago (e)**	**13,913**	**11,376**	**22.30**	**2**	**2**
8	16	Goldome Realty Credit Corp., Buffalo, N.Y.	13,665	9,127	49.72	...	...
9	8	Commonwealth Mortgage Corp. of America, Houston	12,981	11,823	9.03	...	...
10	9	BancBoston Mortgage Corp., Jacksonville, Fla. (f)	12,380	11,659	6.19	1	2
11	..	Standard Federal Savings & Loan Assn., Gaithersburg, Md.	11,160	4,198	165.81	...	...
12	11	Weyerhaeuser Mortgage Co., Los Angeles	10,888	11,160	-2.44	...	...
13	15	First Union Mortgage Corp., Charlotte, N.C.	10,801	9,827	9.91	...	...
14	14	Home Savings of America FA, Los Angeles	10,565	10,751	-1.73	...	...
15	**12**	**Mellon Bank Corp., Pittsburgh (g)**	**9,883**	**11,000**	**-10.15**	**3**	**3**
16	**13**	**First Interstate Bancorp., Los Angeles (h)**	**9,881**	**10,984**	**(‡)**	**3**	**6**
17	22	Shearson Lehman Mortgage Corp., Irvine, Calif.	9,653	6,712	43.82	...	...
18	**18**	**Meritor Savings Bank, Philadelphia (i)**	**8,647**	**8,159**	**5.98**	**3**	**3**
19	19	Chemical Mortgage Corp., Columbus, Ohio	8,563	7,608	12.55	...	...
20	**..**	**Chase Manhattan Corp., New York (j)**	**8,392**	**3,259**	**(‡)**	**2**	**1**
21	..	BancPlus Mortgage Corp., San Antonio, Tex.	8,083	5,918	36.58	...	...
22	..	Knutson Mortgage Corp., Bloomington, Minn.	7,953	6,139	29.55	...	...
23	..	Countrywide Funding Corp., Inc., Pasadena, Calif.	7,951	3,751	111.98	...	...
24	17	American Savings & Loan Assn., Stockton, Calif.	7,832	8,497	-7.83	...	...
25	20	Sovran Mortgage Corp.., Richmond	7,208	7,244	-0.50	...	...

Data Sources: American Banker questionnaire to top 200 mortgage firms and Federal Home Loan Bank Board data on thrift servicing. **ADP Data Services Division, New York,** provided the thrift data. **Description of Table:** A listing of the top 25 firms in the mortgage industry. The listing includes mortgage companies, commercial banks, and thrifts. For firms with more than one subsidiary engaged in servicing mortgages for others, a combined servicing figure for all of these subsidiaries is used, and the name of the parent company is shown in bold type. **(a)**— The 1986 data were for Citicorp, New York, and were computed by American Banker. The six subsidiaries included in the 1986 total were: Citicorp Howeowners Services Inc., St. Louis; Citicorp Real Estate Inc., New York; Citicorp Savings of Illinois, FS&LA, Chicago; Citicorp Savings, FS&LA, San Francisco; Citicorp Savings of Washington, D.C., FS&LA; and Citicorp Savings of Florida, FS&LA, Miami. Citicorp Mortgage, Inc., St. Louis, a new mortgage subsidiary was established by Citicorp in the Fall of 1987 to service all the mortgages of the various Citicorp affiliates. **(b)**— On 1/1/88, Fleet Financial Group, Providence, and Norstar Bancorp., Albany, N.Y., merged to form Fleet/Norstar. The 6 subsidiaries are: Fleet Real Estate Funding Corp., Florence, S.C; Fleet Mortgage Corp., Milwaukee; Norstar Mortgage Corp., Westbury, N.Y.; Fleet National Bank, Providence; United Bank & Trust Co., Hartford, Conn.; and Merrill/Norstar Bank, Portland, Maine. **(c)**— The 1987 data are for CityFed Mortgage Co., Bellevue, Wash. The 1986 data were for Kissell Co., Springfield, No., and CityFed Mortgage Co., a division of City Federal Savings Bank, Elizabeth, N.J. Kissell Co. and CityFed Mortgage merged to form CityFed Mortgage, Bellvue, Wash., during the latter half of 1987. **(d)**— The two mortgage company subsidiaries are: Metmor Financial, Inc., Los Angeles, and MetFirst Financial Co., Overland Park, Kansas. **(e)**— The two mortgage company subsidiaries are: Sears Mortgage Corp., Lincolnshire, Ill., and Coldwell Banker Real Estate Financial Services, El Segundo, Calif. **(f)**— The 1986 data are for BancBoston Mortgage Corp. and RIHT Mortgage Corp., Charlotte, N.C. RIHT was merged into BancBoston Mortgage Corp. during the first half of 1987. **(g)**— The three mortgage company subsidiaries are: Mellon Financial Services Corp. #8, Cleveland; Mortgage & Trust, Inc., Houston; and Mellon Financial Services Corp. #7, Metairie, La. **(h)**—The 1987 data are for: First Interstate Mortgage Co., Pasedena, Calif.; First Interstate Bank of Oregon NA, Portland; and First Interstate Bank of Washington NA, Seattle. The 1986 data included three additional bank subsidiaries: First Interstate Bank of Arizona NA, Phoenix; First Interstate Bank of Idaho NA, Boise; and First Interstate Bank of Nevada NA, Reno. **(i)**— The three mortgage company subsidiaries together are called "Meritor Mortgage Group" and consist of: Meritor Mortgage Corp- West, Orange, Calif.; Meritor Mortgage Corp- East, Philadelphia; and Meritor Mortgage Corp- Central, St. Paul, Minn. **(j)**— The 1987 data are for: Chase Home Mortgage Corp., Montvale, N.J. and Chase Bank of Arizona, Scottsdale. The 1986 data are for Chase Home Mortgage only. **(r)**— The 1986 rank and servicing volume were revised to include MetFirst financial Co. **(R)**— Revised. **(‡)**— Non-comparable data, no percentage change calculated.

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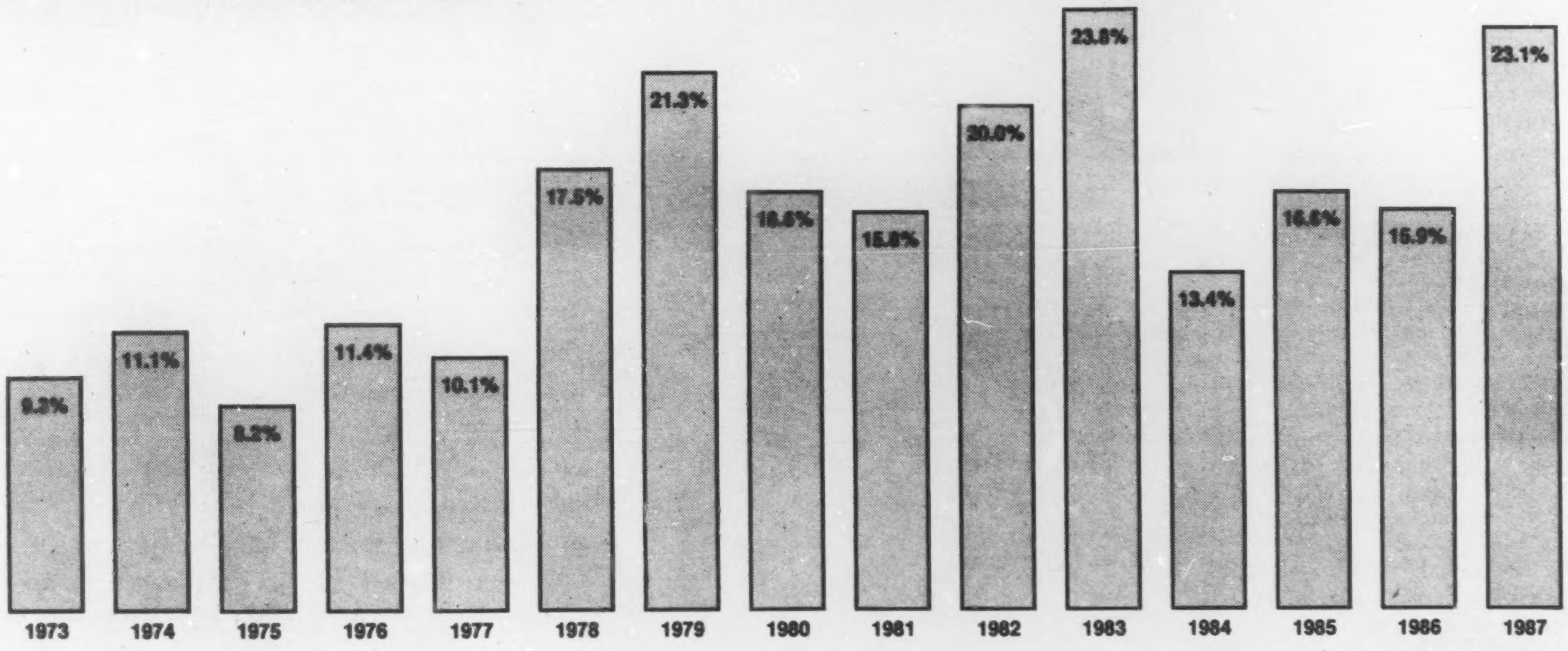
Gain in Total Mortgage Servicing at Top 100 Firms

Annual percentage increase: 1973-1987



Source: American Banker

The Top 100 Mortgage Servicers

Changes in Market Share: 1987 Compared with Five Previous Years

Number of Mortgage Firms

Year	Bank-Related	Thrift-Related	All Other
1987	34	35	31
1986	35	31	34
1985	37	27	36
1984	41	25	34
1983	45	20	35
1982	46	12	42

Servicing Total ($ Billion)

Year	Bank-Related	Thrift-Related	All Other	Total
1987	$198.6	$167.1	$201.9	$567.6
1986	156.2	125.4	179.6	461.2
1985	149.8	103.6	144.4	397.8
1984	157.8	82.6	100.9	341.3
1983	145.4	60.5	95.0	300.9
1982	116.9	29.6	96.6	243.1

Percent of Total Servicing

Year	Bank-Related	Thrift-Related	All Other
1987	35.0%	29.4%	35.6%
1986	33.9	27.2	38.9
1985	37.7	26.0	36.3
1984	46.2	24.2	29.6
1983	48.3	20.1	31.6
1982	48.1	12.2	39.7

Servicing Portfolios Swell at Nation's Top Mortgage Companies

➸ Continued from Page 1

performing other chores for mortgage investors. Mortgage companies and other types of mortgage bankers sell the loans they originate but typically retain the servicing, earning an annual fee of about 0.40% on the outstanding principal.

Last year's servicing gain by the top 100 — the largest percentage increase in four years — stemmed in part from extraordinary consumer demand for mortgages in the first half of the year, when interest rates dipped as low as 9%. Total home loan originations by all lenders reached $449 billion for the year, second only to $454 billion in 1986.

The 1987 originations, however, included far fewer refinancings by home owners than in 1986, meaning that many companies posted larger net gains in servicing volume, experts said.

In addition, a number of top 100 firms stepped up their purchases of servicing, if not of entire companies, as losses resulting from interest rate volatility forced thinly capitalized players to put assets on the auction block.

"The middle-sized companies had to disgorge themselves of servicing," said Angelo Mozilo, president of Countrywide Funding Corp., Pasadena, Calif. He cited frequent sales of servicing by companies with portfolios of $750,000 to $2 billion.

Countrywide itself bought $1.6 billion of servicing in 37 separate transactions between July and December. Combined with the company's own originations, the purchases propelled Countrywide to No. 20 in the rankings, up from No. 26 at midyear and No. 40 at the end of 1986.

Other companies grew quickly by acquiring whole firms. For example, Montvale, N.J.-based Chase Home Mortgage Corp., a unit of Chase Manhattan Corp., shot up 25 notches in the ranking, to No. 21, by purchasing Lyons Mortgage Co., Rolling Meadows, Ill., and Freedom Mortgage Co., Tampa, Fla.

Geoff Dreyer, chief financial officer at Chase Home Mortgage, said the acquisitions were part of a strategy to increase economies of scale in servicing. "We're finding that we're able to drop our unit servicing costs significantly," he said.

Citicorp Mortgage, formed from several Citicorp mortgage banking units, said its gains came chiefly through originations. With adjustments made for changes in the way the unit reports servicing, its portfolio jumped about 20% during the year. The $44.4 billion total, towering above the $24.5 billion of second-ranked GMAC Mortgage Co., includes servicing for loans held by Citicorp's thrift units, Citibank, and other investors.

"We would like to continue to grow our servicing portfolio, primarily from our own originations," said Robert Horner, chairman of Citicorp Mortgage. He added that he believes additional economies of scale in servicing lie ahead.

Home loan originations by Citicorp units last year totaled $13.1 billion, or about 3% of originations by all lenders, and the corporation has mapped out plans to capture 10% of the market originations by 1992. While Mr. Horner refused to reveal this year's volume, he did say, "We're pleased with what's going on."

This was the first year Citicorp Mortgage turned up on the mortgage company servicing rankings, because Citicorp's servicing was previously reported by other units.

In a ranking of the combined mortgage servicing operations of 25 parent firms, however, Citicorp grabbed the top spot in 1986, overtaking GMAC Mortgage, Elkins Park, Pa., and Lomas & Nettleton Financial Corp., Dallas.

Citicorp held the lead in that ranking in 1987. But Fleet Financial Group, Providence, R.I., supplanted GMAC in No. 2, lifted from No. 4 by a yearend merger with Norstar Bancorp, Albany, N.Y.

In a separate ranking of thrifts, Standard Federal Savings and Loan Association, Gaithersburg, Md., shot up to No.2 from No. 7, continuing a growth surge that has seen its servicing portfolio increase nearly fivefold since 1984, to $11.2 billion. ■

Funds Transfer Group Plans Managers' School

WASHINGTON — The Electronic Funds Transfer Association will hold its fourth annual School of EFT Management from July 24 to 29 at Northwestern University, Evanston, Ill.

The week-long program is designed for current and potential payment-systems managers, according to Robert A. Mooney, chairman of the Washington-based association and president of J.C. Penney Systems Services Inc., Dallas.

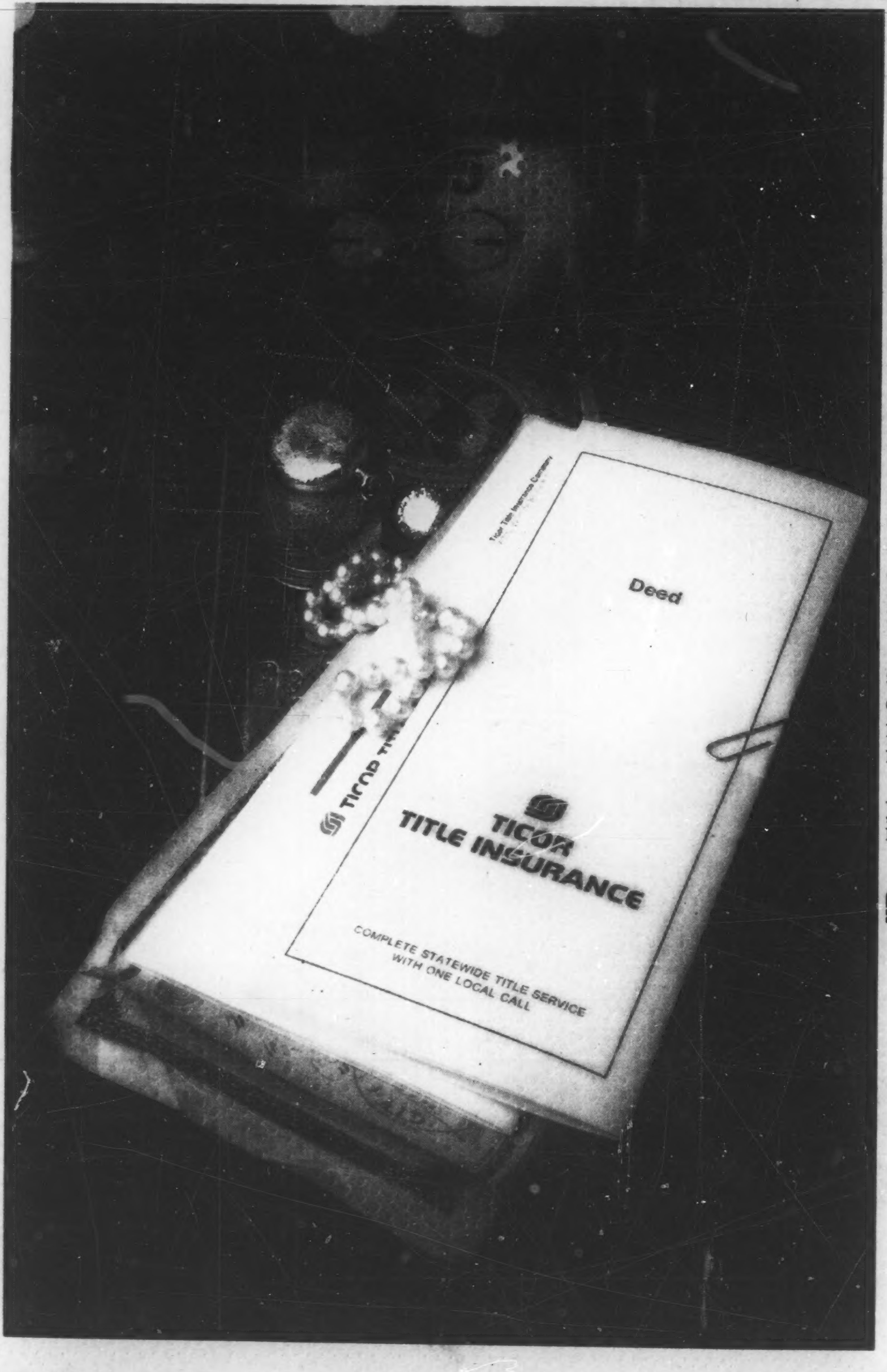
Faculty members include David A. O'Connor, president of Internet Inc., a regional electronic banking network in the Washington area; James M. Grant, senior vice president, First National Bank of Chicago; O. Tom Thomas, vice president, U.S. League of Savings Institutions; and John J. McDonnell Jr., president, Digital Radio Networks, Vienna, Va.

For further information call the association at 202-659-2100. ■

Strategic Dates
Dec. 31, 1989

FORBEARANCE DEADLINE: Today is the last day U.S. banks can apply for the capital forbearance program run by federal regulators. The program provides temporary relief to banks in economically depressed sectors. It was originally intended to help agricultural and energy banks. Now, however, any "well-run bank experiencing financial difficulties" may apply, according to the FDIC and the Office of the Comptroller of the Currency. Recently, regulators eliminated the 4% fixed minimum capital ratios required from banks who wished to enter the program. Banks that have been accepted must provide an acceptable plan for restoring capital. They must also file annual progress reports regarding their plan. The program ends on Jan. 1, 1995.

Make Sure Your Title Insurance Company Is As Sound An Investment As Your Property.



With all the time and effort you have put into researching your real estate investments, how much do you know about the title insurance company that will be protecting those investments?

At Ticor Title, we have been insuring title for close to 100 years. We are one of the oldest and largest title insurance companies in the country, with a reputation based on financial strength, personal service and underwriting expertise.

So when you are considering an investment, consider how sound an investment your title insurance is.

If it's from Ticor Title, you know you'll be dealing from strength.

TICOR TITLE

Top 100 Companies in Mortgage Servicing

Includes Mortgage Companies and Commercial Banks, Based on Permanent Mortgages Serviced on December 31, 1987

Rank 1987	Name of Firm and Headquarters City	Dollar Volume of Mortgages Serviced		Rank 1986	Gain in Rank	Number of Mortgages Serviced		Number of Investors Excluding Pools		Number of Pools		Year Opened
		12/31/87	12/31/86			12/31/87	12/31/86	12/31/87	12/31/86	12/31/87	12/31/86	
1	**Citicorp Mortgage, Inc., St. Louis**	44,400,000,000	....	...		582,600	....	4,319	....	275	....	1987
2	**GMAC Mortgage Co., Elkins Park, Pa.**	24,497,123,407	22,871,796,162	1		377,808	367,791	895	30,001	3,726	4,198	1985
3	**Lomas & Nettleton Financial Corp., Dallas**	21,672,114,657	21,628,192,873	2		578,931	676,872	756	700	4,134	3,950	1894
4	**CityFed Mortgage Co., Bellevue, Wash.**	19,651,141,000	....	...		409,552	....	479	....	2,548	....	1988
5	**Fireman's Fund Mortgage Corp., Farmington Hills, Mich.**	17,912,142,270	14,610,016,000	4		395,228	356,904	681	467	8,009	3,657	1946
6	**Fleet Mortgage Corp., Milwaukee, Wis.**	14,617,594,124	10,354,542,000	8	+2	388,323	283,295	596	593	3,826	2,741	1921
7	**Metmor Financial, Inc., Los Angeles**	13,818,110,325	12,336,992,358	5		265,244	251,427	266	678	3,910	2,442	1910
8	**Goldome Realty Credit Corp., Buffalo, N.Y.**	13,665,275,000	9,127,030,765	12	+4	234,868	166,721	349	325	3,968	1,094	1983
9	**Commonwealth Mortgage Corp. of America, Houston**	12,980,598,000	11,823,000,000	6		243,808	226,000	661	800	6,057	3,600	1955
10	**BancBoston Mortgage Companies, Inc., Jacksonville, Fla.**	12,380,000,000	9,770,000,000	10		280,000	249,000	27	470	3,836	1,410	1908
11	**Weyerhaeuser Mortgage Co., Los Angeles**	10,888,113,914	11,159,538,626	7		175,663	192,733	461	490	4,264	2,604	1955
12	**First Union Mortgage Corp., Charlotte, N.C.**	10,801,000,000	9,827,000,000	9		194,124	187,844	N.A.	355	N.A.	1,447	1946
13	**Sears Mortgage Corp., Lincolnshire, Ill.**	10,568,243,767	8,101,044,605	14	+1	162,298	143,255	350	281	2,119	754	1962
14	**Fleet Real Estate Funding Corp., Florence, S.C.**	9,956,581,903	8,401,937,000	13		200,751	188,380	692	786	4,684	2,052	1930
15	**Shearson Lehman Mortgage Corp., Irvine, Calif.**	9,653,079,257	6,711,893,104	18	+3	139,908	106,643	450	450	2,091	1,320	1946
16	**First Interstate Mortgage Co., Pasadena, Calif.**	8,861,000,000	9,133,359,000	11		91,027	93,929	589	595	1,331	642	1971
17	**Chemical Mortgage Corp., Columbus, Ohio**	8,563,000,000	7,608,000,000	15		100,425	96,456	175	269	1,698	877	1946
18	**BancPlus Mortgage Corp., San Antonio, Tex.**	8,083,119,000	5,918,223,692	24	+6	166,847	135,827	234	224	4,470	2,186	1923
19	**Knutson Mortgage Corp., Bloomington, Minn.**	7,952,599,634	6,138,815,657	23	+4	113,397	100,694	185	184	1,822	844	1954
20	**Countrywide Funding Corp., Inc., Pasadena, Calif.**	7,951,963,000	3,751,309,299	40	+ 20	108,576	55,209	80	55	12,542	999	1969
21	**Chase Home Mortgage Corp., Montvale, N.J.**	7,745,360,000	3,259,254,730	46	+ 25	130,448	67,944	150	65	1,354	268	1980
22	**Sovran Mortgage Corp., Richmond**	7,207,860,950	7,243,607,000	16		156,314	165,355	285	285	2,853	1,554	1983
23	**Imco Realty Services Inc., Santa Rosa, Calif.**	6,973,328,967	6,585,952,000	19		120,528	124,416	472	339	890	405	1973
24	**Anchor Mortgage Services, Inc., Wayne, N.J.**	6,828,783,468	6,543,968,399	20		130,948	139,073	192	192	767	650	1973
25	**Empire of America Realty Credit Corp., Buffalo, N.Y.**	5,922,000,000	4,100,000,000	36	+ 11	116,200	121,385	275	172	1,188	279	1984
26	**Bright Mortgage Co., Dallas**	5,879,000,000	6,400,000,000	22		130,850	145,000	425	320	1,125	950	1924
27	**Independence One Mortgage Corp., Southfield, Mich.**	5,813,550,380	2,161,400,000	80	+ 53	126,500	52,505	293	301	1,271	271	1970
28	**Alliance Mortgage Co., Jacksonville, Fla.**	5,777,669,000	6,427,472,000	21		110,285	123,448	197	200	3,848	1,968	1960
29	**Waterfield Mortgage Co., Inc., Fort Wayne, Ind.**	5,415,000,000	5,600,000,000	25		133,450	140,000	190	215	1,625	1,450	1928
30	**MetFirst Financial Co., Overland Park, Kan.**	5,225,000,000	....	...		127,202	.....	29	.....	1,660	.....	1983
31	**Talman Home Mortgage Corp., Chicago**	4,952,828,000	5,170,856,000	27		127,838	138,286	195	225	1,996	503	1981
32	**Southeast Mortgage Co., Miami**	4,823,580,000	4,268,500,000	32		59,904	58,870	309	316	734	608	1970
33	**Reilly Mortgage Group, Inc., Washington, D.C.**	4,753,650,075	4,130,489,087	35	+2	1,303	1,256	63	63	110	6	1976
34	**Midland/MidFirst Mortgage Co., Oklahoma City**	4,692,447,838	1,761,000,000	95	+ 61	76,803	38,860	249	185	1,971	494	1950
35	**Cenlar Capital Corp., Princeton, N.J.**	4,690,307,875	2,228,066,069	72	+ 37	80,245	42,650	142	160	2,933	566	1958
36	**Glenfed Mortgage Corp., Irvine, Calif.**	4,585,537,989	3,656,000,000	42	+6	84,138	84,371	138	189	2,370	652	1946
37	**Barnett Mortgage Company, Jacksonville, Fla.**	4,493,970,000	2,994,841,466	54	+ 17	77,526	59,350	154	157	637	277	1948
38	**Bowest Corp., La Jolla, Calif.**	4,455,605,444	4,606,785,031	30		81,013	88,554	214	236	688	399	1971
39	**Foster Mortgage Corp., Fort Worth, Tex.**	4,414,208,842	3,280,803,556	43	+4	56,080	45,023	241	287	2,673	234	1938
40	**Lincoln Service Corp., Owensboro, Ky.**	4,259,644,000	4,363,212,584	31		63,795	67,882	117	139	938	784	1976
41	**Travelers Mortgage Services, Inc., Cherry Hill, N.J.**	4,227,522,000	2,445,000,000	62	+ 21	47,437	29,900	35	35	3,337	0	1945
42	**Paine Webber Mortgage Finance, Inc., Columbia, Md.**	4,175,000,000	3,722,000,000	41		34,160	33,300	70	80	1,027	644	1939
43	**Mortgage & Trust, Inc., Houston**	4,162,236,441	4,037,941,544	38		92,186	90,936	220	361	1,775	1,401	1946
44	**Troy & Nichols, Inc., Monroe, La.**	4,157,947,700	4,058,628,300	37		118,441	119,140	294	454	N.A.	633	1947
45	**Associates National Mortgage Corp., Irving, Tex.**	4,128,265,000	3,158,630,000	50	+5	58,590	45,840	18	19	1,870	895	1984
46	**Bank of America NT&SA, San Francisco**	4,045,277,824	N.A.	...		101,799	N.A.	243	N.A.	686	N.A.	1904
47	**Dorman & Wilson, Inc., White Plains, N.Y.**	3,734,576,000	3,153,497,000	51	+4	937	1,461	12	12	0	0	1937
48	**American General Mortgage Corp., Houston**	3,710,313,000	3,203,845,334	47		24,605	27,174	49	52	5	5	1939
49	**First Family Mortgage Corp., Lisle, Ill.**	3,677,090,874	....	...		73,573	....	150	....	2,846	....	1978
50	**AmSouth Mortgage Co., Inc., Birmingham, Ala.**	3,593,548,670	2,166,100,808	79	+ 29	105,687	62,709	270	267	1,488	909	1946
51	**Gulf Coast Investment Corp., Houston**	3,567,863,893	1,143,836,000	128	+ 77	93,516	32,349	25	85	2,251	544	1939
52	**Pacific First Mortgage Corp., Walnut Creek, Calif.**	3,547,924,492	3,190,467,000	48		81,290	72,229	275	220	3,020	269	1955
53	**J.I. Kislak Mortgage Service Corp., Miami**	3,425,286,000	4,177,000,000	34		113,972	131,502	286	174	2,330	432	1953
54	**SunTrust Mortgage, Inc., Atlanta (g)**	3,400,100,000	2,999,100,000	53		64,882	63,243	282	0	817	0	1927
55	**Meritor Mortgage Corp.-West, Orange, Calif.**	3,353,287,000	3,167,542,854	49		50,548	52,676	125	0	809	0	1984
56	**Coldwell Banker Real Estate Fin. Ser., El Segundo, Calif.**	3,345,117,808	3,274,873,755	44		4,554	5,360	13	16	0	0	1972
57	**Meritor Mortgage Corp.-East, Philadelphia**	3,285,414,268	2,974,718,501	55		82,546	83,009	300	369	32,929	475	1942
58	**Lumbermen's Investment Corp., Austin, Tex.**	3,261,064,462	3,138,117,927	52		88,760	85,907	268	207	1,269	789	1954
59	**Mellon Financial Services Corp. #8, Cleveland**	3,119,278,000	4,654,100,000	28		62,118	87,409	85	390	1,347	1,510	1945
60	**Commercial Federal Mortgage Corp., Omaha, Neb.**	3,022,000,000	1,932,233,775	86	+ 26	57,976	44,269	207	140	705	323	1983
61	**North American Mortgage Co., Houston**	3,000,826,215	2,522,850,159	59		40,200	32,834	278	275	757	361	1968
62	**Murray Mortgage Co., Dallas**	2,983,000,000	2,400,000,000	65	+3	44,000	4,300	119	100	149	240	1908
63	**Connecticut National Mortgage Co., West Hartford**	2,973,273,254	1,100,000,000	135	+ 72	49,365	21,235	137	88	1,276	0	1985
64	**CrossLand Mortgage Corp., Salt Lake City**	2,952,648,395	1,657,633,934	102	+ 38	37,292	20,939	N.A.	35	1,260	N.A.	1892
65	**ICM Mortgage Corp., Englewood, Colo.**	2,903,000,000	2,913,948,000	56		40,321	41,914	32	31	2,987	1,191	1972
66	**U.S. Bancorp Mortgage Co., Portland, Ore.**	2,855,869,778	2,324,236,407	69	+3	46,976	40,901	152	167	1,060	295	1967
67	**Shawmut Mortgage Corp., Miamisburg, Ohio**	2,815,788,659	2,215,003,686	73	+6	60,415	52,146	30	78	565	650	1955
68	**Rothschild Financial Corp., St. Paul, Minn.**	2,777,679,000	1,357,046,000	118	+ 50	53,200	28,951	65	200	586	217	1885
69	**ARCS Mortgage, Inc., Canoga Park, Calif.**	2,748,160,888	2,330,830,000	68		44,180	41,252	102	86	2,290	450	1971
70	**United Mortgage Corp., Minneapolis**	2,701,035,931	2,004,752,723	85	+ 15	47,519	36,972	60	37	716	291	1975
71	**CitFed Mortgage Corp. of America, Dayton, Ohio**	2,696,925,845	2,018,603,000	84	+ 13	42,302	40,435	49	61	472	0	1986
72	**Old Stone Mortgage Corp., Seattle**	2,672,161,000	2,570,000,000	58		56,632	63,000	157	160	644	532	1932
73	**Banc One Mortgage Corp., Indianapolis**	2,666,206,650	....	...		64,251	....	181	....	427	....	1987
74	**National Mortgage Co., Memphis, Tenn.**	2,647,459,119	2,367,398,047	67		85,599	82,672	100	92	0	450	1951
75	**NBD Mortgage Co., Troy, Mich.**	2,632,042,000	2,418,519,382	64		69,943	74,470	131	135	87	307	1973
76	**Mellon Financial Services Corp. #7, Metairie, La.**	2,601,382,926	2,307,887,689	70		48,339	44,420	63	64	1,318	745	1958
77	**Ryan Financial Services, Inc., Pittsburgh**	2,564,179,669	2,240,092,212	71		43,471	39,749	82	96	1,173	713	1970
78	**First Wachovia Mortgage Co., Winston-Salem, N.C.**	2,530,016,246	2,197,848,510	76		52,201	48,577	135	140	768	429	1968
79	**Margaretten & Company, Inc., Perth Amboy, N.J.**	2,395,000,000	2,639,000,000	57		40,146	46,148	69	68	960	608	1909
80	**Washington Mortgage Corp., Seattle**	2,370,932,457	2,189,772,061	77		19,014	19,213	113	151	646	190	1949
81	**CalFed Mortgage Co., Los Angeles**	2,347,736,000	2,208,080,000	74		26,748	28,669	47	48	410	293	1973
82	**York Associates, Inc., Bethesda, Md.**	2,325,000,000	1,527,301,523	109	+ 27	1,342	238	6	1	326	227	1980
83	**Dovenmuehle Mortgage Inc., Schaumburg, Ill.**	2,281,033,828	2,424,681,355	63		61,786	66,804	316	224	505	7	1926
84	**Norstar Mortgage Corp., Westbury, N.Y.**	2,272,325,032	1,490,000,000	111	+ 27	23,147	15,732	29	34	1,654	175	1973
85	**Citizens & Southern Commercial Corp., Tucker, Ga.**	2,234,706,965	1,674,623,538	100	+ 15	41,633	34,224	235	197	655	334	1973
86	**Dominion Bankshares Mortgage Corp., Fairfax, Va.**	2,194,000,000	1,629,791,000	105	+ 19	38,043	32,775	80	8,254	1,057	24,521	1960
87	**Colonial Mortgage Co., Montgomery, Ala.**	2,181,366,000	1,726,371,000	97	+ 10	59,139	48,800	97	77	1,040	662	1966
88	**Latimer & Buck, Inc., Philadelphia**	2,161,514,000	1,831,487,000	89	+1	827	830	20	31	0	0	1952
89	**FBS Mortgage Corp., St. Paul, Minn.**	2,145,742,000	2,201,872,169	75		32,396	41,874	208	432	371	412	1968
90	**CenTrust Mortgage Corp., Deerfield Beach, Fla.**	2,140,397,302	1,415,791,000	114	+ 24	29,364	21,996	156	183	1,005	169	1975
91	**Equitable Mortgage Resource Inc., Clearwater, Fla.**	2,101,101,811	2,369,943,290	66		58,046	65,976	107	113	918	709	1968
92	**Guild Mortgage Co., San Diego, Calif.**	2,100,085,243	2,120,000,000	82		29,696	39,641	85	88	919	499	1960
93	**Sunbelt National Mortgage Corp., Dallas**	2,083,224,635	1,550,000,000	107	+ 14	28,710	22,657	116	102	2,052	178	1974
94	**Midlantic Home Mortgage Corp., Melville, N.Y.**	2,079,995,000	1,479,019,445	113	+ 19	34,721	26,992	57	68	714	387	1958
95	**Meritor Mortgage Corp.-Central, St. Paul, Minn.**	2,007,965,364	1,784,383,000	93		41,306	40,700	135	240	574	365	1940
96	**Western Mortgage Loan Corp., Salt Lake City**	1,988,262,492	1,878,101,671	88		32,147	30,190	50	42	1,007	756	1951
97	**Numerica Financial Services, Inc., Clearwater, Fla.**	1,979,000,000	1,322,437,163	121	+ 24	35,771	22,620	38	44	818	465	1980
98	**Barclays American/Mortgage Corp., Charlotte, N.C.**	1,958,889,000	1,042,367,000	140	+ 42	46,259	26,619	99	N.A.	1,919	N.A.	1984
99	**Security Pacific National Bank, Los Angeles**	1,958,137,021	997,456,754	145	+ 46	30,350	19,791	100	77	144	3	1871
100	**Crestar Mortgage Corp., Richmond**	1,874,304,860	2,136,257,000	81		47,579	53,992	282	290	532	438	1927

Data Source: American Banker questionnaire to the top 200 mortgage companies and commercial banks in mortgage servicing. **Description of table:** A ranking of individual mortgage companies and commercial banks based on the dollar volume of mortgages serviced for investors. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** For 1987 this is the sum of GNMA pools, FNMA pools, and FHLMC pools. In 1986, firms were only asked to report the number of GNMA pools. Therefore, the 1987 and 1986 data on pools may not be comparable for some firms.

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Ownership of the Top 100 Mortgage Companies

The Name of Parent Company as of Dec. 31, 1987, and Recent Developments

Rank 12/87	Name of Mortgage Servicer	Name of Parent Company	Recent Developments
1	**Citicorp Mortgage, Inc., St. Louis**	Citicorp, New York	New company formed in the fall of 1987.
2	**GMAC Mortgage Co., Elkins Park, Pa.**	General Motors Acceptance Corp., Detroit	
3	**Lomas & Nettleton Financial Corp., Dallas**	None, independent.	
4	**CityFed Mortgage Co., Bellevue, Wash.**	City Federal Savings Bank, Bedminster, N.J.	Merged Kissell Co. and parent's mortgage division.
5	**Fireman's Fund Mortgage Corp., Farmington Hills, Mich.**	Fireman's Fund Corp., Novato, Calif.	
6	**Fleet Mortgage Corp., Milwaukee, Wis.**	Fleet/Norstar Financial Group, Inc., Providence, R.I.	
7	**Metmor Financial, Inc., Los Angeles**	Metropolitan Life Insurance Co., New York	Acquired $1.4 billion in servicing from Margaretten & Co., Inc.
8	**Goldome Realty Credit Corp., Buffalo, N.Y.**	Goldome FSB, Buffalo, N.Y.	Acquired Rainier Mortgage Co., Seattle, 10/31/87.
9	**Commonwealth Mortgage Corp. of America, Houston**	Commonwealth Savings Assn., Houston	Acquired $2.3 bil. in serv. from Pacific First Mtge. Cp. in 3/88.
10	**BancBoston Mortgage Companies, Inc., Jacksonville, Fla.**	Bank of Boston Corp.	
11	**Weyerhaeuser Mortgage Co., Los Angeles**	Weyerhaeuser Co., Tacoma, Wash.	
12	**First Union Mortgage Corp., Charlotte, N.C.**	First Union Corp., Charlotte, N.C.	
13	**Sears Mortgage Corp., Lincolnshire, Ill.**	Sears Roebuck & Co., Chicago	
14	**Fleet Real Estate Funding Corp., Florence, S.C.**	Fleet/Norstar Financial Group, Inc., Providence, R.I.	
15	**Shearson Lehman Mortgage Corp., Irvine, Calif.**	Shearson Lehman Bros., Inc., New York	
16	**First Interstate Mortgage Co., Pasadena, Calif.**	First Interstate Bancorp., Los Angeles	
17	**Chemical Mortgage Corp., Columbus, Ohio**	Chemical Banking Corp., New York	
18	**BancPlus Mortgage Corp., San Antonio, Tex.**	BancPlus Savings Assn., Pasadena, Tex.	
19	**Knutson Mortgage Corp., Bloomington, Minn.**	Home Owners Fed. Savings & Loan Assn., Boston	
20	**Countrywide Funding Corp., Inc., Pasadena, Calif.**	Countrywide Credit Industries, Inc., Los Angeles	
21	**Chase Home Mortgage Corp., Montvale, N.J.**	Chase Manhattan Corp., New York	Acquired Chase Freedom Mtge Co., Tampa, and Lyons Mtge Cp., Rolling Meadows, Ill.
22	**Sovran Mortgage Corp., Richmond**	Sovran Financial Corp., Norfolk, Va.	
23	**Imco Realty Services Inc., Santa Rosa, Calif.**	None, independent.	
24	**Anchor Mortgage Services, Inc., Wayne, N.J.**	Anchor Savings Bank FSB, Northport, N.Y.	
25	**Empire of America Realty Credit Corp., Buffalo, N.Y.**	Empire of America FSB, Buffalo, N.Y.	
26	**Bright Mortgage Co., Dallas**	Bright Banc Savings Assn., Dallas	
27	**Independence One Mortgage Corp., Southfield, Mich.**	Michigan National Corp., Bloomfield Hills	
28	**Alliance Mortgage Co., Jacksonville, Fla.**	Owens-Illinois, Inc., Toledo, Ohio	
29	**Waterfield Mortgage Co., Inc., Fort Wayne, Ind.**	None, independent.	
30	**MetFirst Financial Co., Overland Park, Kan.**	Metropolitan Life Insurance Co., New York	
31	**Talman Home Mortgage Corp., Chicago**	Talman Home Federal Savings & Loan Assn., Chicago	
32	**Southeast Mortgage Co., Miami**	Southeast Banking Corp., Miami	
33	**Reilly Mortgage Group, Inc., Washington, D.C.**	Perpetual Savings Bank FSB, McLean, Va.	
34	**Midland/MidFirst Mortgage Co., Oklahoma City**	Midland Financial Co., Oklahoma City	
35	**Cenlar Capital Corp., Princeton, N.J.**	Cenlar Federal Savings Bank, Princeton, N.J.	
36	**Glenfed Mortgage Corp., Irvine, Calif.**	GlenFed, Inc., Glendale, Calif.	
37	**Barnett Mortgage Company, Jacksonville, Fla.**	Barnett Banks, Inc., Jacksonville	
38	**Bowest Corp., La Jolla, Calif.**	Bowest Holding Corp., La Jolla, Calif.	
39	**Foster Mortgage Corp., Fort Worth, Tex.**	Benjamin Franklin Svgs Assn, Houston	
40	**Lincoln Service Corp., Owensboro, Ky.**	Great Financial Federal Savings & Loan Assn., Louisville, Ky.	
41	**Travelers Mortgage Services, Inc., Cherry Hill, N.J.**	Travelers Corp., Hartford, Conn.	
42	**Paine Webber Mortgage Finance, Inc., Columbia, Md.**	PaineWebber, Inc., New York	
43	**Mortgage & Trust, Inc., Houston**	Mellon Bank Corp., Pittsburgh	
44	**Troy & Nichols, Inc., Monroe, La.**	Stockton Savings Assn., Dallas	Acquired $154 million in servicing from Pool Mortgage Co., Oklahoma City
45	**Associates National Mortgage Corp., Irving, Tex.**	Gulf + Western, Inc., New York	
46	**Bank of America NT&SA, San Francisco**	BankAmerica Corp., San Francisco	
47	**Dorman & Wilson, Inc., White Plains, N.Y.**	None, independent.	
48	**American General Mortgage Corp., Houston**	American General Investment Corp., Houston	
49	**First Family Mortgage Corp., Lisle, Ill.**	Uptown Federal Savings FA, Niles, Ill.	Acquired by First Nationwide Savings on 2/1/88.
50	**AmSouth Mortgage Co., Inc., Birmingham, Ala.**	AmSouth Bancorporation, Birmingham, Ala.	Acquired $1.5 billion in servicing from Collateral Investment Co.
51	**Gulf Coast Investment Corp., Houston**	Champion Savings Assn., Houston	Merged with Mortgage Investment Co. of El Paso on 12/31/87.
52	**Pacific First Mortgage Corp., Walnut Creek, Calif.**	Pacific First Federal Savings Bank, Tacoma, Wash.	
53	**J.I. Kislak Mortgage Service Corp., Miami**	J.I. Kislak, Inc., Miami	
54	**SunTrust Mortgage, Inc., Atlanta (g)**	SunTrust Banks, Inc., Atlanta	d/b/a Trust Co. Mtge; Sunbank Mtge Co.; and Third National Mtge. Co.
55	**Meritor Mortgage Corp.-West, Orange, Calif.**	Meritor Savings Bank, Philadelphia	
56	**Coldwell Banker Real Estate Fin. Ser., El Segundo, Calif.**	Sears Roebuck & Co., Chicago	
57	**Meritor Mortgage Corp.-East, Philadelphia**	Meritor Savings Bank, Philadelphia	
58	**Lumbermen's Investment Corp., Austin, Tex.**	Temple-Eastex, Inc.., Diboll, Tex.	
59	**Mellon Financial Services Corp. #8, Cleveland**	Mellon Bank Corp., Pittsburgh	
60	**Commercial Federal Mortgage Corp., Omaha, Neb.**	Commercial Federal Savings & Loan Assn., Omaha, Neb.	Formerly CFS Mortgage Corp., changed title 1/1/88.
61	**North American Mortgage Co., Houston**	Mutual Life Insurance Co. of New York	
62	**Murray Mortgage Co., Dallas**	Murray Savings Assn., Dallas	
63	**Connecticut National Mortgage Co., West Hartford**	Shawmut National Corp., Hartford, Conn.	
64	**CrossLand Mortgage Corp., Salt Lake City**	CrossLand Savings FSB, Brooklyn, New York	Acquired serving of Crossland Savings Utah (formerly Western S&L Co.)
65	**ICM Mortgage Corp., Englewood, Colo.**	Pulte Home Corp., Bloomfield Hills, Mich.	
66	**U.S. Bancorp Mortgage Co., Portland, Ore.**	U.S. Bancorp., Inc., Portland, Ore.	
67	**Shawmut Mortgage Corp., Miamisburg, Ohio**	Shawmut National Corp., Hartford, Conn.	
68	**Rothschild Financial Corp., St. Paul, Minn.**	Metropolitan Federal Bank, Fargo, N.D.	Acquired $422 mil. in serv. from Metropolitan Service Mtge. Cp., a sister firm.
69	**ARCS Mortgage, Inc., Canoga Park, Calif.**	Bank of New York Co., Inc.	
70	**United Mortgage Corp., Minneapolis**	Midwest Federal Savings & Loan Assn., Minneapolis	
71	**CitFed Mortgage Corp. of America, Dayton, Ohio**	Citizens Federal S & L Assn. of Dayton, Ohio	
72	**Old Stone Mortgage Corp., Seattle**	Old Stone Corp., Providence, R.I.	
73	**Banc One Mortgage Corp., Indianapolis**	Banc One Corp., Columbus, Ohio	
74	**National Mortgage Co., Memphis, Tenn.**	None, independent.	
75	**NBD Mortgage Co., Troy, Mich.**	NBD Bancorp, Inc., Detroit	
76	**Mellon Financial Services Corp. #7, Metairie, La.**	Mellon Bank Corp., Pittsburgh	
77	**Ryan Financial Services, Inc., Pittsburgh**	Ryan Homes, Inc., Pittsburgh	
78	**First Wachovia Mortgage Co., Winston-Salem, N.C.**	First Wachovia Corp., Winston-Salem, N.C.	
79	**Margaretten & Company, Inc., Perth Amboy, N.J.**	Berg Enterprises, Inc., Iselin, N.J.	
80	**Washington Mortgage Corp., Seattle**	Puget Sound Bancorp., Tacoma, Wash.	
81	**CalFed Mortgage Co., Los Angeles**	California Federal Savings & Loan Assn., Los Angeles	
82	**York Associates, Inc., Bethesda, Md.**	None, independent.	
83	**Dovenmuehle Mortgage Inc., Schaumburg, Ill.**	Enterprise Savings Bank, Chicago	Formerly known as Gildorn Mortgage Midwest Corp.
84	**Norstar Mortgage Corp., Westbury, N.Y.**	Fleet/Norstar Financial Group, Inc., Providence, R.I.	
85	**Citizens & Southern Commercial Corp., Tucker, Ga.**	Citizens & Southern Corp., Atlanta	
86	**Dominion Bankshares Mortgage Corp., Fairfax, Va.**	Dominion Bankshares Corp., Roanoke, Va.	
87	**Colonial Mortgage Co., Montgomery, Ala.**	None, independent.	
88	**Latimer & Buck, Inc., Philadelphia**	Fidelcor, Inc., Philadelphia	
89	**FBS Mortgage Corp., St. Paul, Minn.**	First Bank System, Inc., Minneapolis	
90	**CenTrust Mortgage Corp., Deerfield Beach, Fla.**	CenTrust Savings Bank, Miami	
91	**Equitable Mortgage Resource Inc., Clearwater, Fla.**	Equitable Life Assurance Society of the U.S., New York	
92	**Guild Mortgage Co., San Diego, Calif.**	None, independent.	
93	**Sunbelt National Mortgage Corp., Dallas**	Sunbelt Savings Assn., Dallas	
94	**Midlantic Home Mortgage Corp., Melville, N.Y.**	Midlantic Corp., Edison, N.J.	
95	**Meritor Mortgage Corp.-Central, St. Paul, Minn.**	Meritor Savings Bank, Philadelphia	
96	**Western Mortgage Loan Corp., Salt Lake City**	United Savings & Loan Assn., Salt Lake City	
97	**Numerica Financial Services, Inc., Clearwater, Fla.**	Numerica Savings Bank, Manchester, N.H.	
98	**Barclays American/Mortgage Corp., Charlotte, N.C.**	Barclays American Corp., Charlotte, N.C.	
99	**Security Pacific National Bank, Los Angeles**	Security Pacific Corp., Los Angeles	
100	**Crestar Mortgage Corp., Richmond**	Crestar Financial Corp., Richmond	

Top 100 Thrifts in Mortgage Servicing

Dec. 31, 1987 Compared with Dec. 31, 1986 (Thousands of Dollars)

Rank 12/31/87		Loans Serviced for Others			Loan Servicing Fees			Total Assets	
		12/31/87	12/31/86	% Chg.	1987	1986	% Chg.	12/31/87	12/31/86
1	**City Federal Savings Bank, Bedminster, N.J.**	18,340,464	16,218,477	13.08	69,062	39,623	74.30	10,737,295	10,449,020
2	**Standard Federal S&L Assn., Gaithersburg, Md.**	11,159,730	4,198,348	165.81	16,415	7,911	107.50	1,322,865	1,086,611
3	**Home Savings of America FA, Los Angeles**	10,565,124	10,750,876	-1.73	51,083	52,810	-3.27	30,533,471	27,789,661
4	**American S&L Assn., Stockton, Calif.**	7,831,973	8,497,264	-7.83	N.A.	N.A.	...	33,841,371	33,921,995
5	**Great Western Bank FSB, Beverly Hills, Calif.**	6,945,219	6,228,922	11.50	26,404	23,146	14.08	27,641,937	24,201,494
6	**Carteret Savings Bank FA, Newark, N.J.**	5,895,886	2,661,231	121.55	16,826	2,974	465.77	5,947,158	5,645,847
7	**Midfirst S&L Assn., Oklahoma City**	4,774,559	2,353,904	102.84	6,559	4,390	49.41	532,807	386,189
8	**Home Owners Federal S&L Assn., Boston**	4,763,374	5,943,536	-19.86	46,155	33,423	38.09	2,832,432	1,388,222
9	**Imperial Savings Assn., San Diego, Calif.**	4,195,669	3,762,158	11.52	11,923	4,721	152.55	10,886,015	8,875,224
10	**Glendale Federal S&L Assn., Calif.**	4,145,520	2,520,651	64.46	5,162	4,086	26.33	22,469,764	17,451,589
11	**Transohio Savings Bank, Cleveland**	3,815,947	3,569,910	6.89	32,163	8,883	262.07	5,745,929	5,162,535
12	**MeraBank, FSB, Phoenix, Ariz.**	3,772,513	2,845,385	32.58	20,901	7,281	187.06	6,584,269	6,257,802
13	**Coast S&L Assn., Los Angeles**	3,734,666	2,785,674	34.07	5,976	5,010	19.28	12,215,888	9,255,282
14	**ComFed Savings Bank, Lowell, Mass.**	3,672,782	2,674,234	37.34	27,408	17,050	60.75	1,582,770	1,277,503
15	**Colonial S&L Assn., Ft. Worth, Tex.**	3,604,918	2,907,335	23.99	13,478	13,542	-0.47	496,386	608,960
16	**Great American First Savings Bank, San Diego, Calif.**	3,536,286	3,142,638	12.53	4,018	956	320.29	11,845,033	10,514,699
17	**California Federal S&L Assn., Los Angeles**	3,533,025	3,225,096	9.55	5,463	5,070	7.75	23,442,816	20,502,498
18	**Homestead Savings, FS&LA, San Francisco**	3,529,497	4,125,771	-14.45	3,718	13,440	-72.34	5,422,872	5,402,082
19	**First Nationwide Bank, FSB, San Francisco**	3,492,124	3,549,435	-1.61	17,760	15,375	15.51	17,177,907	15,044,316
20	**Duval Federal S&L Assn., Jacksonville, Fla.**	3,399,789	2,146,317	58.40	10,067	6,757	48.99	1,303,348	1,117,829
21	**Home Federal S&L Assn., San Diego, Calif.**	3,126,405	3,189,998	-1.99	11,117	12,599	-11.76	14,149,707	11,922,681
22	**AmeriFirst Federal S&L Assn., Miami**	2,996,184	2,981,901	0.48	12,305	6,933	77.48	4,180,660	4,016,949
23	**Pacific First Federal Savings Bank, Tacoma, Wash.**	2,862,838	2,947,958	-2.89	9,487	12,143	-21.87	4,508,492	4,096,433
24	**Gibraltar Savings Assn., Houston**	2,786,571	1,590,499	75.20	7,088	3,153	124.80	6,148,164	4,516,282
25	**Investors Savings Bank, Richmond**	2,725,639	1,726,301	57.89	5,087	2,465	106.37	2,068,906	1,621,051
26	**Gibraltar Savings, Beverly Hills, Calif.**	2,716,542	2,579,930	5.30	32	28	14.29	13,448,116	11,340,955
27	**Western Federal S&L Assn., Marina Del Rey, Calif.**	2,499,383	1,562,892	59.92	2,498	934	167.45	2,188,199	1,841,567
28	**Leader Federal S&L Assn., Memphis, Tenn.**	2,465,394	1,612,644	52.88	4,752	3,441	38.10	2,113,515	1,860,733
29	**Standard Federal Bank, Troy, Mich.**	2,345,136	2,401,213	-2.34	8,379	7,421	12.91	8,748,869	7,864,464
30	**Albuquerque Federal S&L Assn., N.M.**	1,951,922	1,446,334	34.96	6,257	4,719	32.59	2,122,345	2,099,826
31	**Mercury Savings Assn. of Texas, Wichita Falls**	1,[illegible]16,224	4,688,917	-59.13	17	114	-85.09	499,919	664,166
32	**Citicorp Savings of Florida FS&LA, Miami**	1,782,388	183,084	873.54	14	24	-41.67	2,704,052	2,939,947
33	**Union Federal Savings Bank, Indianapolis**	1,664,915	N.A.	...	2,227	N.A.	N.A.	1,232,049	707,148
34	**Altus Bank FSB, Mobile, Ala.**	1,660,964	1,250,327	32.84	4,703	4,754	-1.07	2,706,385	2,495,734
35	**Union Federal S&L Assn., Los Angeles**	1,607,775	1,043,206	54.12	1,522	1,331	14.35	1,927,647	1,516,440
36	**Dime Savings Bank of New York, FSB, Garden City**	1,598,758	855,037	86.98	9,828	5,393	82.24	10,949,013	8,370,325
37	**Chevy Chase Savings Bank, FSB, Chevy Chase, Md.**	1,507,285	1,133,994	32.92	5,735	4,385	30.79	3,540,195	2,780,040
38	**Buckeye Federal S&L Assn., Columbus, Ohio**	1,474,371	1,459,530	1.02	5,292	3,449	53.44	1,251,101	1,335,893
39	**Platte Valley Federal S&L Assn., Gering, Neb.**	1,429,542	781,460	82.93	2,489	576	332.12	404,384	410,619
40	**Dominion Federal S&L Assn., Tyson Cornor, Va.**	1,408,561	1,405,213	0.24	4,298	3,761	14.28	1,964,312	1,737,206
41	**Capitol City Savings Assn., Austin, Tex.**	1,356,250	438,894	209.02	3,974	2,026	96.15	357,051	307,071
42	**Security S&L Assn., Jackson, Miss.**	1,342,625	909,248	47.66	4,252	3,156	34.73	437,686	366,223
43	**Columbia S&L Assn., Beverly Hills, Calif.**	1,326,532	963,040	37.74	4,168	1,513	175.48	10,059,504	8,171,241
44	**Mercury S&L Assn., Huntington Beach, Calif.**	1,324,832	1,176,755	12.58	10	5	100.00	2,379,460	2,379,323
45	**Northeast Savings FA, Hartford, Conn.**	1,180,190	511,340	130.80	2,956	346	754.34	7,382,144	5,933,450
46	**Perpetual Savings Bank, FSB, McLean, Va.**	1,177,031	1,182,369	-0.45	3,939	4,459	-11.66	4.690,121	4,406,004
47	**Cenlar Federal Savings Bank, Pennington, N.J.**	1,154,474	1,931,319	-40.22	5,350	13,567	-60.57	678,132	509,888
48	**Decatur Federal S&L Assn., Ga.**	1,146,334	968,746	18.33	459	682	-32.70	2,063,900	1,893,359
49	**Fortune Savings Bank, Clearwater, Fla.**	1,144,097	793,885	44.11	940	2,033	-53.76	2,950,558	2,396,121
50	**Citicorp Savings of Illinois, FS&LA, Chicago**	1,132,500	1,027,609	10.21	4,049	3,778	7.17	5,509.947	5,527,563
51	**United Savings Bank FSB, San Francisco**	1,126,474	532,800	111.43	3,641	1,672	117.76	817,995	667,922
52	**Household Bank FSB, Newport Beach, Calif.**	1,122,381	509,606	120.24	1,758	1,104	59.24	3,390,829	2,129,398
53	**Georgia Federal Bank, FSB, Atlanta**	1,094,988	858,326	27.57	96	N.A.	...	3,785,172	3,208,844
54	**Boston Five Cents Savings Bank, FSB**	1,075,400	810,587	32.67	4,091	2,417	69.26	2,264,111	1,930,670
55	**Far West S&L Assn., Newport Beach, Calif.**	1,042,927	1,053,644	-1.02	1,623	1,619	0.25	3,757,025	3,052,526
56	**Citicorp Savings FS&LA, San Francisco**	995,356	703,127	41.56	2,820	1,191	136.78	6,976,531	4,978,642
57	**Continental Savings Bank, Seattle**	992,570	687,393	44.40	3,764	1,246	202.09	112,488	94,345
58	**First Minnesota Savings Bank, FSB, Minneapolis**	988,746	1,122,327	-11.90	4,065	3,195	27.23	3,281,882	3,066,960
59	**Atlantic Financial Federal, Bala Cynwyd, Pa.**	985,034	883,394	11.51	4,941	3,336	48.11	6,703,251	5,556,247
60	**Valley Federal S&L Assn., Van Nuys, Calif.**	983,843	851,185	15.59	5,087	4,442	14.52	3,308,419	2,615,162
61	**Beverly Hills Savings, FS&LA**	970,502	996,723	-2.63	2,411	3,154	-23.56	1,683,651	1,897,858
62	**First Federal S&L Assn., Greenville, S.C.**	940,788	764,913	22.99	3,264	2,105	55.06	1,982,077	1,861,511
63	**Hamilton Savings Bank, FSB, San Francisco**	932,145	560,286	66.37	2,325	1,050	121.43	213,890	188,910
64	**First Federal S&L Assn., Rochester, N.Y.**	921,090	813,659	13.20	5,362	3,499	53.24	4,777,318	4,503,364
65	**American Charter Federal S&L Assn., Lincoln, Neb.**	869,839	405,886	114.31	1,316	474	177.64	1,392,743	1,612,246
66	**Hill Financial S&L Assn., Red Hill, Pa.**	860,389	638,590	34.73	2,040	1,563	30.52	3,067,388	2,696,861
67	**Sears Savings Bank, Glendale, Calif.**	855,744	1,215,042	-29.57	4,778	8,449	-43.45	5,604,724	6,576,523
68	**San Francisco Federal S&L Assn.**	852,075	588,953	44.68	2,382	2,230	6.82	2,945,564	2,378,635
69	**Bay View Federal S&L Assn., San Mateo, Calif.**	848,575	804,518	5.48	1,278	1,191	7.30	2,104,265	1,603,199
70	**Champion Federal S&L Assn., Bloomington, Ill.**	828,880	575,599	44.00	2,285	1,011	126.01	2,317,475	1,975,378
71	**Colonial Central Savings Bank, FSB, Mount Clemens, Mich.**	811,566	227,591	256.59	995	483	106.00	448,046	338,671
72	**Home Federal S&L Assn., Atlanta**	808,197	693,840	16.48	2,573	2,060	24.90	229,481	230,873
73	**United Federal S&L Assn., Rocky Mount, N.C.**	807,450	562,815	43.47	2,703	1,481	82.51	350,737	253,088
74	**University Savings Assn., Houston**	787,205	849,049	-7.28	43	26	65.38	4,289,583	3,935,592
75	**Southwest S&L Assn., Los Angeles**	777,650	571,417	36.09	7,748	3,205	141.75	957,543	769,087
76	**Loyola Federal S&L Assn., Baltimore**	775,199	675,346	14.79	2,136	1,922	11.13	1,844,656	1,625,591
77	**Downey S&L Assn., Costa Mesa, Calif.**	761,069	802,740	-5.19	3,197	3,115	2.63	3,212,466	2,494,570
78	**First Federal Savings Bank of California, Santa Monica**	759,335	684,791	10.89	939	701	33.95	1,866,363	1,457,236
79	**Sterling S&L Assn., Southfield, Mich.**	750,649	719,967	4.26	2,237	1,624	37.75	100,485	65,974
80	**First Financial Savings Assn., Stevens Point, Wis.**	750,612	671,317	11.81	4,817	5,706	-15.58	1,884,245	1,845,041
81	**Santa Barbara S&L Assn., Calif.**	747,993	579,095	29.17	3,049	1,225	148.90	5,360,485	3,656,555
82	**First Federal S&L Assn., Amarillo, Tex.**	735,752	599,073	22.82	2,167	1,798	20.52	247,990	265,639
83	**St. Paul Federal Bank For Savings, Chicago**	735,075	422,412	74.02	1,221	833	46.58	2,837,132	2,412,529
84	**Western S&L Assn., Phoenix, Ariz.**	732,520	681,943	7.42	3,407	3,130	8.85	6,052,729	5,546,639
85	**Farm & Home Savings Assn., Nevada, Mo.**	732,416	647,348	13.14	2,493	2,352	5.99	3,500,015	3,305,835
86	**Great American First Savings Bank, FSB, Tucson, Ariz.**	712,864	384,296	85.50	1,115	635	75.59	3,968,202	2,969,940
87	**Ameribanc Savings Bank, Annandale, Va.**	702,078	510,961	37.40	2,807	1,538	82.51	996,977	804,286
88	**Honolulu Federal S&L Assn.**	700,369	581,794	20.38	2,055	585	251.28	2,130,755	1,686,104
89	**Community Federal S&L Assn., St. Louis, Mo.**	696,479	677,265	2.84	1,582	2,351	-32.71	3,662,807	4,030,483
90	**First Home Federal S&L Assn. of the Carolinas, FA, Greensboro, N.C.**	692,241	543,539	27.36	669	2,618	-74.45	1,188,001	1,312,801
91	**American S&L Assn. of Florida, Miami**	678,787	431,554	57.29	3,403	2,235	52.26	3,012,663	2,635,872
92	**American S&L Assn., FA, Salt Lake City, Utah**	676,410	1,038,805	-34.89	2,463	4,317	-42.95	2,201,276	2,862,883
93	**Mechanics & Farmers Savings Bank, FSB, Bridgeport, Conn.**	670,671	687,268	-2.41	3,372	2,283	47.70	1,345,805	1,035,111
94	**Investors Savings Bank, FSB, Minneapolis**	586,672	195,411	200.22	1,377	371	271.16	303,088	181,983
95	**Southern Federal Bank for Savings, Gulfport, Miss.**	584,067	325,199	79.60	794	797	-0.38	158,716	127,025
96	**County Savings Bank, Santa Barbara, Calif.**	582,346	501,402	16.14	N.A.	N.A.	...	1,241,381	827,777
97	**Cardinal Federal Savings Bank, Cleveland**	576,648	569,622	1.23	1,377	1,053	30.77	1,595,312	1,683,455
98	**Pioneer Savings & Trust, FA, Roswell, N.M.**	575,521	459,455	25.26	1,878	2,525	-25.62	198,729	213,976
99	**Otero S&L Assn., Colorado Springs, Colo.**	567,275	398,419	42.38	1,184	248	377.42	591,343	566,607
100	**Benjamin Franklin Federal S&L Assn., Portland, Ore.**	558,718	345,879	61.54	N.A.	N.A.	-94.74	4,923,795	4,430,536
	TOTALS FOR TOP 100	**209,842,307**	**171,266,976**	**22.52**	**646,897**	**501,494**	**28.99**	**477,114,470**	**418,535,020**

Data Source: All data are from the Quarterly Financial Report to the Federal Home Loan Bank Board submitted by thrifts (most of whom are FSLIC-insured) and were provided by **ADP Data Services Division, New York**. **Mortgage Loans Serviced for Others** are the total of all unpaid principal balances of all whole loans and participating interests in loans serviced by an institution but owned by others at the close of the period, whether or not originated by the institution. **Loan Servicing Fees** are the fees earned **during 1987 and 1986** as a result of the servicing for others of loans or participations therein. Annual fees earned are calculated by summing the fees earned in each of the four quarters of the year.

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RAISING CAPITAL — P. 18

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Today

The purchase of four insolvent Texas thrifts by Coastal Banc Savings will pave the way, regulators hope, for similar deals under the Federal Savings and Loan Insurance Corp.'s so-called Southwest plan. ____ 28

Bank of America says its secret of success in Japan is marketing the bank's strengths to gain cooperation from Japanese bankers. ____2

A suit filed by two former executives of the Meritor Financial Group's mutual fund operation charges that Meritor officials had conflicts of interest that undermined the unit. ____3

In April, for the third month in a row, the merger scene was dominated by a deal involving a foreign bank. __ 10

The Federal Reserve Board and seven of the nation's money center banks have asked the Supreme Court to refuse to hear the Securities Industry Association's challenge of several Fed orders that permit 11 banks to underwrite and deal in certain securities.11

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Valley National Corp. chairman James P. Simmons, responding to concerns raised in a recent report, says the bank expects to begin showing real progress in cutting costs. 24

M. Danny Wall, chairman of the Federal Home Loan Bank Board, reportedly will not abolish the Federal Asset Disposition Association. ____ 31

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CORPORATE FINANCE

Insurance companies are increasing their investments — slowly — in employee stock ownership plans. ____2

Despite growing optimism in the nation's shipping industry, bankers who have survived bad times in the volatile business remain cautious. ____8

Jamie Stewart Jr., moving to his fourth bank in six years, takes on the task of consolidating investment banking at Mellon Bank Corp. ____8

Demand for merger-related credit will be greater this year than last, according to a Federal Reserve Board study, but companies will find some banks less willing to lend. ____9

Bankers Trust Co., New York, was the nation's leading loan buyer in last year's fourth quarter. ____ 12

Worth Repeating

Sure, there is a certain amount of resistance, but our resolve is like a steel wall.

James P. Simmons, chairman of Valley National Corp., Phoenix, on reports that the bank's cost-cutting efforts are meeting opposition from the rank and file. [Page 24]

Irving Wins Proxy Battle, Results Indicate

52-48% Vote a Major Blow to Bank of New York's Hostile Bid

By BART FRAUST

NEW YORK — Irving Bank Corp. has successfully fended off Bank of New York's bid to elect a slate of 16 directors to Irving's board, according to preliminary results of the proxy battle released Monday.

Irving's slate of incumbent directors received 7.7 million votes, or 52%, while Bank of New York's received 7.1 million, or 48%, the preliminary tally showed.

The vote is subject to challenge by both sides. Final results are expected to be announced on May 24.

Most analysts were left speechless by Irving's 600,000-vote margin of victory, which was a perhaps fatal defeat for Bank of New York's hostile takeover bid. Earlier, officials were told that the vote was too close to call, according to sources.

Analysts had been predicting that Bank of New York would prevail. But the vote is a big boost for a friendly bidder for Irving, Milan-based Banca Commerciale Italiana.

One banking industry analyst said that Bank of New York probably will not react to the defeat by increasing its offer for Irving. "They were already at the limit on dilution. The market wouldn't accept more," said Virginia A. Adair, vice president of Merrill Lynch Capital Markets.

In a statement, Irving said, "This vote of confidence in Irving's board is gratifying." The bank added that it is confident its proxies will withstand any challenges.

Bank of New York said: "We are disappointed that, based on the preliminary result of the proxy vote, it appears that our slate of nominees to the Irving board has been defeated. We are reviewing all our options, including termination of the offer."

Winning the proxy fight has been a major element of Bank of New York's eight-month-old takeover battle. A victory would enable the bank to force Irving to accept a merger, dismantle poison pills established by Irving, and waive a New York State law restricting hostile takeovers.

Stock prices of both Irving and Bank of New York rose in very active trading on the New York Stock Exchange. Irving finished at $60.625, up 25 cents from Friday's close. Bank of New York closed at $32, up $1.25.

Separately, Bank of New York said it has again extended its tender offer for Irving, this time until the end of business on Friday. The offer was scheduled to expire at the end of business last Friday.

As of last Friday, about 10.5 million Irving shares had been tendered to Bank of New York, representing about 57% of Irving's common shares. Bank of New York is seeking to buy at least two-thirds of Irving's outstanding shares. Bank of New York owns 4.9%

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COMMENT

Talking Your Way To Higher P-E Multiples

By SANFORD ROSE

Chris Snyder, president of Loan Pricing Corp., New York, thinks that he has found a way for banks to increase their price-earnings multiples by as many as four points by just talking and not actually doing very much. Is he pulling our leg? Yes and no.

In conversations with bank analysts, Mr. Snyder has uncovered a profound sense of uneasiness. Analysts aren't being told the things they need to hear in order to do their jobs. Bank CEOs are making the same presentations to the analyst community that they habitually give to bank examiners. They talk in terms of return on assets, loan-loss reserve adequacy, etc.

The analysts don't want to hear this potboiler. They need information that will enable them to appropriately discount to present values the bank's income stream, particularly that being generated by the commercial loan portfolio, which to most analysts is a sort of black box.

Banks dilate on nominal returns, while analysts want to learn about

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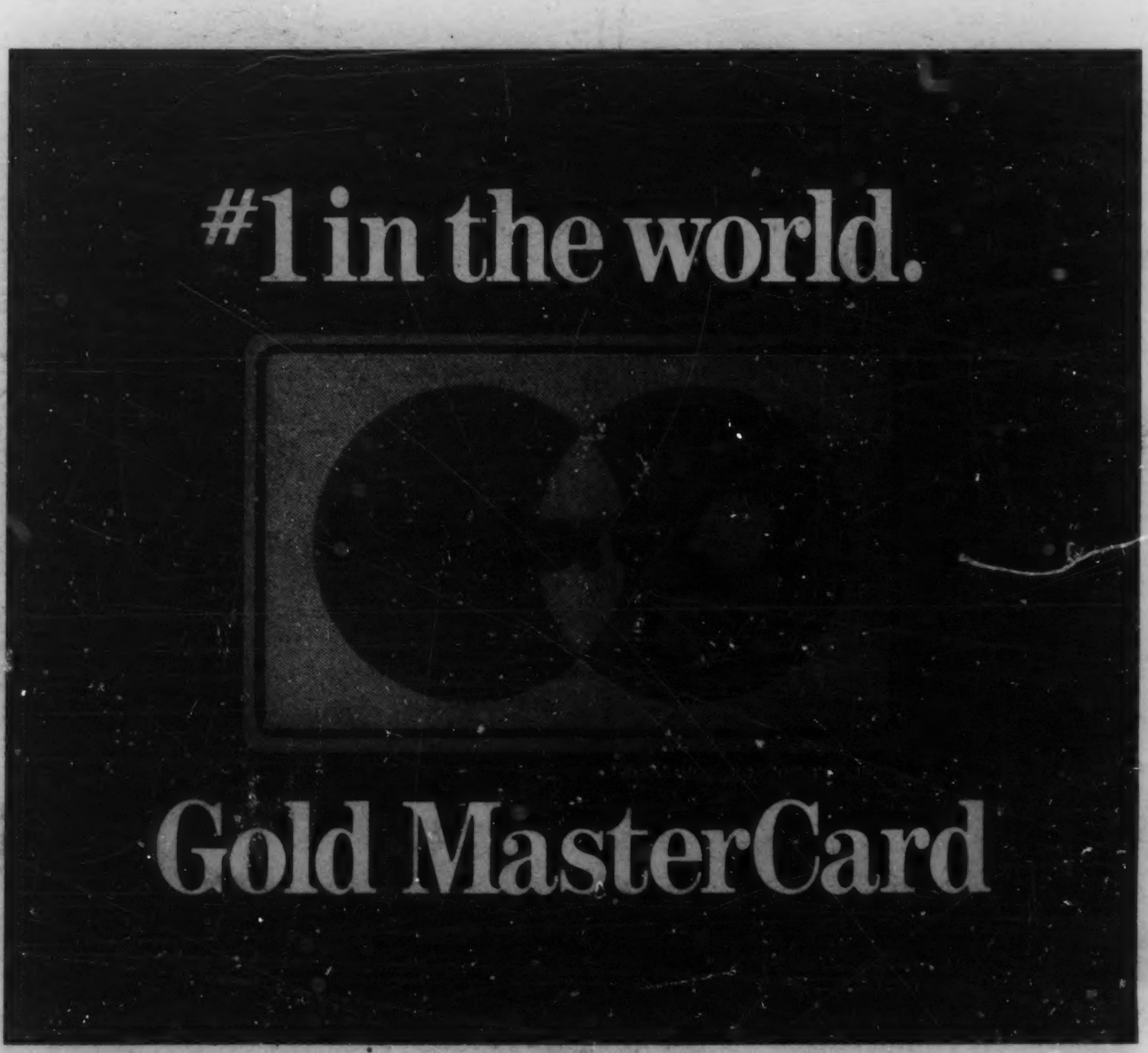

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Continued from Page 1

risk-adjusted returns. Are banks charging their business borrowers enough to cover the perceived risks? If they aren't, then high current nominal returns are a mirage, a fata morgana. These returns will deliquesce as surely as the winter snows.

Macro vs. Micro Risk

Banks have some funny attitudes about risk. They tend to equate it with the current strength of the borrower's balance sheet. Yet this is merely the micro risk.

The true risk of a loan, says modern portfolio theory, can be assessed only in conjunction with that of other loans in the portfolio. Lending to a borrower with a powerful balance sheet can be riskier than lending to one with a less impressive balance sheet if, for example, the "stronger" borrower is engaged in a business to which the bank is already heavily and perhaps excessively committed. Otherwise stated, true risk depends on covariance — the extent to which the business fortunes of a portfolio of borrowers are intertwined.

Analysts doubt that bankers really understand their macro or global risks. On the other hand, they have no doubt that bankers do an outstanding job of assessing and documenting balance-sheet or micro risks. But do bank charges reflect this meticulous analysis?

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Mr. Snyder believes that they don't, and, what's more, he thinks that the analysts suspect as much. The chart on this page shows all-in bank spreads, which take into account raw spreads, fees, the value of required balances, and utilization rates, for a variety of credit extensions for six risk classes of customers, ranging from class 1, an excellent risk, to class 6, a substandard credit. The data show spreads over 90-day Libor for some 3,500 loans made by 30 banks.

Note the line labeled 30-bank average. This shows that the range of spreads earned by these banks is incredibly narrow. There is less than a 120-basis-point differential between the spread earned from a marginal borrower (class 5) and that earned from a good borrower (class 2). It would appear that banks are not pricing to adequately reflect differential balance-sheet risks.

A Point for Awareness

Notes Mr. Snyder: "My inquiries lead me to believe that if a bank went before the analyst community and simply drew this line, it would shortly be rewarded with a one-multiple upgrading of its price-earnings ratio."

To be sure, this statement is not to be interpreted literally. What Mr. Snyder means is that the analysts would be relieved to learn that the bank is aware of the absence of adequate pricing gradations in the industry. Since the bank was cognizant of this key problem, as many seem not to be, and was willing to discuss it frankly, that should be worth something to its stock price.

Now suppose that the bank, having agonized over the underpricing problem sufficiently, was considering a system which would lift its loan charges to the level described by the line labeled "My Bank" within, say, one year. If the bank could, with justice, present this second line to the analysts, that, opines Mr. Snyder, should serve to lift its multiple by another point, even though nothing tangible had yet been accomplished.

One way of gauging the adequacy of bank compensation for varying balance-sheet risks is by comparing the spreads charged by banks with those demanded by the bond market from the same type of customer. Loan Pricing Corp. arranged seven corporate bond ratings (triple A to CAA) into the equivalent of its six risk classes of corporate loans.

It then computed the spread over treasuries of comparable duration for bonds in each class. Finally, it converted these long-term spreads into 90-day Libor spreads by using prevailing swap rates.

The result is the topmost line on the chart. It shows that the bond market charges a spread differential of around 400 basis points between good credits (risk class 2) and marginal credits (risk class 5) instead of the 120-basis-point differential obtained by banks.

Left with the Detritus

As the chart indicates, a borrower who would receive a "2" rating from a bank is likely to get somewhere between an A and a BAA rating from the bond market. Such a borrower is being charged more for bank loans than bond credit, after the price of that credit has been converted to the equivalent of a 90-day Libor charge by subtracting 86 basis points — the swap rate — from the fixed bond rate.

By contrast, a loan customer who is rated "4" is likely to be accorded a grade of between B and CAA by the bond market. Such a customer is being charged appreciably more by the public market than by his bank.

In other words, as has been frequently emphasized, banks tend to overcharge their best customers and undercharge their poorer ones. Small wonder, then, that banks end up with the detritus of the borrowing community.

Of course, loans and bonds are different beasts. Banks, it is held, maintain rigorous oversight of borrower balance sheets, while bondholders do not. Thus, bank charges should be somewhat lower than bond charges. But should the differential be as wide as is revealed by the chart for borrowers with bank ratings of three and worse? Obviously not.

Says Mr. Snyder: "As the loan-sales movement gathers momentum, common investor groups will emerge who will be indifferent between buying groups of loans and groups of bonds. The wide disparity between loan and bond yields will then set the stage for an immense arbitrage. Banks that can incent their sales forces to demand prices that more appropriately reflect the risk perceived by the public credit markets will become arbitrageurs. Those that cannot upgrade their charges will become 'arbitragees.' "

Hence, ventures the New York consultant, if the bank in question is able to include this topmost line in its analyst presentation, its audience would be most gratified. This would reveal that the bank is aware of the very considerable progress that still must be made in loan-pricing rationalization. Once again, mere evidence of awareness may be sufficient to incline the analysts more favorably toward the bank's stock, serving perhaps to lift its multiple yet another notch.

Covering Expected Losses

Finally, if the bank can reveal a plan for better aligning risk-related charges with those exacted by the competitive public markets (as indicated by the arrows on the chart), the analyst community would be overjoyed. The bank would be serving notice that it is prepared to stop undercharging poor-quality customers and, just as important, stop overcharging its best risks.

The bank's prices might eventually be adequate enough to build a self-insurance fund against at least expected, if not unexpected, loan losses. As a result, its anticipated income stream could be more realistically discounted to its present value. And that prospect, in turn, would justify putting its stock on still more buy lists, causing the price-earnings ratio to rise by yet another and final multiple.

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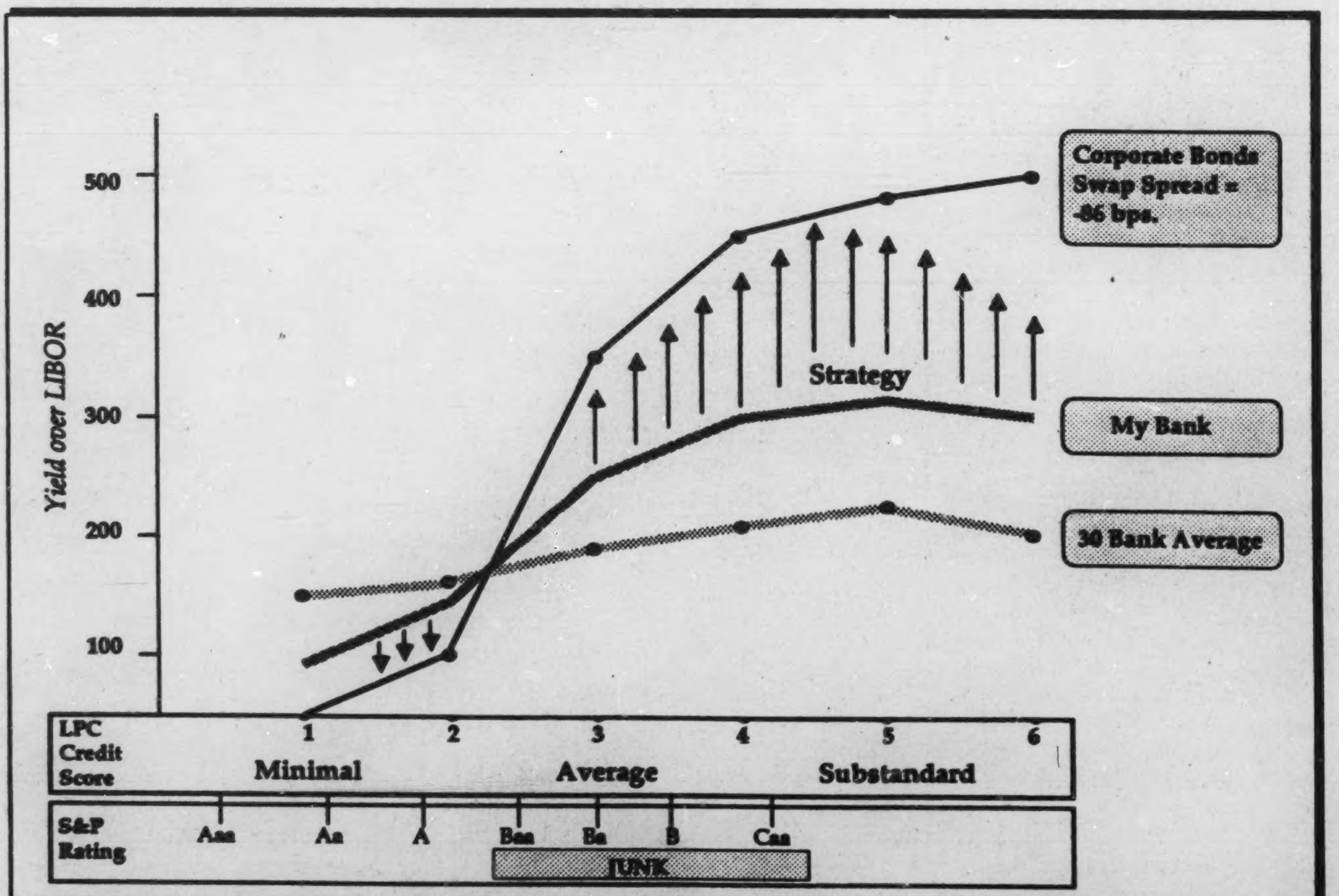

Book Value of Municipal Holdings at Top 100 Banks

Yearend 1987 compared with 1986, 1985, and 1984 (dollar amounts in thousands)

Asset Rank 12/87		Holdings 12/31/87	Holdings 12/31/86	Holdings 12/31/85	Holdings 12/31/84	% Chg. 86-87	% Chg. 85-86	% Chg. 84-85
1	**Citibank, New York**	$1,791,000	$1,951,000	$801,000	$414,000	–8.2%	143.6%	93.5%
2	**Chase Manhattan Bank, New York**	1,744,211	1,970,916	2,186,251	1,833,812	–11.5	–9.8	19.2
3	**Bank of America, San Francisco**	284,000	339,000	927,000	1,090,000	–16.2	–63.4	–15.0
4	**Morgan Guaranty Trust Co., New York**	4,001,609	4,350,264	3,898,047	2,440,695	–8.0	11.6	59.7
5	**Manufacturers Hanover Trust Co., New York**	1,098,000	1,659,000	1,748,006	1,222,557	–33.8	–5.1	43.0
6	**Chemical Bank, New York**	1,603,000	1,669,000	1,597,051	788,997	–4.0	4.5	102.4
7	**Bankers Trust Co., New York**	1,490,252	1,397,782	1,361,202	772,431	6.6	2.7	76.2
8	**Security Pacific National Bank, Los Angeles**	261,027	294,554	328,732	357,864	–11.4	–10.4	–8.1
9	**Wells Fargo Bank, San Francisco**	92,460	118,955	365,310	442,042	–22.3	–67.4	–17.4
10	**First National Bank of Chicago**	477,920	504,092	526,755	558,494	–5.2	–4.3	–5.7
11	**Continental Illinois National Bank & Trust Company of Chicago**	65,271	65,691	136,424	136,827	–0.6	–51.8	–0.3
12	**First National Bank of Boston**	216,535	277,824	285,781	12,394	–22.1	–2.8	2205.8
13	**Bank of New York, New York**	1,197,411	1,191,402	1,277,243	788,531	0.5	–6.7	62.0
14	**Mellon Bank, Pittsburgh**	825,506	1,064,674	794,500	209,463	–22.5	34.0	279.3
15	**Marine Midland Bank, Buffalo**	595,332	706,670	1,044,096	441,936	–15.8	–32.3	136.3
16	**Irving Trust Co., New York**	266,918	316,653	331,601	282,957	–15.7	–4.5	17.2
17	**First Interstate Bank of California, Los Angeles**	414,368	489,635	542,901	547,818	–15.4	–9.8	–0.9
18	**First RepublicBank Dallas, Dallas**	160,357	614,610	788,128	764,097	–73.9	–22.0	3.1
19	**Republic National Bank of New York**	469,888	474,293	1,443,949	361,300	–0.9	–67.2	299.7
20	**First Bank, Minneapolis**	782,277	787,561	1,124,563	444,126	–0.7	–30.0	153.2
21	**First Union National Bank of North Carolina, Charlotte**	973,129	1,003,120	841,781	321,749	–3.0	19.2	161.6
22	**NCNB National Bank of North Carolina, Charlotte**	218,503	373,973	448,524	542,958	–41.6	–16.6	–17.4
23	**Pittsburgh National Bank**	323,219	746,214	974,889	157,783	–56.7	–23.5	517.9
24	**National Bank of Detroit**	852,109	850,216	955,217	848,522	0.2	–11.0	12.6
25	**Bank of New England, Boston**	119,274	175,696	199,464	119,897	–32.1	–11.9	66.4
26	**Boston Safe Deposit & Trust Co.**	971,084	876,555	483,308	153,522	10.8	81.4	214.8
27	**Southeast Bank, Miami**	975,004	1,101,463	1,277,423	715,474	–11.5	–13.8	78.5
28	**Citibank (South Dakota), Sioux Falls, S.D.**	0	0	0	0	--	--	--
29	**Sovran Bank, Richmond, Va.**	563,646	762,255	747,625	529,175	–26.1	2.0	41.3
30	**Wachovia Bank & Trust Co., Winston-Salem, N.C.**	564,426	615,813	822,924	486,859	–8.3	–25.2	69.0
31	**Citizens & Southern National Bank, Atlanta**	632,803	591,392	783,791	255,624	7.0	–24.5	206.6
32	**National Westminster Bank USA, New York**	444,005	509,796	567,650	282,853	–12.9	–10.2	100.7
33	**Texas Commerce Bank, Houston**	516,248	570,110	801,740	645,065	–9.4	–28.9	24.3
34	**First Fidelity Bank, Newark, N.J.**	630,861	777,375	860,374	478,415	–18.8	–9.6	79.8
35	**Connecticut National Bank, Hartford**	566,791	700,176	909,949	566,897	–19.1	–23.1	60.5
36	**Seattle-First National Bank**	27,785	34,108	43,790	50,360	–18.5	–22.1	–13.0
37	**Fidelity Bank, East Whiteland Twp, Pa.**	361,662	372,913	485,616	197,205	–3.0	–23.2	146.2
38	**Valley National Bank of Arizona, Phoenix**	592,022	728,323	677,305	405,237	–18.7	7.5	67.1
39	**NCNB National Bank of Florida, Tampa**	668,222	693,554	789,136	210,418	–3.7	–12.1	275.0
40	**Maryland National Bank, Baltimore**	384,588	467,177	442,108	201,305	–17.7	5.7	119.6
41	**Connecticut Bank & Trust Co., Hartford**	547,482	1,103,142	1,342,993	619,711	–50.4	–17.9	116.7
42	**Philadelphia National Bank**	268,802	393,180	563,021	288,014	–31.6	–30.2	95.5
43	**Union Bank, Los Angeles**	226,087	296,176	398,302	303,926	–23.7	–25.6	31.1
44	**Harris Trust & Savings Bank, Chicago**	332,778	411,884	425,214	227,589	–19.2	–3.1	86.8
45	**Crestar Bank, Richmond, Va.**	323,259	381,132	471,629	267,629	–15.2	–19.2	76.2
46	**Michigan National Bank-Farmington, Farmington Hills**	183,116	584,458	231,819	161,095	–68.7	152.1	43.9
47	**Rainier National Bank, Seattle**	154,507	162,804	281,915	157,419	–5.1	–42.3	79.1
48	**AmeriTrust Co., Cleveland**	475,405	516,132	773,790	606,021	–7.9	–33.3	27.7
49	**United States National Bank, Portland, Ore.**	546,058	581,953	674,985	510,099	–6.2	–13.8	32.3
50	**Comerica Bank-Detroit**	490,956	500,972	601,505	452,424	–2.0	–16.7	33.0
51	**Manufacturers National Bank, Detroit**	321,466	330,004	330,175	332,836	–2.6	–0.1	–0.8
52	**Northern Trust Co., Chicago**	308,838	326,788	268,773	173,213	–5.5	21.6	55.2
53	**Shawmut Bank, Boston**	430,793	562,742	562,375	214,996	–23.4	0.1	161.6
54	**Florida National Bank, Jacksonville**	327,327	356,847	347,172	308,948	–8.3	2.8	12.4
55	**Huntington National Bank, Columbus, Ohio**	322,137	350,760	318,929	234,697	–8.2	10.0	35.9
56	**MBank Dallas**	177,551	254,793	342,623	426,182	–30.3	–25.6	–19.6
57	**First Union National Bank of Florida, Jacksonville**	564,269	581,073	632,634	414,023	–2.9	–8.2	52.8
58	**National City Bank, Cleveland**	651,780	682,067	601,247	148,682	–4.4	13.4	304.4
59	**Fleet National Bank, Providence, R.I.**	572,629	741,081	828,536	440,415	–22.7	–10.6	88.1
60	**First National Bank of Atlanta**	252,883	272,389	287,937	180,412	–7.2	–5.4	59.6
61	**Signet Bank-Virginia, Richmond**	416,594	524,269	520,396	311,042	–20.5	0.7	67.3
62	**State Street Bank & Trust Co., Boston**	238,154	287,354	351,224	231,145	–17.1	–18.2	51.9
63	**Norwest Bank Minneapolis**	131,437	122,325	476,370	141,210	7.4	–74.3	237.3
64	**Meridian Bank, Reading, Pa.**	469,212	522,515	466,951	227,900	–10.2	11.9	104.9
65	**First Interstate Bank of Arizona, Phoenix**	485,584	439,259	402,100	318,989	10.5	9.2	26.1
66	**Bank of Tokyo Trust Co., New York**	163,836	169,931	172,696	172,881	–3.6	–1.6	–0.1
67	**Riggs National Bank of Washington, D.C.**	378,931	448,504	528,641	150,288	–15.5	–15.2	251.8
68	**European American Bank, New York**	33,163	23,057	20,870	27,363	43.8	10.5	–23.7
69	**AmSouth Bank Birmingham, Ala.**	335,244	300,531	490,803	385,545	11.6	–38.8	27.3
70	**Provident National Bank, Philadelphia**	123,396	136,269	275,897	169,212	–9.4	–50.6	63.0
71	**California First Bank, San Francisco**	163,404	156,787	159,353	107,979	4.2	–1.6	47.6
72	**Chase Manhattan Bank USA, Wilmington, Del.**	0	0	0	0	–	–	–
73	**First Pennsylvania Bank, Philadelphia**	12,359	14,046	30,973	31,863	–12.0	–54.7	–2.8
74	**Chase Lincoln First Bank, Rochester, N.Y.**	70,752	70,784	77,475	202,440	0	–8.6	–61.7
75	**First Interstate Bank of Oregon, Portland**	519,614	710,673	584,632	281,084	–26.9	21.6	108.0
76	**Trust Company Bank, Atlanta**	317,285	301,336	401,868	222,829	5.3	–25.0	80.3
77	**First Tennessee Bank, Memphis**	259,500	286,927	349,016	286,373	–9.6	–17.8	21.9
78	**Bank of Hawaii, Honolulu**	212,126	258,039	345,682	187,235	–17.8	–25.4	84.6
79	**Society National Bank, Cleveland**	243,822	318,224	417,598	229,253	–23.4	–23.8	82.2
80	**Barnett Bank of South Florida, Miami**	252,540	289,486	344,594	282,150	–12.8	–16.0	22.1
81	**Sanwa Bank California, San Francisco**	27,453	33,722	58,173	62,532	–18.6	–42.0	–7.0
82	**Banco Popular de Puerto Rico, San Juan**	138,523	174,898	178,205	162,830	–20.8	–1.9	9.4
83	**Midlantic National Bank, Newark, N.J.**	134,133	124,668	154,931	131,192	7.6	–19.5	18.1
84	**Citibank (New York State), Perinton, N.Y.**	1,777	1,815	2,069	2,843	–2.1	–12.3	–27.2
85	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	172,642	177,442	214,982	184,811	–2.7	–17.5	16.3
86	**First Florida Bank, Tampa**	516,042	651,142	738,839	449,600	–20.7	–11.9	64.3
87	**American Security Bank, Washington, D.C.**	148,958	177,040	149,148	282,522	–15.9	18.7	–47.2
88	**First National Bank of Maryland, Baltimore**	234,823	271,034	284,696	100,331	–13.4	–4.8	183.8
89	**Citizens & Southern National Bank of Florida, Fort Lauderdale**	431,489	503,137	537,513	262,781	–14.2	–6.4	104.5
90	**MBank Houston**	86,706	101,121	171,393	173,436	–14.3	–41.0	–1.2
91	**Hibernia National Bank, New Orleans**	133,137	134,687	168,342	144,109	–1.2	–20.0	16.8
92	**South Carolina National Bank, Charleston**	192,760	204,460	234,719	170,028	–5.7	–12.9	38.0
93	**Bank of California, San Francisco**	187,266	193,266	195,382	211,760	–3.1	–1.1	–7.7
94	**Arizona Bank, Phoenix**	131,912	187,321	307,736	147,961	–29.6	–39.1	108.0
95	**Fuji Bank & Trust Co., New York**	46,802	177,861	164,390	19,314	–73.7	8.2	751.1
96	**BancOhio National Bank, Columbus, Ohio**	94,358	95,595	103,368	332,492	–1.3	–7.5	–68.9
97	**Mellon Bank (East), Philadelphia**	135,032	255,800	300,446	80,434	–47.2	–14.9	273.5
98	**Indiana National Bank, Indianapolis**	87,302	87,213	134,558	104,102	0.1	–35.2	29.3
99	**Equitable Bank, Baltimore**	234,867	235,215	329,823	0	–0.1	–28.7	n.m.
100	**Mercantile Bank, St. Louis**	128,882	147,302	194,924	224,252	–12.5	–24.4	–13.1

Source: The Bond Buyer

Large Banks Trimmed Municipal Bond Holdings by 14% in 1987

By MATTHEW KREPS
The Bond Buyer

NEW YORK — The 500 largest banks in the country slashed their municipal bond holdings by 14% in 1987, continuing the trend that began when the Tax Reform Act of 1986 was first proposed.

The banks' holdings shrank to $70.38 billion in 1987 from $81.64 billion in 1986. Combined with a 13% decline in 1986, the nation's biggest banks have let their tax-exempt portfolios dwindle nearly 25% since the end of 1985, when they loaded up on bonds in anticipation of tax reform and holdings that totaled $93.59 billion on Dec. 31, 1985.

These figures are based on entries banks make in their consolidated reports of condition under the category "securities issued by states and political subdivisions in the United States." The reports are filed with federal banking regulators every six months. The group includes credit-card and other "specialty" banks, even if they do not hold any municipal bonds.

Commercial banks were once the biggest investors in municipal bonds, but their presence in the market has declined steadily. In 1978, they held 44% of all municipal bonds outstanding, according to the Federal Reserve Board's *Flow of Funds Report*.

Even as late as 1985, after individuals had become the largest investing group, banks held 35% of the municipals outstanding. But by the end of 1987, they were down to a 25% share, according to the Fed's preliminary figures for the year.

Most Banks Reduced Portfolios

Last year, 394 of the 500 banks reduced their portfolios in terms of book value, and 28 of them cut more than $100 million. Only 72 banks increased their portfolios, none by more than $95 million. Thirty-four banks, most of them credit-card institutions, showed no municipal bond assets.

The banks would have fared even worse if they had had to sell their bonds in the secondary market. The market value of their portfolios dropped 17% last year, to $70.85 billion, because interest rates rose sharply and reduced market prices. In 1986, bond prices had risen steadily and kept the decline in the bank portfolios' market value down to 7%, nearly half the decline in book value.

The nation's top 100 banks, which own about 62% of the 500 banks' combined holdings, showed similar portfolio reductions last year. Their holdings fell 14% in book value, to $43.79 billion, and 17.5% in market value, to $44.08 billion. These holdings had declined 9% in book value and only 2.6% in market value in 1986.

Officials at many of the banks with the largest reductions in their portfolios said they had stocked up on short-term securities in earlier years, in anticipation of more restrictive tax laws, and were not able to replace them when they matured.

Congress has been whittling away at the benefits that banks get from buying municipal bonds since 1982, when the Tax Equity and Fiscal Responsibility Act trimmed the banks' tax deduction for carrying municipals for the first time, from 100% to 85%. A subsequent law lowered it to 80%. But the biggest blow came in late 1985, when the House proposed legislation that would have eliminated the deduction. While the law was not enacted until nine months later, bankers had to refrain from buying tax-exempts the entire year.

The 1986 law does allow banks to take an 80% deduction for carrying "bank-qualified" bonds: essential-purpose issues sold by governments that do not expect to sell more than $10 million of such bonds per year. The bank-qualified market has been a boon for small issuers: the demand from local and regional banks is so strong that the bonds sell at yields 10 to 40 basis points below nonqualified tax-exempts.

But the big money center banks that own the bulk of municipals said they do not find bank-qualified bonds appealing for two reasons: they cannot buy enough to rebuild their portfolios; and the bonds are expensive compared with Treasury securities in the short-term maturities they prefer, even with the 80% deduction.

In addition, many money center banks increased their loan loss reserves to protect against nonperforming loans to lesser-developed countries. That resulted in large tax losses and made higher-yielding taxable bonds a better investment than municipal bonds. Other banks, particularly those in Texas, also had less need for tax-exempt income because they continued to lose money on their domestic loan portfolios.

Most of the shrinkage in bond holdings came in the first six months of 1987. While portfolios declined 8.8% in book value and 11% in market value in the first half, they declined 5.5% in book value and 7% in market value in the second half. Bond prices plunged sharply in April and May and continued the slide through the summer.

Morgan Guaranty Trust Co. continued to be the biggest bondholder, with $4 billion in its vaults — more than twice the $1.79 billion held by the second-place bank, Citibank. The Chase Manhattan Bank fell to third with $1.74 billion, followed by Chemical Bank, with $1.6 billion; Bankers Trust Co., with $1.49 billion; the Bank of New York, $1.2 billion; and Manufacturers Hanover Trust Co., $1.1 billion. These were the only banks holding more than $1 billion of municipals at the end of 1987.

Hanover Led in Recutions

Manufacturers Hanover had the largest reduction last year, with a drop of $561 million, or 34%, to $1.1 billion. An officer of the bank, who asked not to be identified, said the decline resulted when large amounts of short-term put bonds matured and were not replaced by new debt.

Close behind was Connecticut Bank & Trust Co., Hartford, which cut its portfolio by $556 million, or 50%, to $547 million. Other large declines

Big Banks: Page 14 ➸

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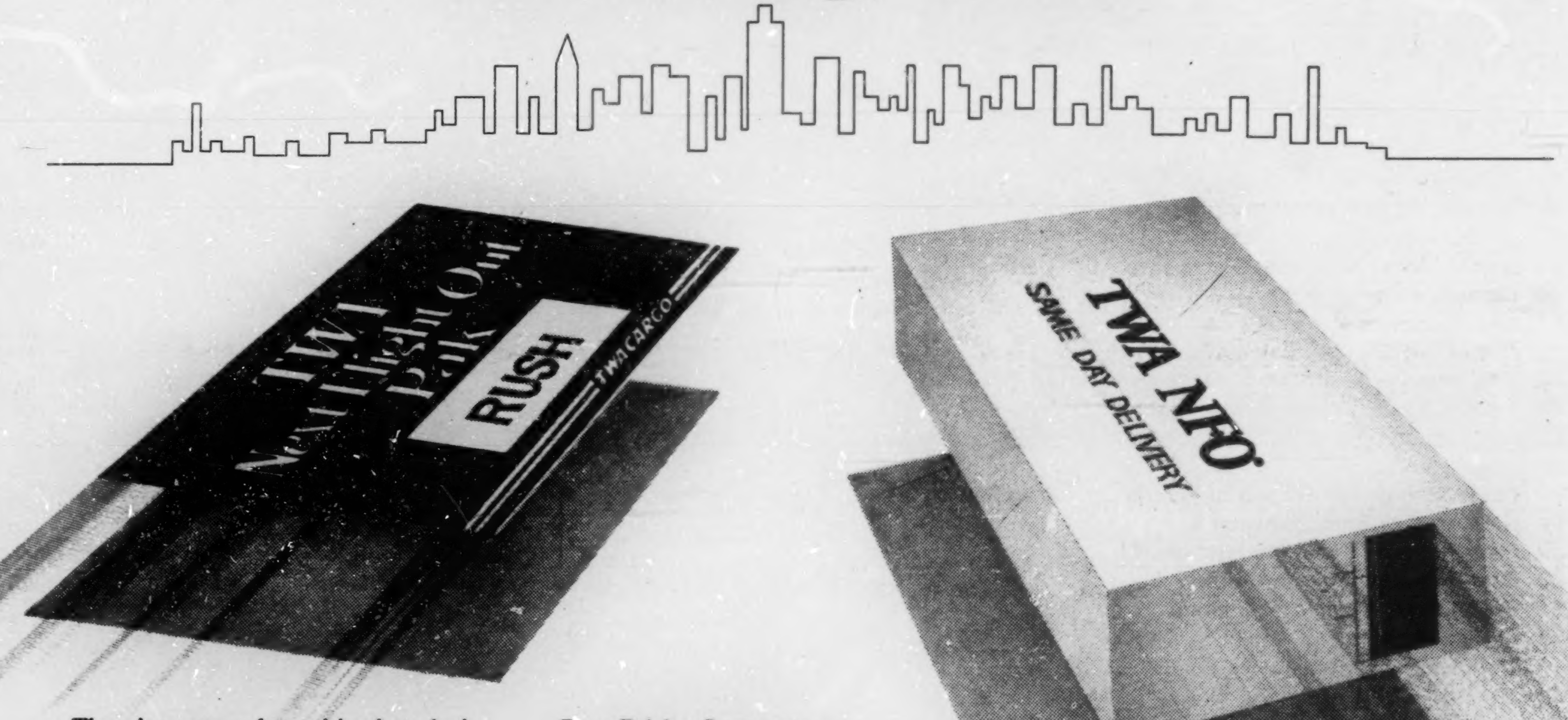

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HAVE YOU COMMENTED?

The following proposals have been issued for comment by federal regulators, government agencies, and other regulatory groups whose rules affect the financial industry. The deadline date precedes each item. This feature is compiled by Howery Pack.

COMPENSATION

May 19 — The *National Credit Union Association* asks for comments on its proposal to clarify statutory limits on compensation of officials and gives authority and guidelines for indemnification of officials and employees.

Address comments to: NCUA, 1776 G St., N.W., Washington 20456.

FOREIGN OFFERINGS

May 27 — The *Federal Reserve Board* requests comments on changes to Regulation T, allowing broker-dealers to extend good faith loan value on long-term debt securities issued or guaranteed by a foreign sovereign if the securities are rated in one of the two highest rating categories by a nationally recognized statistical rating service. The proposal would also apply to provinces or states of a foreign sovereign or a supranational entity.

Send comments to: Docket No. R-0633, William W. Wiles, Secretary, Federal Reserve Board, 20th St. and Constitution Ave., N.W., Washington 20551.

ASSESSING PREMIUMS

June 6 — The *Federal Home Loan Bank Board* seeks comments on a proposal to vary insurance premiums against insured institutions based on an institution's capital level.

Address comments to: Director, Federal Home Loan Bank Board, 1700 G St., N.W., Washington 20552.

CONFLICTS OF INTEREST

June 13 — The *Federal Home Loan Bank Board* requests comments on its proposal not to apply the conflict of interest provisions to transactions between holding company subsidiary insured institutions and their affiliates, other than natural persons who have controlling shares.

Send comments to: Director, Information Services Section, Office of the Secretariat, Federal Home Loan Bank Board, 1700 G St., N.W., Washington 20552.

CALL REPORTS

June 15 — The *Federal Financial Institutions Examination Council* asks for comments on its proposal to define the "submission date" in call reports as the date the completed call report is received by the banking agencies, or their collection agents, if the report is submitted electronically. The report would not be considered late if it missed the submission deadline, as long as it had been mailed first class and postmarked no later than three days before the deadline.

Write to: Robert J. Lawrence, Executive Secretary, Federal Financial Institutions Examination Council, 1776 G St., N.W., Suite 701, Washington 20006.

NONMEMBER BANKS

June 20 — The *Federal Deposit Insurance Corp.* requests comments on a proposed statement of policy intended to provide guidance to banks on the position of the FDIC regarding independent external audits of state nonmember banks.

Address comments to: Hoyle L. Robinson, Executive Secretary, Federal Deposit Insurance Corp., 550 17th St., N.W., Washington 20429.

PRIVATE-SECTOR COLLECTION

Aug. 3 — The *Federal Reserve Board* also asks for comments on its proposed rule to require paying banks to pay for checks presented by private-sector collecting banks before 2 p.m. in same-day funds, without any presentation fees.

Send comments to: Docket No. R-0631, William W. Wiles, Secretary, Federal Reserve Board, 20th St. and Constitution Ave., N.W., Washington 20551.

If you know of a proposal worthy of comment, please send a copy to: Howery Pack, Editorial, American Banker, One State Street Plaza, New York, N.Y. 10004.

Municipal Holdings Fell 14% at Big Banks in '87

➼ **Continued from Page 7**

were reported by First RepublicBank, Dallas, which cut $454 million, or 74%, of its portfolio; Pittsburgh National Bank, which cut $423 million, or 57%; and Michigan National Bank, Farmington Hills, which cut $401 million, or 69%.

Boston Safe Deposit & Trust Co. had the biggest portfolio increase in 1987, with a gain of $95 million, or 11%, to $971 million. The bank is the principal subsidiary of the Boston Co., which is owned by Shearson Lehman Hutton Inc. Bank officials would not comment on their portfolio.

Following Boston Safe Deposit was Bankers Trust Co., up $93 million, or 7%; Idaho First National Bank, Boise, up $75 million, or 5,959%; Exchange National Bank of Chicago, up $54 million, or 964%; and First Interstate Bank of Arizona, Phoenix, up $46 million, or 11%.

New York banks continued to hold the vast majority of municipal bonds, with 44 owning $17.26 billion, or 24.5% of the 500 largest banks' combined holdings. They were followed by Florida, $4.92 billion among 27 banks; Pennsylvania, $4.11 billion among 39 banks; New Jersey, $3.75 billion among 29 banks; and Ohio, $3.33 billion among 27 banks.

The New York banks also had the largest average portfolio, with $392 million. Next came Oregon, with $273 million; Connecticut, $254 million; Georgia, $249 million; and North Carolina, with $243 million.

The New York banks also sold off the most bonds in 1987, with a total reduction of $2.1 billion, or 11%. ■

5/18/88

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American Banker

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Today

The Bank of New York Co. said it intends to pursue its hostile takeover attempt of Irving Bank Corp. despite having lost a proxy battle to gain control of Irving's board. 3

A communications blackout continues to hamper operations at many Chicago-area financial institutions a week after a fire at an Illinois Bell Telephone Co. switching station damaged telephone lines and sensitive electronic switching devices. 2

The largest British employee stock ownership plan, backed by Chemical Bank, will total about $20.8 million and cover about 6,000 workers at the MFI Furniture Group Ltd. 2

The head of structured finance at Manufacturers Hanover Trust Co., Carol W. Hance, and two colleagues have joined Kidder, Peabody & Co.'s receivables securitization group. 2

Concerns about computer security and personal privacy must be addressed if bankers, retailers, and government officials are to win acceptance of electronic payment systems in welfare and other public assistance programs. 32

Executive Changes 30

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COMMENT

Lack of adequate regulatory control over real estate appraisers is linked with widespread problems experienced by mortgage lenders, writes James Grant. 4

The virtues of the trade bill outweigh its vices, and it should be passed; but the legislation will not trigger a transformation of U.S. trade, says Robert J. Samuelson. 4

TECHNOLOGY

Bank fees for cash management services rose again in 1987, but the rate of increase remained well below the double-digit hikes of the early 1980s. 6

The availability deadline for ATM deposits was extended in the Fed's final version of Regulation CC. 6

A marketing alliance between Chase Manhattan Bank and an equipment manufacturer is expected to promote point-of-sale payment services to supermarkets and other retailers. 8

Computer Associates has started beta tests of new modules of Infoloans, which will be the major product in its Infopoint line of integrated applications for banks and thrifts. 9

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Worth Repeating

To go back a generation is even harder than going forward a generation.

Thomas H. Hackett, president of Heritage Bank in Woodridge, Ill., where teller machines were offline following a telephone company fire. [Page 2]

An American Banker Special Report

Bank Quandary: How to Sell Mutual Funds

By LYNN BRENNER

NEW YORK — Bankers are still pounding on the portals of the securities underwriting and insurance industries. But in the past five years, they've quietly slipped into the mutual fund business by a side door.

"I don't understand why so many bankers' associations keep talking about getting rid of Glass-Steagall so they can sell mutual funds," one longtime industry observer said recently. "They can do that already."

For at least 95% of the banks interested in selling mutual funds, in fact, the future of the Glass-Steagall Act is of only academic interest. They have all the mutual fund powers they need. Their real problem is figuring out how best to use those powers.

Survey Results
Tables on Pages 18 and 20

Responses to an American Banker/-Lipper Analytical Services Inc. survey of the nation's top 100 commercial banks suggest that few banks have yet solved that problem.

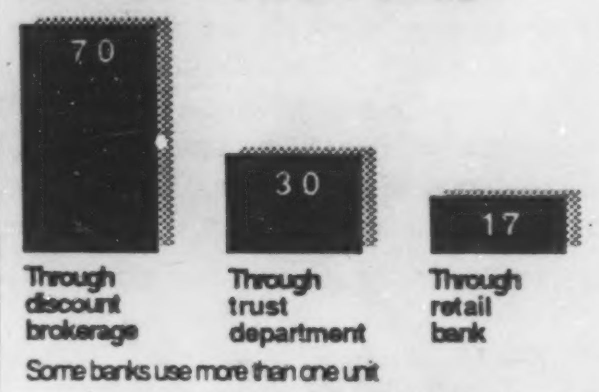
An overwhelming majority of respondents (95%) confirm that they make mutual funds available to their customers or provide services to mutual funds, or both. But typically, these activities are scattered through several bank departments or subsidiaries — trust, bond, retail, discount brokerage. Often no one person at the institution is familiar with the extent of its mutual fund business.

The survey, a three-page questionnaire, was mailed to the chief executives at each bank, with a request to forward it to the appropriate person. A follow-up request was sent five weeks later.

Some questionnaires were filled out

Banks: Page 22 ➸

How Top 100 Banks Provide Mutual Funds



Some banks use more than one unit

Source: American Banker-Lipper Analytical Services Inc.

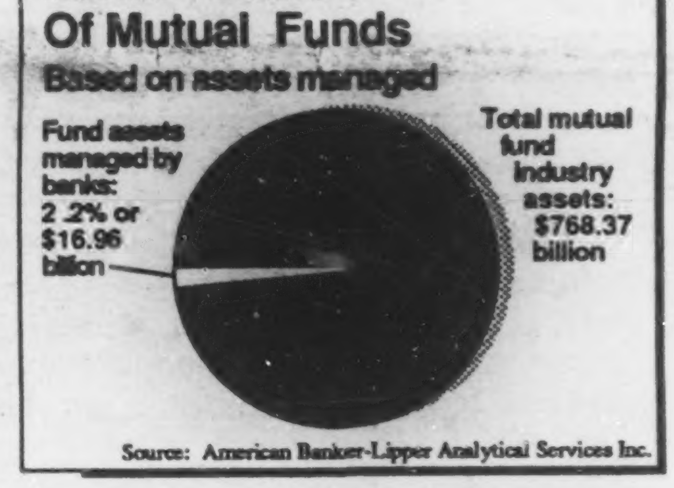
Marriage of Convenience Tempts Fund Providers

By LYNN BRENNER

NEW YORK — The mutual fund industry is seriously considering banks as potential partners, since their entry into the business is seen as inevitable. But mutual fund executives contemplate the prospective alliance with mixed feelings — not unlike those of an exceptionally vain prince pondering the pros and cons of marriage to a dumpy, boring bourgeoise with a potentially stunning dowry.

Like most people in the securities business, many mutual fund executives find banks plodding, bureaucratic, and utterly devoid of marketing ability. On the other hand, 9 out of 10 Americans have a relationship with a bank and most of them don't yet own mutual funds. That's a lot of potential customers.

Banks' Share Of Mutual Funds
Based on assets managed



Source: American Banker-Lipper Analytical Services Inc.

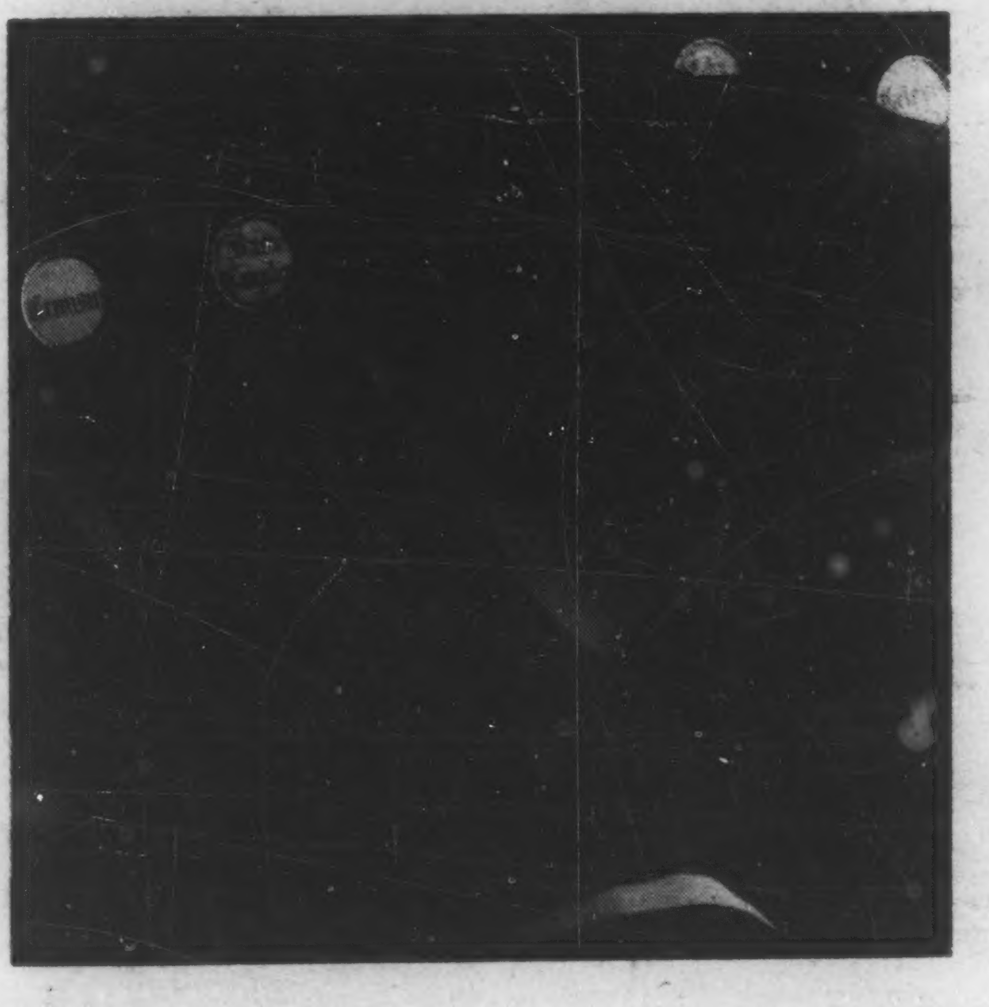
But can the banks really deliver their customer base? Is the dowry real or merely illusory?

Even allowing for the legal restrictions that currently hamper many banks' marketing efforts, most fund executives interviewed said that with a few exceptions, bank mutual fund sales have been disappointing so far.

The exceptions are banks willing to market aggressively and to compensate their branch personnel for referring customers to licensed salespeople. "I don't think the marketing area — discount brokerage, retail, dealer department — matters so much as the attitude of the bank," said Joseph T. Grause Jr., vice president of Fidelity Investments Institutional Services.

Other fund executives agree. And although their experience so far has fallen short of expectations, fund companies clearly have not abandoned the idea of building a bank distribution

Mutual: Page 19 ➸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EDS/MTech

Appraisals for Sale Undermine Real Estate Values

The following article by James Grant is reprinted from the April 1 edition of Grant's Interest Rate Observer.

□

SUPPOSE that, with the government's blessing, you could borrow to the hilt against the value of an asset. Suppose that the privileged asset were common stock. People would say, "You're a fool not to own stock, and you're a fool not to buy it on margin. You can't afford not to borrow because the interest is deductible."

Imagine, in the same world, that the newspapers published no stock tables. If you wanted to know what your portfolio was worth, you could walk to the courthouse and look it up. Values would be set, mainly, by appraisal. Appraisers — a suggestible crowd — would produce the answers that the brokers and lenders asked for.

Something like this system, of course, is already a way of life in real estate, a vast and debt-laden market. According to the Federal Reserve Board, mortgage debt is something in the neighborhood of $2,883 billion. That dwarfs $1,202 million in corporate and foreign bonds, $721 billion in tax-exempt obligations or $753 billion in consumer credit. It runs neck and neck with the public debt, at $2,931 billion.

Mortgage debt is supported by "value," and the value is established, in part, by appraisal. Lately, the appraisal system has come in for congressional criticism, although the contretemps has been conducted as far from the front of *The Wall Street Journal* as a school board meeting.

Rep. Doug Barnard Jr., D-Ga., began to pry into real estate abuses in 1985. Last year a legislative remedy was proposed by Mr. Barnard, chairman of the subcommittee on commerce, consumer, and monetary affairs of the House Committee on Government Operations. It is H.R. 3675, a bill to impose national appraisal standards, introduce a form of appraiser licensing (the states would do that), and create a new appraisal regulatory body to shepherd the states through the licensing process.

Wall Street May Wake Up to Appraisals

Real estate appraisal is not an everyday topic of Wall Street conversation, but that may change if current unnerving trends continue. We read in a recent *Pensions & Investment Age,* for instance, that nonperforming mortgages held by insurance companies almost tripled in the past two years, to 3.23% of the insurers' total mortgage portfolios at yearend 1987 from 1.16% at yearend 1985. (Travelers Corp., with heavy exposure to Texas and the Southwest, has been especially hard hit.)

Meanwhile, residential mortgage delinquencies have become worrisomely detached from the ordinary rhythm of the business cycle. What is different about the recent rise in past-due payments is the expansive economic climate in which it has occurred.

Most of the nation, at least, is growing. As with so many departments of the credit markets these days, one wonders what the next recession will produce. It is hard to imagine delinquencies declining and easy to conceive of them jumping off the chart.

For another thing, mortgages are not merely made and kept nowadays; they are made and sold, or "securitized," so that crookedness, or malfeasance, in one market sector or region can quickly become a problem in other sectors and regions.

"Banks are moving more toward riskier real estate lending and away from more conservative commercial lending, which actually shrank by 2% last year," L. William Seidman, chairman of the Federal Deposit Insurance Corp., said recently.

In an inflationary time, the flood tide of money forgives everyone and everything. The ebb tide, though, is merciless; the beach it exposes is strewn with appraisals and, of course, enthusiasts.

Anyway, H.R. 3675 was the subject of some extensive testimony in February and March, and we ordered about a foot of the documents from Washington. It was riveting stuff.

More to Real Estate than Donald Trump

It did not suggest an immediate course of investment action, except to confirm a bear in the conviction that there is more to the real estate markets than Donald Trump. However, it did raise some questions and furnish some facts.

The expert witnesses, naturally, were divided on almost everything. They couldn't see eye too eye on the number of practicing real estate appraisers (estimates range from 150,000 to 250,000) or on the financial damage that faulty appraisal work has done or is likely to do in either the residential or commercial fields. (It was thought to be substantial.) They couldn't agree on the need for yet another new federal agency to tackle yet another financial problem.

In September 1986, Rep. Barnard's subcommittee produced a study concluding that slipshod appraisals "have seriously damaged and contributed directly to the insolvency of hundreds of the nation's financial institutions and have helped cause billions of dollars in losses to the federal deposit insurance funds, to federal programs that guarantee mortgage loans, and to private-sector mortgage insurance companies, lenders and investors in mortgage-backed securities.

It is hard to know just how to assign the blame among appraisers, lenders, developers, central bankers, and the forces of nature. Put another way, there is nothing wrong with any appraisal that a lot of inflation wouldn't fix. A man from the Federal National Mortgage Association testified that the quantity of appraisal work hadn't caused the devastating losses in Houston; house prices just crashed.

Accepting the congressman's premise that appraisers tend to err on the high side, however, we were left to draw the conclusion that financial leverage in real estate is probably higher than it seems. If appraised values are often higher than true ones, investor equity is lower than true equity.

Thrifts Fail when Appraisers Err

Therefore, the loss-absorbing cushion on the run of real estate deals is thinner than you'd think. (The Congressman again: "During hearings in Los Angeles this past summer into the insolvencies of 33 federally insured S&Ls in that state over the past three years, the subcommittee learned that appraiser misconduct was directly involved in thousands of defaulted real estate loans and investments that will cost the FSLIC. $3.5 billion.")

One striking piece of testimony was that of D. Michael Riley, director of examination and insurance of the National Credit Union Administration. The administration regulates some 14,300 credit unions with total assets of $162 billion — not a lot of money as banking assets go (Citicorp has over $200 billion).

What was notable about Mr. Riley's comment was what they revealed about consensus thinking at the nation's credit unions. Residential mortgage lending has grown by leaps and bounds, he testified.

Real estate loans at federally insured credit unions grew by 117% during 1985, 220% during 1986, and 46% during 1987. Real estate loans increased at federally insured credit unions from 8.5% of total loans outstanding in 1984 to 27% at yearend 1987.

As of Dec. 31, 1987, federally insured credit union held nearly $27 billion in real estate secured loans. In addition, the growing popularity of home equity lending programs promises even further increases in the volume of real estate loans held by credit unions. The growth in real estate lending at federally insured credit unions places increased importance on sound real estate appraisals.

However, Mr. Riley went on to say, the credit unions are not satisfied appraisal customers. He cited a lack of "consistent, uniform standards" among appraiser and recounted a couple of horror stories.

Case History of Bamboozlement

In one, a credit union was bamboozled by an appraiser who overvalued some properties by a neat 40%. The credit union failed. And, said, Mr. Ril-

Compliant: Page 24 ➸

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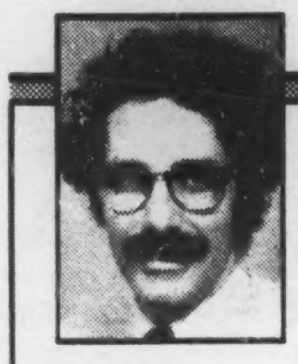
ECONOMIC PERSPECTIVE

The Trade Bill Should Be Passed Despite Its Flaws

By ROBERT J. SAMUELSON

TUCKED away in the massive trade bill that President Reagan will soon veto is a tiny provision that allows the government to pay hundreds of thousands of dollars in legal costs for the National Corn Growers Association. What's that got to do with trade? Not much. The Corn Growers spent the money unsuccessfully defending U.S. corn exports against protectionism in Canada. Government reimbursement would be subsidizing lawyers, not exports.

You're supposed to believe that the trade bill is about reducing the huge U.S. trade deficit. It isn't. Even if the bill ultimately becomes law — and that's possible — there wouldn't be any dramatic effect on the U.S. trade balance. What happens to the trade balance depends mostly on forces outside the control of either the President or Congress: exchange rates, the pace of world economic growth, and the competitiveness of U.S. companies.



Samuelson Says:

The bill's virtues outweigh its vices. But no one should think it will trigger a transformation of U.S. trade.

It is a fond Congressional myth that most problems can be solved by legislation. Almost no one believes this, but legislators perpetuate the myth so that the public will think Congress is "doing something" about pressing problems. In an election year, the mythology and accompanying partisanship are magnified. Thus, the Democratic congressional leadership portrays the trade bill as a decisive rejection of a passive Reagan trade policy in favor of its own activist approach.

This is public relations. If the veto is upheld, Congress ought to pass a bill without the requirement for advanced notice of layoffs that the President opposes. The bill's virtues outweigh its vices. But no one should think it will trigger a transformation of U.S. trade. Many provisions (like the giveaway to the Corn Growers) barely deal with trade. For instance, the bill would repeal the windfall profits tax on oil. Even the layoff notice requirement isn't strictly related to trade, because most layoffs aren't caused by imports.

As for changes in the trade laws, they are so technical that almost no one is certain what the effects will be. The avowed purpose is to open overseas markets by having the President investigate "unfair" foreign trade practices and then retaliate if other countries don't reduce their restrictions. But even if all unfair foreign practices were instantly eliminated, the trade deficit would shrink by only 10% to 20%. And, of course, this sort of sweeping success is wildly improbable.

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Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

May 18, 1988, American Banker

Mutual Fund Activities of the Top 100 Banks

Survey by American Banker — Lipper Analytical Services, Inc.

Deposit Rank		Deposits 12/31/87 ($ Bil.)	Offer Mutual Funds?[1]	Where funds are provided in bank: Trust Dept.	Retail Bank	Discount Brokerage	Mutual Fund Services Provided by the Bank
1	**Citibank NA, New York**	$104.9	NR			•	Investment Advisor; Custodian
2	**Bank of America NT&SA, San Francisco**	70.2	NR				Custodian
3	**Chase Manhattan Bank NA, New York**	63.7	NR				Investment Advisor; Custodian
4	**Morgan Guaranty Trust Co., New York**	45.8	NR				Investment Advisor; Custodian; Transfer Agent
5	**Manufacturers Hanover Trust Co., New York**	45.7	NR			•	Custodian; Transfer Agent
6	**Chemical Bank, New York**	42.2	Yes	•	•		Invest. Advisor; Custodian; Transfer Agent; Shrhld. Serv. Agent; Agent
7	**Security Pacific National Bank, Los Angeles**	33.8	NR			•	Investment Advisor
8	**Wells Fargo Bank NA, San Francisco**	32.4	NR			•	Investment Advisor
9	**Bankers Trust Co., New York**	32.2	NR				Investment Advisor
10	**First National Bank of Chicago**	27.2	NR			•	Investment Advisor; Custodian
11	**Continental Illinois National Bank & Trust Co., Chicago**	19.7	Yes	•		•	
12	**First National Bank, Boston**	17.0	Yes	•	•	•	Custodian; Transfer Agent; Shareholder Serving Agent
13	**First Interstate Bank of California, Los Angeles**	16.8	NR			•	Investment Advisor; Custodian; Transfer Agent
14	**Marine Midland Bank NA, Buffalo, N.Y.**	16.6	NR			•	Investment Advisor; Custodian
15	**Bank of New York**	16.4	NR			•	Custodian; Transfer Agent
16	**Mellon Bank NA, Pittsburgh**	15.3	Yes	•	•	•	Invest. Advisor; Custodian; Transfer Agent; Shrhld. Serv. Agent
17	**Republic National Bank, New York**	12.8	Yes	•			Invest. Advisor; Custodian; Transfer Agent; Shareholder Serving Agent
18	**Irving Trust Co., New York**	12.1	Yes	•	•		Custodian; Shareholder Serving Agent
19	**First Bank NA, Minneapolis**	11.5	NR			•	Custodian
20	**Boston Safe Deposit & Trust Co.[1]**	11.4	No[1]	•			Investment Advisor; Custodian; Transfer Agent
21	**National Bank of Detroit**	10.9	Yes	•	•	•	Invest. Advisor; Custodian; Transfer Agent; Shrhld. Serv. Agent; Agent
22	**NCNB National Bank of North Carolina, Charlotte**	10.6	Yes	•		•	Agent
23	**Sovran Bank NA, Richmond**	9.7	Yes	•		•	Investment Advisor
24	**National Westminster Bank USA, New York**	9.5	Yes	•		•	Custodian; Agent
25	**Bank of New England NA, Boston**	9.4	NR			•	Custodian; Transfer Agent
26	**Southeast Bank NA, Miami**	9.4	NR				
27	**Wachovia Bank & Trust Co, NA, Winston-Salem, N.C.**	9.1	NR			•	
28	**Valley National Bank, Phoenix**	8.9	NR				Investment Advisor
29	**Pittsburgh National Bank**	8.6	Yes			•	
30	**First RepublicBank Dallas NA**	8.4	Yes	•		•	Investment Advisor; Shareholder Serving Agent
31	**Citizens & Southern National Bank, Atlanta**	8.1	Yes			•	Custodian
32	**Seattle-First National Bank**	8.1	Yes	•	•		Custodian; Shareholder Serving Agent; Agent
33	**First Union National Bank, Charlotte, N.C.**	8.1	NR			•	Investment Advisor
34	**First Fidelity Bank NA, Newark, N.J.**	7.6	NR			•	Investment Advisor
35	**Connecticut National Bank, Hartford**	7.4	Yes	•		•	Custodian; Agent
36	**Connecticut Bank & Trust Co, NA, Hartford**	7.3	Yes		•	•	Custodian; Transfer Agent; Shareholder Serving Agent
37	**Union Bank, Los Angeles**	7.2	Yes	•	•	•	Investment Advisor; Shareholder Servicing Agent
38	**Fidelity Bank NA, Malvern, Pa,**	6.9	NR			•	
39	**Michigan National Bank, Farmington Hills**	6.9	Yes			•	
40	**Maryland National Bank, Baltimore**	6.8	NR			•	
41	**NCNB National Bank of Florida, Tampa**	6.8	NR				
42	**Texas Commerce Bank NA, Houston**	6.7	NR			•	Custodian
43	**Crestar Bank, Richmond**	6.6	Yes		•	•	Investment Advisor
44	**Philadelphia National Bank**	6.4	NR				Custodian
45	**Harris Trust & Savings Bank, Chicago**	6.2	Yes	•	•	•	Investment Advisor; Custodian
46	**Rainier National Bank, Seattle**	6.2	NR			•	
47	**Manufacturers National Bank, Detroit**	6.0	Yes	•		•	Investment Advisor; Custodian
48	**AmeriTrust Co, NA, Cleveland**	6.0	Yes	•	•	•	Invest. Advisor; Custodian; Transfer Agent; Shrhld. Serv. Agent
49	**Florida National Bank, Jacksonville**	5.9	NR			•	
50	**United States National Bank, Portland, Ore.**	5.8	Yes	•	•	•	Investment Advisor; Shareholder Serving Agent; Custodian
51	**Comerica Bank-Detroit**	5.7	Yes	•		•	Investment Advisor; Agent
52	**First Union National Bank of Florida, Jacksonville**	5.7	Yes	•	•	•	
53	**Huntington National Bank, Columbus, Ohio**	5.6	Yes	•		•	Investment Advisor
54	**First Interstate Bank of Arizona NA, Phoenix**	5.6	NR				
55	**Meridian Bank, Reading, Pa.**	5.5	NR			•	
56	**MBank Dallas NA**	5.5	NR			•	
57	**Northern Trust Co., Chicago**	5.4	NR			•	
58	**California First Bank, San Francisco**	5.4	Yes			•	
59	**Bank of Tokyo Trust Co., New York**	5.4	NR				
60	**Signet Bank/Virginia, Richmond**	5.2	NR			•	
61	**First National Bank, Atlanta**	5.0	NR			•	
62	**Riggs National Bank, Washington, D.C.**	5.0	NR				Custodian
63	**Shawmut Bank NA, Boston**	5.0	NR			•	Custodian; Transfer Agent
64	**Fleet National Bank, Providence, R.I.**	5.0	Yes	•		•	Investment Advisor
65	**National City Bank, Cleveland**	4.9	Yes	•			Investment Advisor
66	**Bank of Hawaii, Honolulu**	4.8	Yes		•		
67	**First Interstate Bank of Oregon NA, Portland**	4.7	NR				Custodian
68	**AmSouth Bank NA, Birmingham, Ala.**	4.7	NR			•	
69	**Provident National Bank, Philadelphia**	4.6	NR				Custodian; Transfer Agent
70	**State Street Bank & Trust Co., Boston**	4.5	NR				Custodian; Transfer Agent
71	**European American Bank, New York**	4.5	NR			•	
72	**Banco Popular de Puerto Rico, San Juan**	4.5	NR				
73	**Barnett Bank of South Florida NA, Miami**	4.4	NR			•	
74	**Society National Bank, Cleveland**	4.4	NR			•	
75	**First Tennessee Bank NA, Memphis**	4.4	Yes	•		•	Custodian; Transfer Agent; Agent
76	**Citizens & Southern National Bank, Fort Lauderdale, Fla,**	4.2	NR			•	Custodian
77	**Sanwa Bank California, San Francisco**	4.2	NR				
78	**First Pennsylvania Bank NA, Philadelphia**	4.1	Yes	•	•	•	Invest. Advisor; Custodian; Transfer Agent; Shrhld. Serv. Agent
79	**Hibernia National Bank, New Orleans**	4.1	Yes	•		•	Agent
80	**First Florida Bank NA, Tampa**	4.1	NR			•	
81	**Arizona Bank, Phoenix**	4.0	No				
82	**Norwest Bank Minneapolis NA**	3.9	Yes	•	•	•	Invest. Advisor; Custodian; Transfer Agent; Shrhld. Serv. Agent
83	**First National Bank of Maryland, Baltimore**	3.8	NR			•	
84	**Trust Company Bank, Atlanta**	3.7	NR			•	Custodian
85	**MBank Houston NA**	3.7	NR			•	
86	**American Security Bank NA, Washington, D.C.**	3.7	Yes			•	Custodian; Shareholder Serving Agent
87	**BancOhio National Bank, Columbus**	3.6	Yes		•	•	Shareholder Serving Agent
88	**Israel Discount Bank, New York**	3.6	NR				
89	**First Alabama Bank, Montgomery**	3.6	NR			•	
90	**Norstar Bank of Upstate NY, Albany**	3.5	NR			•	
91	**Midlantic National Bank, Newark, N.J.**	3.5	Yes	•		•	Investment Advisor
92	**Chase Lincoln First Bank NA, Rochester, N.Y,**	3.5	NR			•	Investment Advisor; Custodian
93	**South Carolina National Bank, Columbia**	3.5	NR			•	
94	**Mellon Bank (East) NA, Philadelphia**	3.4	NR				Custodian; Transfer Agent
95	**Citibank (New York State), Perinton**	3.4	NR				
96	**Central Fidelity Bank, Richmond**	3.4	NR				
97	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	3.3	NR			•	Investment Advisor
98	**Mercantile Bank NA, St. Louis**	3.3	NR			•	
99	**Sumitomo Bank of California, San Francisco**	3.3	Yes	•			
100	**First Hawaiian Bank, Honolulu**	3.3	NR				

Sources of Data: American Banker-Lipper Analytical Services, Inc. questionnaire sent to each of the top 100 banks during the period February-April 1988. For those banks not responding to the survey other American Banker and Lipper data were used. **Survey Response:** To determine whether or not a bank provides mutual fund services, the first survey question asks, "Do the bank's customers purchase or redeem shares of mutual funds through any of the bank's divisions or subsidiaries?" A "Yes" response indicates the bank offers mutual funds. A "No" response indicates the bank does not. "NR" indicates that the bank did not respond to the survey; therefore other data were used to supplement and complete the table above. (¹)— Although the bank responded "no" to the survey, other data show that it provides mutual fund services to its customers either directly or though its parent, The Boston Co. **Mutual Fund Services Provided by the Bank:** The five types of services are: **Investment Advisor**, where the bank is employed by a mutual fund to give professional advice on the fund's investments and to supervise the management of its assets; **Custodian**, where the bank maintains a mutual fund's assets, including portfolio securities or some record of them. Provides safekeeping of securities but has no role in portfolio management; **Transfer Agent**, where the bank is employed by mutual funds to prepare and maintain records relating to shareholder accounts. Some mutual fund groups operate in-house transfer agencies; **Shareholder Servicing Agent**, where the bank is responsible for answering customer inquiries and generally assist in other matters pertaining to the fund and its customers; and **Agent**, where the bank intoduces its customer to a mutual fund.

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Mutual Funds Contemplate Marriage of Convenience with Banks

Continued from Page 1

network. In 1982, only three companies — Dreyfus Corp., Fidelity Investments, and Federated Research Corp. — sold products through banks. Many firms have jumped into the bank market since then.

Bankers say one of the most assiduous in courting them is Kemper Financial Services, which didn't start offering products through banks until 1986. The firm now has selling agreements with 270 of the nation's top 300 commercial banks.

Kemper is also one of the most successful companies at selling products through banks. "Last year, we sold nearly $1 billion of mutual funds through commercial banks. That was a shade under 15% of our mutual fund volume for the year," said Mark Olson, first vice president and national sales director of insurance and banking at Kemper. The company expects banks to account for almost 20% of mutual fund volume in 1988.

"Everyone at the bank — the teller, the parking garage attendant, the new accounts officer — all of them should be involved in marketing," said Mr. Olson. "All these people should funnel customers to the investment department."

Intensive Training Program

Kemper has an intensive training program designed to teach mutual fund marketing to everyone in the bank. "There's been more demand for training than we can keep up with. We may double or even triple the training staff," he said.

Intensive training of bank personnel may be the key, said Michael Lipper, president of Lipper Analytical Services Inc., Summit, N.J. "Banks are a distribution point, but they're not [a] distribution [network] yet," he said. "Can they be trained? Yes, but it's terribly expensive, and so is the back-office support. You need a Kemper-sized organization to afford it."

Five years ago, a bank typically offered the funds of only two or three providers. Today, it's more common for an institution to make available products from 10 to 20 providers.

The big providers have been quick to adjust to this trend. For example, Kemper's bank business is not limited to the funds it sells through Kemper Financial Services. The company also owns approximately 41% of ISFA Corp.'s Invest, a Florida-based broker-dealer that markets securities and insurance products through nearly 300 thrifts and credit unions nationwide. Invest is not limited to selling Kemper products.

Fidelity Investments has also positioned itself to get a piece of the action whenever a bank sells a mutual fund — whether or not the fund is Fidelity's. Early this year, the firm created Fundsmart, an automated accounting system that effectively gives a bank its own mutual fund clearing house.

Fundsmart will allow banks to produce consolidated statements, reinvest dividends, and buy fractional shares for their customers. Fidelity's subsidiary National Financial Institutional Services, which began marketing Fundsmart last month, claims the system will give banks a competitive advantage over many broker-dealers in selling "virtually every mutual fund on the market."

The Boston-based firm thinks that most financial institutions ultimately will offer funds from many providers rather than create their own or limit themselves to selling agreements with two or three fund companies, said Mr. Grause.

But many bankers don't see themselves as mere marketers of product. They want to create, manage, and sell their own mutual funds. At least a dozen banks have already come as close as they legally can to doing that, by acting as investment advisers to their own proprietary, or private label, funds.

So far, banks have not had notable success at persuading customers to invest in the mutual funds they manage. At the end of 1987, the funds ranged in size from $2 million to $1.3 billion. By far the largest in asset size were money market and government funds, suggesting that the bulk of money in them comes from the banks' deposits.

"The assets banks already have, captive assets, can be used to start a fund," said Howard Stein, chairman of Dreyfus Corp. "But they can't bring in enough new business to be profitable. They can't leverage that base into a business."

Dreyfus has a lot of experience working with banks. The New York-based firm has marketed through banks since

Mutual: Page 21

TempFund outperforms the competition...again!

Donoghue's *Money Fund Report** has again ranked TempFund, Shearson Lehman Hutton's institutions-only money market fund, as the #1 performer in its category for the five years ended 12/31/87.**

What makes this achievement all the more impressive is the fact that TempFund has outperformed its competitors without lowering its high quality standards. As a result, TempFund has earned a reputation as the quality choice for meeting the short-term investment needs of bank trust departments that seek safety of capital and liquidity, as well as competitive returns.

That's why it should come as no surprise that institutions across America have over $8 billion invested in TempFund.

TempFund and the Shearson/Provident Advantage

Provident Institutional Management Corporation (PIMC), the investment adviser to TempFund, has a long history of high quality money market fund management. PIMC has also been successful in achieving competitive performance throughout the course of complete interest rate cycles.

As the Fund's distributor, Shearson provides customized institutional services through its nationwide network of Institutional Funds Shareholder Representatives. And through our Institutional Funds Computer Access Program, investors in TempFund – or any one of our institutions-only funds – have direct microcomputer access to current Fund information.

Call the IFG Service Center Today

For a Prospectus and complete information on TempFund and the Shearson/Provident Advantage, contact your Institutional Funds Group Shareholder Representative. Or call the Institutional Funds Group (IFG) Service Center at 1-800-221-8120. Please read the Prospectus carefully before you invest.

*Published by The Donoghue Organization, Inc. of Holliston, MA 01746, a nationally recognized money market fund reporting service.

**TempFund was ranked #1 among 34 taxable institutions-only money funds on the basis of the growth of a $10,000 investment for the five year period ended 12/31/87. Performance figures were obtained from the 19th edition of Donoghue's *Mutual Funds Almanac*. Current annualized yield for the seven days ended 4/27/88 was 6.62%. The Fund's yield will fluctuate as market conditions change.

The Institutional Funds Group

SHEARSON LEHMAN HUTTON

An American Express Company

Summary of Survey Findings

Providers of Mutual Fund Services Through Trust Departments

Dep. Rank		Services Provided by Banks Agent	Invest. Adv.	Serv. Agent/ Cust.	Tran. Agent	Top Managegment Companies
6	**Chemical Bank**	●				N.A.
11	**Continental Illinois**[1]					Fidelity
12	**First Nat'l Bank, Boston**			●	●	N.A.
16	**Mellon Bank NA**		●	●	●	Shearson; Frank Russell
17	**Republic Nat'l Bank**		●	●	●	Furman, Selz; Fidelity
18	**Irving Trust Co.**			●		Federated; Lazard Freres
21	**National Bank of Detroit**	●	●	●	●	Fidelity; Federated
22	**NCNB Nat'l Bank of N.C.**	●				Van Kamp. Mer'tt; Nuveen
23	**Sovran Bank NA**		●			Flagship; Kemper
24	**Nat'l Westminster Bank USA**	●				N.A.
30	**First RepublicBank Dallas NA**		●	●		Van Kamp. Mer'tt; Nuveen
32	**Seattle-First National Bank**	●				Kemper; Nuveen
35	**Connecticut National Bank**	●				Putnam
37	**Union Bank**		●			Fidelity; Dreyfus
45	**Harris Trust & Savings Bank**		●			N.A.
47	**Manufacturers National Bank**		●			Fairfield Gp.; S.E.I.
48	**AmeriTrust Co. NA**		●	●	●	N.A.
50	**United States National Bank**			●		S.E.I.; Federated
51	**Comerica Bank-Detroit**	●	●			Fidelity
52	**First Union Nat' Bank of Fla.**[1]					Kemper; Putnam
53	**Huntington National Bank**		●			N.A.
64	**Fleet National Bank**		●			Goldman Sachs
65	**National City Bank**		●			N.A.
75	**First Tennessee Bank NA**	●				N.A.
78	**First Pennsylvania Bank NA**		●	●		Fairfield Group, Inc.
79	**Hibernia National Bank**	●				Kemper; Fidelity; Dreyfus
82	**Norwest Bank Minneapolis NA**		●	●	●	Dreyfus; Kemper
91	**Midlantic National Bank**		●			N.A.
99	**Sumitomo Bank of Calif.**[2]					Dreyfus; Shearson

Source: American Banker — Lipper Analytical Services, Inc. Survey of the Mutual Fund Activities of the Top 100 Commercial Banks. Of the top 100, 40 banks (40%) responded. Of the 40 responding, 38 (95%) provide mutual funds to customers. Of the 38, the 29 banks above (76% of the respondents) provide mutual funds through the trust department. **(1)**— Did not indicate role. **(2)**— Indicated role was "other" than the four roles described below. **N.A.**— Not available.

Agent: The bank acts as an intermediary for the purpose of making funds available to its customers.

Investment Advisor: The bank employed by a mutual fund to give professional advice on the fund's investments and to supervise the management of its assets.

Transfer Agent: The bank employed by mutual funds to prepare and maintain records relating to shareholder accounts. Some mutual fund groups operate in-house transfer agencies.

Shareholder Servicing Agent: The bank is responsible for answering customer inquiries and generally assists in other matters pertaining to the fund and its customers.

Custodian: The bank maintains a mutual fund's assets, including portfolio securities or some record of them. Provides safekeeping of securities but has no role in portfolio management.

Banks Acting as Investment Advisor

Listed in order of total net assets under management on Dec. 31, 1987 (millions of dollars)

Dep. Rank		No. of Funds	Assets Under Mgmt.
4	**Morgan Guaranty Trust Co., New York**	5	2,484.5
7	**Security Pacific National Bank, Los Angeles**	7	2,136.6
57	**Northern Trust Co., Chicago**	3	1,970.2
20	**Boston Safe Deposit & Trust Co.**[1]	12	1,137.7
169	**United States Trust Co., New York**	9	1,059.1
14	**Marine Midland Bank NA, Buffalo, N.Y.**	7	1,016.8
301	**Delaware Trust Co., Wilmington**	1	881.3
34	**First Fidelity Bank NA, Newark, N.J.**	5	837.4
13	**First Interstate Bank of California, Los Angeles**	2	601.9
121	**First National Bank of Louisville, Ky.**	4	576.0
1	**Citibank NA, New York**	3	570.2
47	**Manufacturers National Bank, Detroit**	5	547.6
92	**Chase Lincoln First Bank NA, Rochester, N.Y.**	2	419.1
17	**Republic National Bank, New York**	5	380.4
10	**First National Bank of Chicago**	4	378.9
21	**National Bank of Detroit**	2	378.9
23	**Sovran Bank NA, Richmond**	2	350.3
3	**Chase Manhattan Bank NA, New York**	2	326.2
97	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	2	177.6
9	**Bankers Trust Co., New York**	7	118.5
6	**Chemical Bank, New York**	2	116.1
365	**First RepublicBank Fort Worth NA, Tex.**[2]	1	101.5
182	**M & I Marshall & Ilsley Bank, Milwaukee**	3	101.0
135	**Rhode Island Hospital Trust National Bank**	1	87.1
28	**Valley National Bank, Phoenix**	1	76.5
19	**First Bank NA, Minneapolis**	1	68.7
33	**First Union National Bank, Charlotte, N.C.**	1	21.6
8	**Wells Fargo Bank NA, San Francisco**	1	17.6
48	**AmeriTrust Co. NA, Cleveland**	2	10.8
176	**United Bank of Denver NA**	1	7.7
	Totals	**103**	**$16,957.3**

Source of Data: Lipper Analytical Services, Inc.

For the purpose of this listing, **banks** include wholly-owned investment advisory subsidiaries

(1)— The bank provides investment advisory services to its customers either directly or though its parent, The Boston Co. **(2)**— Formerly InterFirst Bank Fort Worth NA

Banks Providing Mutual Fund Services Through the Retail Bank/Discount Brokerage Units

Dep. Rank		Type of Funds Offered[1] A	B	C	D	E	F	Largest Source of Funds[2]	Top Management Cos.
6	**Chemical Bank**	●	●	●	●	●	●	(h)	Fidelity
11	**Continental Illinois NB&T Co.**	●	●	●	●	●	●	(b)	Fidelity
12	**First National Bank, Boston**[6]							(h)	N.A.
16	**Mellon Bank NA, Pittsburgh**	●	●	●	●	●		(g)[3]	Frank Russell; Dreyfus
18	**Irving Trust Co., New York**[4]	●	●	●	●	●	●	(g)[5]	Fidelity
21	**National Bank of Detroit**	●	●		●		●	(e)	Fidelity; Federated
22	**NCNB Nat'l Bank of N. Carolina**	●	●	●	●	●	●	(f)	N.A.
23	**Sovran Bank NA, Richmond**	●	●	●		●	●	(c)	Dreyfus; Flagship
24	**National Westminster Bank USA**	●	●	●	●	●	●	(d)	N.A.
31	**Citizens & Southern Natl Bank**	●	●	●			●	(f)	Putnam; Franklin
32	**Seattle-First National Bank**	●	●	●	●	●	●	(a)	Reich & Tang; Dreyfus
35	**Connecticut National Bank**	●	●		●	●	●	(c)	Fidelity; Kemper
36	**Connecticut B & T Co. NA**[4]	●	●	●	●	●	●	(b,d,e)	Putnam
37	**Union Bank, Los Angeles**	●	●	●	●	●	●	(h)	Fidelity; Dreyfus
39	**Michigan National Bank**[6]							(c)	Dreyfus; Kemper
43	**Crestar Bank, Richmond**[6]							(a)	Federated; Dreyfus
45	**Harris Trust & Savings Bank**	●	●	●	●	●	●	(c,d,f)	Fidelity; Nuveen
47	**Manufacturers National Bank**	●	●	●	●	●	●	(h)	Fidelity
48	**AmeriTrust Co. NA, Cleveland**	●	●	●	●	●	●	(h)	N.A.
50	**United States National Bank**	●	●	●	●			(a)	Federated; S.E.I.
51	**Comerica Bank-Detroit**	●	●	●	●	●	●	(b)	Fidelity
52	**First Union Nat'l Bank of Fla.**	●	●	●	●	●	●	(d)	N.A.
53	**Huntington National Bank**[6]							(h)	N.A.
58	**California First Bank**	●	●	●			●	(h)	N.A.
64	**Fleet National Bank**	●	●	●	●	●	●	(g)[5]	Fidelity; Shearson
66	**Bank of Hawaii**[6]							(g)[7]	N.A.
75	**First Tennessee Bank NA**	●	●				●	(d)	N.A.
79	**Hibernia National Bank**[6]							N.A.	N.A.
78	**First Pennsylvania Bank NA**	●			●			(f)	Fairfield Group
82	**Norwest Bank Minneapolis NA**	●	●	●	●	●		(e)	Keffer Capital
86	**American Security Bank NA**					●	●	(c)	Dreyfus; Federated
87	**BancOhio National Bank**	●	●	●	●	●	●	(d,f)	Kemper
91	**Midlantic National Bank**	●	●	●	●	●	●	(h)	Dreyfus; Franklin

Source: American Banker — Lipper Analytical Services, Inc. Survey of the Mutual Fund Activities of the Top 100 Commercial Banks. Of the top 100, 40 banks (40%) responded. Of the 40 responding, 38 (95%) provide mutual funds to customers. Of the 38, 33 banks (87% of the respondents) reported that they provide mutual funds to customers through the retail bank and/or through discount brokerage subsidiaries.

(1)— Types of Funds Offered: A—Equity oriented; **B**—Taxable fixed income; **C**—Balanced funds; **D**—Short-term funds; **E**—Short-term municipal bond funds; and **F**—Long-term municipal bond funds.

(2)— Sources of Funds: (Banks were asked to identify the biggest **single** source of money used for the purchase of mutual funds) **(a)** Bank's own certificates of deposit; **(b)** Bank's own savings accounts; **(c)** Bank's own checking accounts; **(d)** Checks drawn on other financial institutions **(e)** Checks drawn on other mutual funds; **(f)** Checks drawn on brokerage account; **(g)** Other (specify); and **(h)** Do not know. **(3)**— Master custody account. **(4)**— In addition to the funds listed, the bank offers an international fund. **(5)**— Trust balances. **(6)**— Did not specify types of funds offered. **(7)**— IRA deposits at bank. **N.A.**— Not available.

How Banks Think They're Doing

Banks' perception of success in offering mutual funds

Methods Used by Banks to Offer Mutual Funds to Customers	% Using Method	Banks' Rating of Success High	Moder.	Low
By third party on premises, including discount broker	27%	57%	43%	0%
By bank personnel on bank premises	81	52	43	5
Off bank premises by bank	23	0	83	17
Offered in statement stuffers	69	11	67	22
Advertised in newspapers or magazines	42	9	36	55
Advertised on television or radio	12	0	0	100

Based on Survey of the Top 100 Banks by American Banker — Lipper Analytical Services, Inc. Forty of the top 100 banks in the nation responded to the survey.

How the Survey Was Conducted

The **American Banker**, working in conjunction with Lipper Analytical Services Inc., developed a three-page questionnaire that was mailed to the chief executives of the top 100 banks in late February.

A followup questionnaire was sent five weeks later to banks that did not respond. Also, for the top 25 banks, a third request was sent to public relations officers about one week after the mailing of the second request. Forty banks responded to these requests for data. Five other banks informed the **American Banker** that data for their banks would not be available. The survey results were supplemented with additional data provided by Lipper Analytical to develop the table entitled "Mutual Fund Activities of the Top 100 Banks."

The tabulation of the questionnaires was done jointly by American Banker and Lipper Analytical staff. L. Michael Cacace, American Banker's chief statistician, coordinated the survey.

An American Banker Special Report

Mutual Funds Contemplate Marriage of Convenience with Banks

Continued from Page 19

1982 and now has contracts with 400. It was also the first mutual fund company to help a bank create a private-label fund, agreeing to distribute the Pacific Horizon funds managed by Security Pacific in early 1984. The arrangement was discontinued last year by mutual consent.

Dreyfus also distributed the Park Avenue funds managed by Chase Manhattan, from late 1984 to mid-1987. The firm's only current private-label fund arrangement is as distributor of First National Bank of Chicago's First Lakeshore Funds.

So far, banks have not had notable success in persuading customers to invest in mutual funds.

Mr. Stein said he would not consider doing any more private-label funds.

Bankers and mutual fund executives are wrong in assuming that a bank's customer list will prove a gold mine of mutual fund prospects, he said. "The bank customer list is relatively unimportant in the mutual fund industry, because the larger part of the list are people who borrow money and cash checks," he said. "To the degree that bank customers invest, they're already doing it in the outside world and have a certain view of banks' ability to manage money."

Whether or not banks' poor image as money managers is justified, Mr. Stein said, it will take "a deep marketing effort, manned by selling people" to change that image. The high cost of such an effort seriously reduces the chances that a bank's mutual fund can be profitable.

"Look at the money raised and spent by Citibank, Chase Manhattan, Security Pacific. Subtract the captive assets used to start the business, the money *that was already there*, and look at what they raised," he said. "We track it week by week, and it's de minimus."

Name Brands Outsell Private Labels

Bank-managed funds are competing in a crowded market. "Our experience is that where there's a mix of funds available at a bank, both outside funds and in-house funds, the name-brand fund outdraws the proprietary fund," said Mr. Grause of Fidelity. His company currently administers 10 private-label funds and has several more in the works. "Bank customer loyalty has not translated as fast or as well as expected into nonbank, non-FDIC products."

That is true even when the product marketing is done by an experienced mutual fund company.

For example, Dreyfus advertised Chase Manhattan's Park Avenue New York Tax-Exempt Money Market Fund every week for nearly three years, according to Mr. Stein. "The fund never got more than about $300 million," he said. Then, in June 1987, after the arrangement with Chase ended, Dreyfus introduced a New York tax-exempt fund of its own. "In three or four months, our fund had passed the money it took us years to get in the Park Avenue fund," he said.

At the end of April, the nine-month-old Dreyfus fund had $364.3 million under management. The three-and-a-half-year-old Chase Park Avenue fund had $275.5 million under management — more than half of it trust department assets, according to a source familiar with the fund.

Despite this negative experience, banks continue to hunger for private-label funds, and mutual fund companies are increasingly willing to help set them up.

"Mutual fund companies want bank trust departments to invest in their funds. They want the bank's discount brokerage and dealer departments to sell their funds. They're not crazy about creating a private-label fund," said Brian Smith, former general counsel for the Office of the Comptroller of the Currency and now a partner at Stroock, Stroock & Lavan. "But if that's what it takes to get the trust and brokerage business, they will." ■

FIserv Acquires Service Bureaus

NEW YORK — FIserv Inc., a rapidly growing data processing company based in Milwaukee, has announced the latest in a string of acquisitions of bank service bureaus.

FIserv said it is taking over ZFC Electronic Data Services Inc., Bowling Green, Ky., which provides computer support to 25 banks in Kentucky, Indiana, and Tennessee. The relatively small banks have combined assets of $1 billion.

The closing is set to take place today. FIserv did not disclose the terms of the transaction. FIserv plans to change ZFC's name to FIserv Bowling Green and install Thomas Blair as its president. Mr. Blair was president of ZFC.

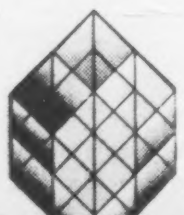
Just last week, FIserv completed a merger with Citizens Financial Corp., Cleveland. The latter's principal subsidiary, Champion Service Corp., became FIserv Cleveland, the 14th of FIserv's data centers. The data centers together serve more than 600 financial institutions in 27 states.

The Cleveland acquisition came three months after FIserv's purchase of Minnesota On-Line Inc., a Minneapolis service bureau for credit unions.

"FIserv continues to seek out and acquire strong regional data processors who have a positive reputation for service and product development," said George Dalton, chairman of FIserv. "ZFC fits this criterion as well as having an outstanding management and staff."

FIserv also owns First Trust Corp., a Denver-based administrator of trust and retirement programs; Sendero Corp., a Phoenix-based education and software firm specializing in asset and liability management; and FIserv Forms and Graphics, a business forms supplier with offices in Seattle and Milwaukee. ■

Trying to put all the pieces together for mutual fund services?



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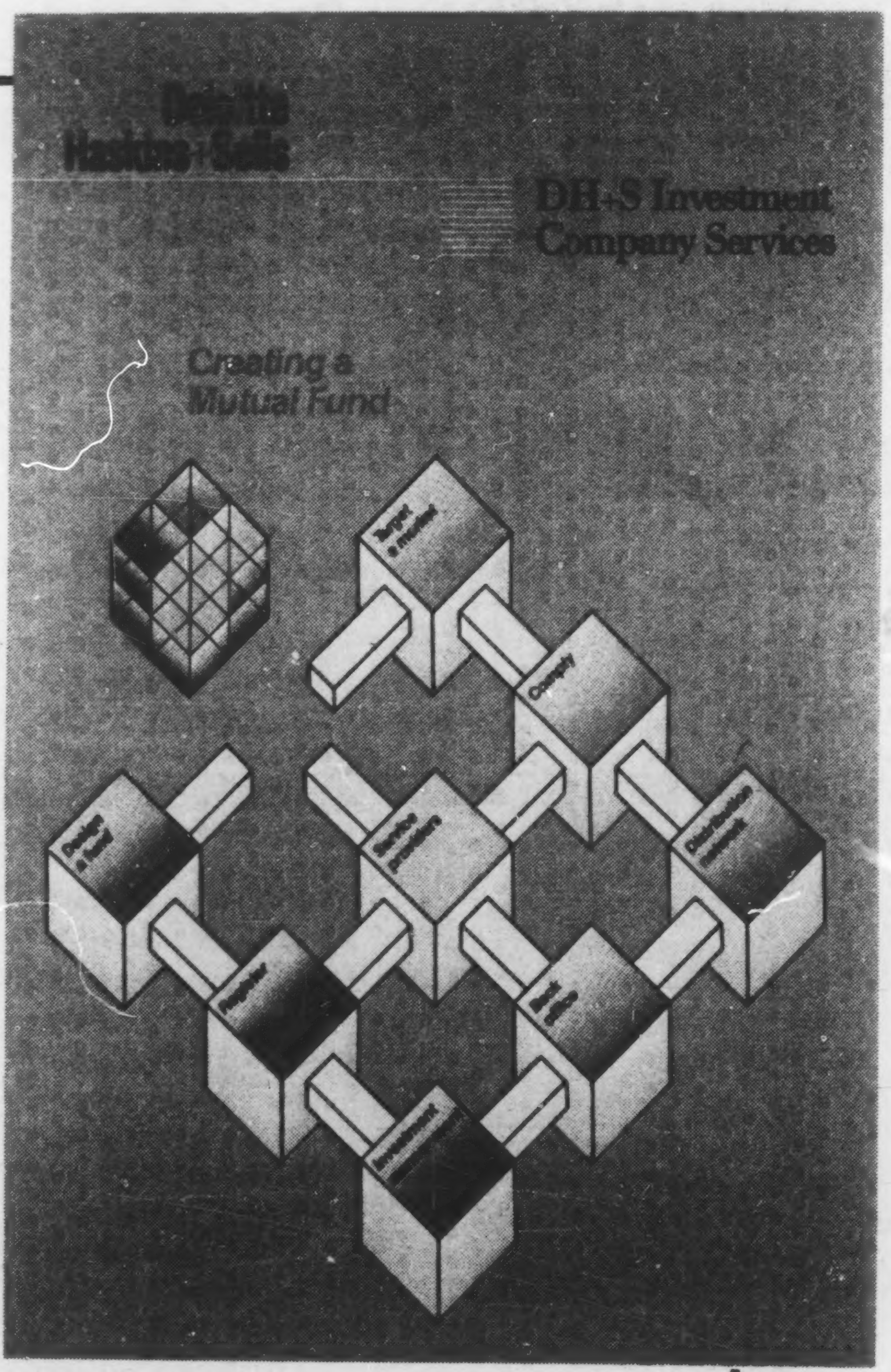
We at DH&S frequently prepare booklets and other reference materials to help our clients deal with complex financial issues, laws, and regulations. *Creating a Mutual Fund* is our most recent publication. We invite you to mail in the attached coupon for your personal copy. And, if you would like more detailed information about our services, call or write Richard P. Meyerowich, National Director, Investment Company Services, Deloitte Haskins & Sells, One World Trade Center, New York, NY 10048-0601, (212) 669-5250; or call us toll free at 1 (800) 824-2265.



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Banks Uncertain How to Use Mutual Fund Powers

➞ Continued from Page 1

by more than one person. In other cases, questionnaires were copied and circulated among bank departments and affiliates, with one individual at each institution designated to complete a final version based on several drafts.

In all, 40 of the top 100 banks responded, 5 declined to participate, and 55 did not respond. The absence of a central source of information may be the reason the remaining 55 banks did not respond. As a glance at the table on page 18 shows, the banks that did not respond are as involved in the mutual fund business as are the respondents.

The survey shows the extent to which many of these banks are groups of fiefdoms rather than unified entities. In this sense it faithfully pinpoints the source of one of their greatest difficulties in offering mutual funds, according to industry sources.

"Turf is a political dilemma in the bank," said Mark Olson, first vice president and national sales director of insurance and banking at Kemper Financial Services, which has selling agreements with 270 banks. "They don't see all customers as customers of the bank. The first thing our mutual fund training program has to do is knock down the walls inside the bank."

The fact that banks' mutual fund activities are so fragmented suggests that senior management is not seriously committed to the business. This, too, is confirmed by mutual fund executives.

"I think a minority, maybe 15 or 20 of the top 100 banks, see mutual funds as an opportunity and are aggressively pursuing them," said Joseph T. Grause Jr., vice president of Fidelity Investments Institutional Services Co. "Then there's a larger group of banks that are experimenting — some of them aggressively, some more cautiously. And a third group are acting purely defensively."

A serious commitment to marketing mutual funds means risking self-disintermediation. The chance that a successful mutual fund operation will cannibalize the bank's deposits is a lingering fear for a money center bank that relies on deposits as a source of cheap funding, pointed out Robert Hutchinson, senior vice president of Manufacturer's Hanover Trust Co.

Big banks are probably more eager to create their own mutual funds than to sell those of others. Eighteen of 38 survey respondents say they are already investment advisors to funds and five say they soon will be.

Other surveys have shown the same interest. In an Alliance Capital Management survey last year, 40 of 148 big commercial banks said they would seriously consider developing their own mutual funds should Glass-Steagall be modified to allow that.

> The fact that banks' mutual fund activities are so fragmented suggests that senior management is not seriously committed to the business.

But both banking and mutual fund industry sources say the decision to manage a fund should not be made lightly. The ambition is unrealistic if the bank can't hope to achieve at least $100 million in assets, according to most mutual fund experts. A few put the figure lower, from $25 million to $50 million.

"Will the fund be big enough to defray the costs the bank will incur by being investment adviser? They include outside auditors and lawyers, registration fees, portfolio managers," said Sheila Penrose, senior vice president of Northern Trust Co. and chairman of its subsidiary, Northern Trust Brokerage Inc. "These are all charges against the fund and affect its performance."

Many bankers think a fund investment adviser earns its fee — typically based on a percentage of fund assets — regardless of fund size, said Mr. Grause.

"But there are a lot of fixed costs on a mutual fund — transfer agency, record keeping, insurance, as well as auditors and outside legal counsel. State blue-sky restrictions limit the expense ratios on a fund. The adviser's 40 to 50 basis points are going to be reduced by every excess dollar of expenses," he said.

To be successful, bank-managed funds must fit the bank's image, added Ms. Penrose. Northern Trust offers three conservative funds — money market, government securities, and tax-exempt — that are identified with the bank's fiduciary role. Total assets under management were $1.9 billion at the end of 1987.

Bank-managed equity funds have not sold well, even when their performance was excellent, noted Michael Lipper, president of Lipper Analytical Services, Summit, N.J.

There's little doubt that fund providers would rather pay banks to sell their funds than help them create their own. Fidelity, for instance, has helped 10 banks create proprietary funds. But it has agreements with 70 institutions to offer Fidelity funds, and provides brokerage services to 275 more.

Survey responses show that a handful of well-known fund company names — Dreyfus, Fidelity, Federated, Kemper — predominate among the products banks make available to their customers.

The better known a fund, the easier it is to sell — but the best-known funds offer banks the smallest compensation. For example, a bank will earn a 2% fee for selling Fidelity's Magellan Fund, but could earn 4.25% by marketing one of Fidelity's less known Plymouth funds.

Bankers' product preference is for household-name funds. But their methods of marketing them vary widely:

- The trust department typically has the most investable funds. But its marketing abilities are usually undeveloped. "Most bank customers have no idea what the trust department does," noted John J. DeMarco, senior vice president of PSI, a Tampa, Fla.-based consulting firm.

- The bond department, sometimes called the investment or dealer department, is usually the bank's most aggressive marketer. "Bond salesmen know how to sell — they're the best sellers of product, but they have a narrow, limited view," said Matthew Sola, researcher and author of a 1986 report on bank mutual fund activity for the Washington-based Council on Financial Competition. "They just call their usual customers."

- The discount brokerage affiliate, like the bond department, has trained and licensed salespeople, and tends to be most banks' first choice for marketing funds.

But discount brokerage does not offer hand-holding, pointed out Manufacturers Hanover's Mr. Hutchinson — it offers execution of trades for people who already know what they want.

- Direct mail typically produces only a small response rate, and can be used only for no-load funds, which don't generate much in fees for the bank. "The money in no-load funds is in asset management," said Mr. Hutchinson.

None of these methods is particularly successful at tapping the enormous retail customer base that most banks and mutual fund companies see as the really big potential market. Discount brokerage customers, in fact, are often not branch customers.

For state-chartered banks like Manufacturers Hanover, which are allowed to make funds available but not actively market them, one option is hiring a third party to do the selling.

"That was not for us," said J. Terrence Murray, senior vice president of Northern Trust Bank. "We wanted control of the sales process. Besides, our clients do a lot of things with us besides buying mutual funds, and we want to protect the relationship."

Manufacturers Hanover sees it differently. The bank agreed late last year to have third-party marketer Pamco Securities & Insurance Services sell mutual funds at 10 New York City branches.

"We have concluded just making mutual funds available is not enough to get a lot of business," said Mr. Hutchinson.

The problem with selling through a third party is that the bank gives up a degree of control and some revenue, said Matthew Sola, a researcher for the Council on Financial Competition.

"But I've talked with some big banks that expressed regret they didn't do it with a networking partner," he added. "It may be worth what a bank gives up, to get the training, the recommendations, the materials." ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our special report on mutual funds meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the section to make it more useful? What would you add?

(2.) What do you like **best** about the report on mutual funds?

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(4.) How do you use the report on mutual funds in your work?

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Mutual Funds Research:
Positioning in a Volatile Market

Response Analysis Corporation, a Princeton, New Jersey, marketing research firm, just completed a multisponsor research project on the *post-crash* mutual fund market. This study is designed to help new as well as established mutual fund distributors.

STUDY OBJECTIVES:

- To determine mandatory product features, from a consumer and third-party distributor perspective, in a volatile market
- To profile mutual fund customers and prospects and to determine how they differ
- To define how various mutual fund products are differentiated by consumers and third-party distributors and how they are differentiated from competing investment products
- To define the best communications and distribution methods
- To assess consumer receptivity to mutual funds offered by different types of distributors

Research activities include face-to-face interviews with mutual fund owners and prospects, telephone interviews with third-party distributors and with marketing officers of large banks and thrifts, and an analysis of print ads before and after the October 1987 Crash.

For information on how you can purchase this research, call Debbie Stern, Senior Research Director, at (609) 921-3333.

Response Analysis is also launching a multisponsor study on the market for **non-qualified annuities**. For more information on sponsorship or to discuss any *custom* research needs, call Roy Baldassari or Debbie Stern.

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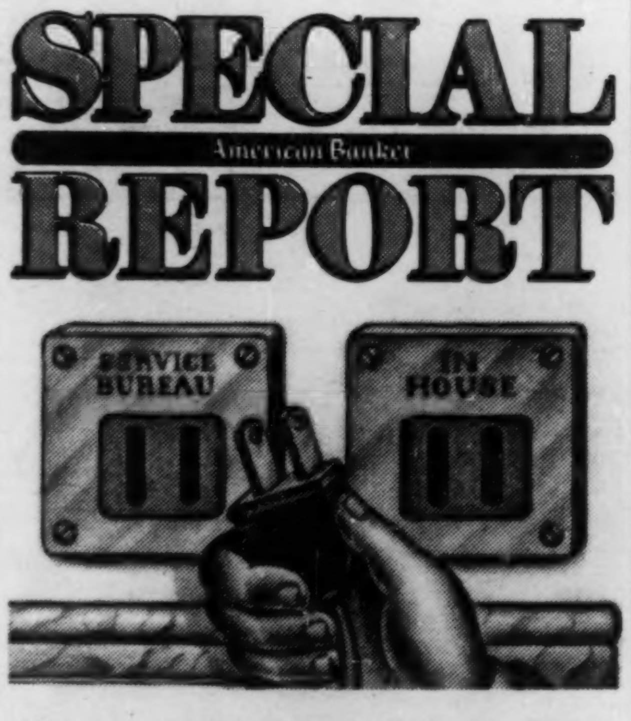


Community Bank Technology: Small institutions must decide whether to develop in-house processing systems that allow greater flexibility or farm out work to service bureaus. A special report detailing the pros and cons starts on page 11.

Today

The ABA is making payment systems a priority for the first time in several years. ____ 2

FDIC Chairman L. William Seidman said the Fed is wrong in wanting to extend risk-based capital standards beyond banks to their parent firms. ____ 2

Fuji Bank said it will acquire 24.9% of Kleinwort Benson Government Securities, a primary dealer based in Chicago, for $39.5 million. ____ 3

The closing of the Federal Land Bank of Jackson, Miss., prompted questions from lawmakers and the financial industry about the extent of problems facing the Farm Credit System. ____ 2

The weekly listing of financial services stocks features regional industry groups and price indexes. ____ 32

A teacher in the Bronx is working to turn dropouts into entrepreneurs. Steve Mariotti was spurred to work with inner-city youths after he was attacked seven years ago. ____ 40

Executive Changes ____ 35

In the News ____ 3

CORPORATE FINANCE

Unrated commercial paper, a cross between commercial paper and junk bonds, is the latest threat to the lending business of banks. It provides funds cheaper than banks can provide them and allows firms to go directly to the capital markets. ____ 30

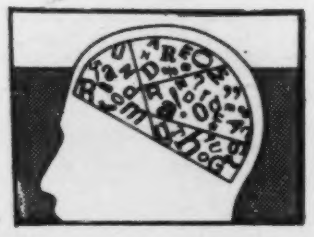
Vons Supermarkets found that its highly leveraged status was no barrier to the unrated commercial paper market. ____ 30

Worth Repeating

The whole goodwill issue is at the holding company level, and that's why all the banks say, 'Why should we have two tiers of capital requirement?'

FDIC Chairman L. William Seidman, who opposes extending risk-based capital requirements to bank holding companies. [Page 2]

Random Thoughts



By SANFORD ROSE

In the conclusion to his very excellent volume, "Breaking the Bank: The Decline of BankAmerica," Gary Hector takes issue with those who argue that there were no black hats at the California institution. Writes Hector: "There were black hats . . . men who sat idle for too long at the highest levels of one of the nation's best-known companies, men who accepted large salaries and tremendous responsibility for running a corporation and failed in their duties. They have gone on to other high-paying jobs or retired with generous benefits. The people who paid most dearly for these mistakes are the shareholders and employees of BankAmerica, who lost their income, jobs, and, in many cases, their pride."

In reading this book it becomes clear that perhaps the biggest black hat was a collective one — that is, the chief culprit was the flawed BankAmerica system. The bank functioned as a kind of civil service: Employees sacrificed competitive salaries for the implicit promise of lifetime employment.

Random Thoughts: Page 4 ➔

An American Banker Special Report

Spain's Banks Fear Foreign Conquistadors Will Enter as Cross-Border Barriers Fall

By JOHN J. DUFFY

Second of a Series

European 1992 Countdown

MADRID — In 1987, when major banks in New York and London reported some of their largest losses in history, banks in Madrid were awash in profits. While other Western banks wrestled with problems of Third World debt and the effects of the October crash, the Big Seven Spanish banks reported a whopping 29% jump in 1987 pretax profits to $2.7 billion.

In 1988, however, Spanish bankers are worried. Despite the current welter of riches, members of the clubby Madrid banking fraternity are watching their familiar world fall apart. Long ruled by autocratic septuagenarians, Spanish banks have recently been shaken by the influx of a younger generation that is determined to shed many of the traditions that became entrenched by decades of social and economic isolation under the dictatorship of Generalissimo Francisco Franco.

What is the root of all the turmoil?

"That is the $64,000 question," said Luis Llubia, head of the Madrid office of the Arthur D. Little consulting firm and a former director of the Banco Urquijo. "To a large extent, this is being caused by 1992."

El Horizonte 92, as it is known here, is the year when the barriers separating the financial services industries in all 12 member states of the European

Spanish: Page 39 ➔

Italian Bank Sweetens Bid For Irving

$80 per Share Offered, Plus Special Dividend

By BART FRAUST
and GORDON MATTHEWS

NEW YORK — Banca Commerciale Italiana on Monday increased its friendly offer for 51% of Irving Bank Corp. to $80 a share from $75 a share.

In addition, Banca Commerciale said it will pay a one-time special dividend of $10 a share on remaining Irving shares if the acquisition is completed.

The higher offer put increased pressure on hostile bidder Bank of New York Co. to increase its offer or drop out of the race.

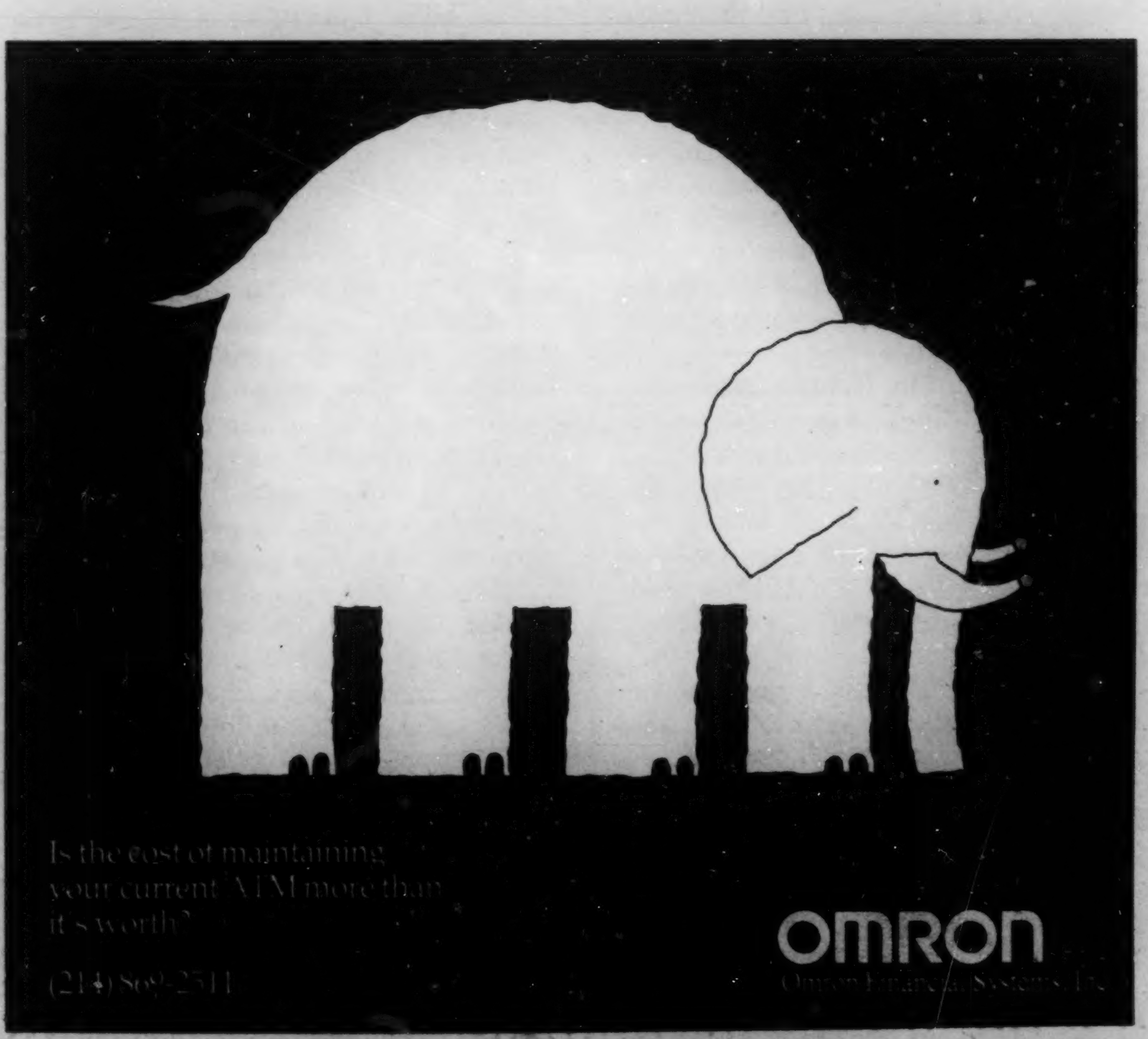
Earlier on Monday, Irving said that final results of the voting at its May 6 annual meeting confirmed that it had defeated Bank of New York's proxy bid to gain control of Irving's board.

And in a reversal of the preliminary results announced last week, Irving said it had also beaten back a Bank of New York proposal that would have allowed any holder of 10% of Irving stock to call a special shareholders' meeting. The earlier count had shown that Bank of New York won on this proposal.

Bank of New York, which has charged that 600,000 votes in its favor were not counted, is expected to launch a court challenge of the proxy votes.

Owen Brady, a Bank of New York spokesman, said the sweetened offer was expected. "But we think it's worth about what the other offers were, since it has no regulatory approval and no definite assurance of approval," he said. "And, of course, they are abso-

Italian Bank: Page 29 ➔



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➔ Continued from Page 1

In the end, of course, they got neither. The failure to pay adequate salaries led to staff mediocrity, which sapped the bank's lending capabilities and contributed to the outsize losses that eventually necessitated large personnel cutbacks.

Mr. Hector attributes the difficulty in part to a twisted interpretation of the Giannini tradition. The policy of lifetime employment initiated by Giannini during the depression lingered too long. Marginal and submarginal employees were not fired; at best they were transferred. Good employees were not compensated appropriately.

When a fast rising young executive was wooed by another financial institution, the bank let him depart rather than raise his salary. "We did not want to become an elitist institution," said one former BankAmerica personnel executive.

There was precious little danger of that. In August 1981, a lengthy report entitled "Account Officer Problems" was prepared for the top executives of the world banking division. It argued that the bank's lenders simply did not stack up to the competition. From 1976 to 1980, the bank's rating on calling officer competence, as measured by Greenwich Research Associates, had been sliding at an alarming pace.

The report's author, Jim Nelson, said: "I spent most of my time . . . trying to explain to management the severity of the situation without sounding like Chicken Little." What was management's reaction? "They didn't want to hear it," says Nelson. "And if they heard it, they didn't know what to do about it."

Nelson's opinion of BankAmerica lenders reminds one of Ed Yeo's attitude toward First Chicago's staff in the late '70s. The crusty former chief financial officer argued that First Chicago's calling personnel shouldn't be allowed to call. He said: "If the daughters of the house get themselves compromised whenever they go out, they should be prohibited from having dates." Just as Ed Yeo failed to get Bob Abboud's attention, Jim Nelson was unable to reach Messrs. Clausen and Armacost.

Even more damning, top management apparently exacerbated the situation. Writes Gary Hector: "In the years since 1977, Clausen and Armacost had tightened the purse strings. Money flowed to the people making loans and increasing profits, or to sexier investments in computers. One of the areas hit hardest by cost controls was the audit and examining function. . . . Credit administration, the unit that reviewed loans before they were made, also felt the knife. Clausen and Armacost were confident that these units were doing a good job and didn't need big investments."

How wrong they were! The failure to appreciate the shortcomings of the lending staff and the inadequacy of the credit oversight function constitutes a major indictment of the administrations of Clausen and Armacost. If they were indeed derelict in this area, both men, regardless of whatever else they did, deserve the stigma of being labeled "black hats."

□ □ □

Even banks with staffs of the highest professional caliber are finding it increasingly difficult to lend to commercial borrowers at satisfactory risk-adjusted rates of return. Indeed, as this column has repeatedly noted, a large number of banks still don't employ suitable methods for adjusting returns for risk.

Hence they continue to lend at rates that superficially seem attractive but are in reality woefully insufficient. The value of loans so generated is less than par. The bank might just as well have purchased a passel of bonds at over their market price.

How does one compute an adequate risk-adjusted return? One simple if somewhat incomplete method is to array loans according to an estimate of the bond rating the borrowers would receive if they had access to the public credit markets.

Suppose that a particular borrower is judged to be a triple B credit. And suppose that the marketplace is charging triple B borrowers 250 basis points more than it charges the U.S. Treasury for credit of comparable maturity. Then the loan officer should be expected to price the credit at 250 basis points above the treasury rate.

That differential, which is analytically equivalent to a self-insurance premium, must be subtracted from the loan yield in order to approximate the true profit on the credit. Unless the loan officer charges at least that 250 basis points above the treasury rate, he isn't really earning a profit at all.

□ □ □

Another, perhaps more scientific method of determining risk-adjusted prices is based on detailed analysis of expected and unexpected losses. Credit risk can be subdivided into expected losses, which can be derived from the average annual loss experience of borrowers in a given risk class, and unexpected losses, which reflect the variability of chargeoffs and are measured by computing the standard deviation of losses over a number of years.

Lenders should be able to charge enough to cover expected losses and some proportion of the unexpected losses. Data from the securities markets indicate that lenders typically demand a premium equal to the expected or average loss plus an additional premium amounting to one half the unexpected losses or the standard deviation.

Say that the bank wants to lend to a B-rated borrower and that, over the last few years, average defaults of B-rated borrowers amounted to 143 basis points while the standard deviation of losses over the same time horizon totaled 373 basis points. Then the bank's breakeven charge must at least be equal to its cost of funds plus its functional cost plus an additional 330 basis points (a spread equal to the expected losses plus half of the unexpected losses).

If its loan charge exceeds this figure, the bank is making a profit, although perhaps not an adequate one. If its charge falls short of this figure, it is not even covering its risks. Once again, the value of the loan, if sold in a competitive market, would be less than par.

To be sure, even a spread of 330 basis points would be insufficient, since it is based on the assumption that the bank holds a completely diversified portfolio of B-rated credits. Because banks typically lend to only a small part of the universe of borrowers in any given risk class, the standard deviation of their loan losses is much higher than it would be if they were completely diversified.

Therefore the bank must charge more than a 330 basis-point spread. How much more will depend on (1) the number of B-rated borrowers to which it lends relative to the total of B-rated borrowers and (2) the extent to which the fortunes of its borrowers are intertwined, as measured by their coefficient of correlation.

□ □ □

What should banks do if they can't charge high enough loan spreads? Simply don't lend. Shrink the C&I portfolio and put the investable funds into a portfolio of corporate bonds, provided the duration of these callable instruments can be properly estimated and the portfolio match-funded in the swap market.

The functional costs of bond investment are lower than those of loan administration; it is easier to diversify a bond portfolio than a loan portfolio; and because the variability of losses in a properly diversified portfolio of investment-grade bonds is so low, its risk-adjusted return can actually be higher than that of a portfolio containing lower-grade, higher-yield credits. (Additionally, bank holding companies invest in noninvestment-grade bonds, which, if properly diversified, should generate reasonable risk-adjusted yields.)

Of course, bankers won't take this advice. The business of banking, they argue, is to make loans, not buy bonds. Making loans is macho and challenging; buying bonds is wimpy and passive. The real issue, however, is whether management exists to serve its own need for challenging jobs or the shareholder's desire to maximize wealth. ■

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LETTER TO THE EDITOR

Comptroller's Official Cashes in on Game Show

To the Editor:

I couldn't help but wax nostalgic at your item on "Capital People" (May 9, page 10), concerning Fed staffer Stephanie Martin's recent appearance on "Jeopardy!" Let it be known that the Comptroller of the Currency's staff has fared far better on the game show circuit, demonstrating its superiority in matters of trivia and general knowledge. I appeared on four "Jeopardy!" shows that aired in October 1986 and January 1987, winning $17,000 in cash plus $3,000 in prizes. These shows were watched not only by OCC staff members throughout the country, but also by many outside attorneys who have started our conversations with, "I saw you on 'Jeopardy!' " Considering the amount of notoriety I've received from appearing on that show, I think the prize money was pretty inadequate!

Sharon Miyasato
Senior Attorney
Office of the Comptroller
of the Currency
Western District, San Francisco

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

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Remember, we need your views to be a true community newspaper.

SPECIAL
American Banker
REPORT

Community Bank Technology

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The BIG Decision

Community banks choose between in-house processing or buying services from an outside source. Either way, the grass always seems greener on the other side.

By Thomas P. Fitch

WHEN NATIONAL BANK of the Redwoods, a $69 million-asset bank in Santa Clara, Calif., opened its doors for business in January 1985, it had plenty of company. Ranked 31st in a community of 100,000 banks, it had to find a niche quickly, offering something the competition had overlooked.

That something extra turned out to be a cash management service for small businesses. A survey of local businesses revealed a very high percentage, 70%, owned personal computers. Capitalizing on that fact, Bank of the Redwoods began offering them the ability to move money around different accounts electronically by sending instructions from their own PCs.

It cost $65 a month per account. The bank's Electronic Banking System, as the product is called, generated $70,000 in fee income last year. Nearly half the users switched their accounts from other banks to take advantage of it.

Making this success story possible was a decision several years ago to buy a powerful minicomputer, a Data General MV/4000, for all the bank's data processing needs. The bank's directors "did not want to be handcuffed" by dependence on a data processing service bureau, says Bryan Klinger, vice president of operations.

"Being independent businessmen, [management] insisted on creating their own banking environment," he says. Moreover, the bank did it all without hiring a programmer.

An unusual story? While Bank of the Redwoods went to greater lengths than most community banks, it is following a path taken by hundreds in the last few years.

The bank got some extra assistance from its vendor, Software Alliance of Berkeley, Calif., but most small bank systems are so-called "turnkey" systems requiring no full-time programmers either to set up or operate. A bank choosing a turnkey package gets on-site training and a help line, but it is otherwise on its own.

Taking the reins of its own data processing also suited the Pioneer Bank of Longmont, Colo., a bank with $17 million in assets about 50 miles from Denver. "We realized that if Pioneer was going to be a successful retail bank, service was going to be our No. 1 priority," says Roger Kopman, Pioneer's executive vice president.

After its servicer raised its prices, Pioneer looked for an alternative, and found one in BankVision, a turnkey system running on an IBM System 36, by Hogan Systems Inc., Dallas.

Mr. Kopman figures the bank's conversion a year ago paid off in several ways. Data processing costs were cut in half, from $11,000 to $5,500 monthly.

"With the service bureau, we had two CRT [cathode ray tube] screens," he says. "Now we have a dozen. Tellers don't have to share screens. We have even installed screens so customers can call up their own records instead of waiting in line."

OVERVIEW

Just a few months ago, Gainesville National Bank, Texas, a bank with $120 million in assets, also decided to switch to a System 36. "Service bureaus are just not at the leading edge most of the time," says Marcia Neal, the bank's cashier. Gainesville National wanted integrated financial accounting combining its general ledger

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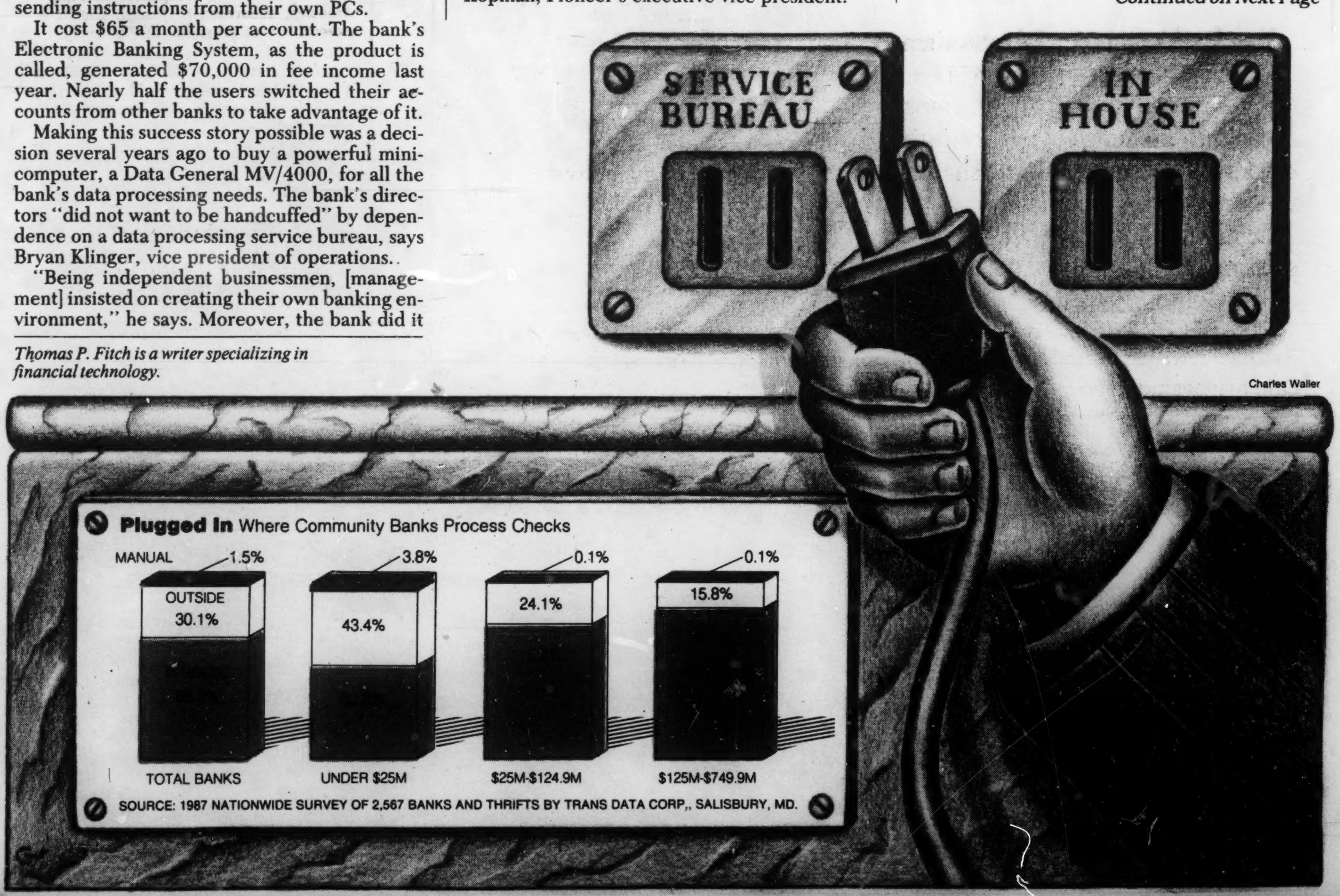


Charles Waller

Plugged In Where Community Banks Process Checks

SOURCE: 1987 NATIONWIDE SURVEY OF 2,567 BANKS AND THRIFTS BY TRANS DATA CORP,, SALISBURY, MD.

Thomas P. Fitch is a writer specializing in financial technology.

Continued from Previous Page

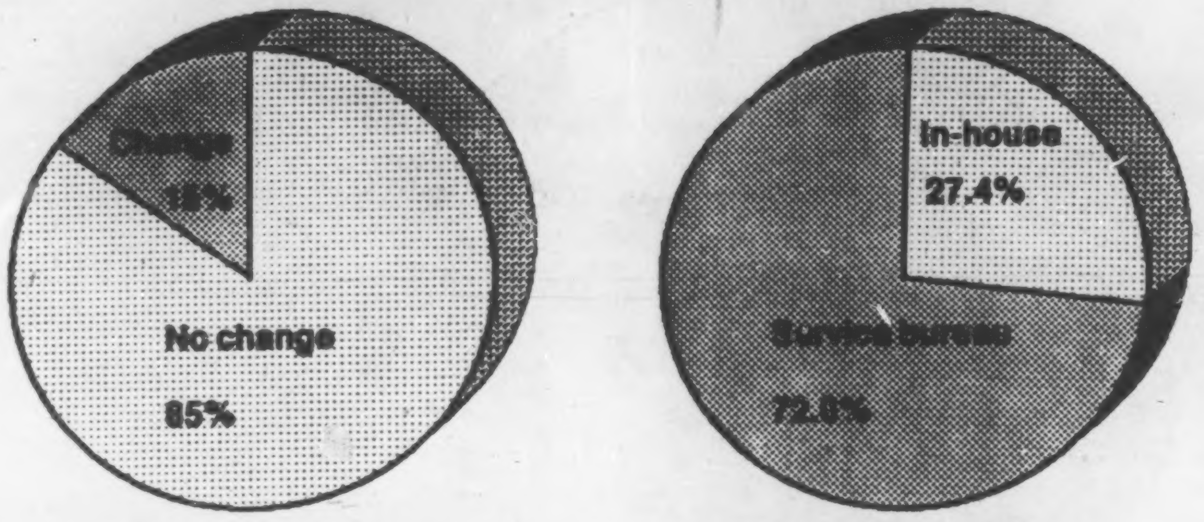
with deposits and loans.

"To get that from our processor — a correspondent bank — would have taken a very long time," she adds. Gainesville National expects to have that ability after a conversion this fall.

Despite its appeal to the independent-minded banker, in-house computing has a long way to go before it ever overtakes service bureaus, the traditional source for smaller institutions. Several years after minicomputer systems like System 36 became a viable alternative, more than half of the U.S. commercial banks still have their data processing performed remotely, from a telephone link to a correspondent bank or an independent servicer.

Back in the early 1980s, when regional banks began exiting the data correspondent/data processing business in droves — according to some estimates, at least 350 banks dropped out of the service bureau business — it looked as though in-house processing might eventually win out in the battle for the community bank market.

Looking at the Alternatives



In a survey conducted among 2,050 community banks during the last quarter of 1987, 307 expected to study a change in their data processing base in the coming year.

Of the 307 community banks considering a change, currently 84 were doing their data processing in-house and 223 were sending the work out to service bureaus.

Source: Hancock Information Group Inc., Altamonte Springs, Fla.

So far, that has not happened, and the reasons why have more to do with the reluctance of many bankers to plunge into the data processing business than the availability or affordability of the hardware. Still others, after testing the waters, have gone back to service bureaus after finding their needs have outstripped their in-house minicomputers that five years earlier seemed such a bargain.

Less to Worry About

For many, letting a service bureau tackle the back office grunt work means one less thing to worry about, even if they give up a little flexibility.

James Murphy, chairman of Inter City Bank, Benton Harbor, Mich., observes that a service bureau contract (with Systematics Inc.) was, for him, the right choice: "In some areas we obviously missed the ability to do some customizing," says Mr. Murphy. "But it gave us the ability not to be in the data processing business on a day-to-day basis, and that's worked out very well."

Service bureaus may be losing ground to the alternatives, but the slippage is almost imperceptible. Service bureaus in 1987 had a 59.4% share of the community bank market compared to 60.4% a year earlier, according to a survey done for the National Association of Bank Servicers by Hancock Information Group, an Altamonte Springs, Fla.-based research firm.

Meanwhile, the percentage of banks using in-house processing climbed slightly, to 40.4% in 1987. The change is hardly enough to signal a trend.

Often enough, the event triggering the choice for an in-house system is a pending price increase by a service bureau. Security State Bank, a Pharr, Texas-based bank with $69 million in assets, dumped its service bureau four years ago when the servicer announced a 14% price hike.

"Whenever I talk to bankers, their main concern is always cost," says Joe Brown, a senior vice president at Security State. "It shouldn't be, really. We wanted the flexibility of being able to make decisions ourselves."

'Absolute Hooey'

Bankers who say they are saving money with an in-house system are comparing apples with oranges, contends John A. Williams, president of Computer Services Inc., a Paducah, Ky., servicer for 170 banks in the Midwest. "The cost issue,' says Mr. Williams, "is absolute hooey."

Banks that put in their own computers without adding employees were overstaffed to begin with, he contends. "My largest component of cost," he adds, "is people, which accounts for 45% to 50% of my revenue dollar. People have always run over two-to-one over hardware. The same is true for an in-house system."

Then there is built-in obsolescence and changes in regulations to deal with. Mr. Williams figures a bank will have to set aside 15% to 20% of a computer system's original cost upgrade or to replace it after 5 to 7 years.

It is almost enough to make a banker wish for the good old days when service bureaus took care of everything. Comments by several community bankers surveyed recently by Hancock Information Group reveal some of their frustrations.

A Kentuckian from a bank with $42 million in assets noted: "The trend of the 1980s is reversing itself. Most people who went in-house paid for a Volkswagen and expected a Cadillac. Servicers are encouraging banks to come back to them."

Finally, one Pennsylvania banker from a $110 million-asset bank had this observation: "I think people will go in the opposite direction of what they're doing now. The grass is always greener on the other side. Until you've tried both you're not happy." ■

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Today

Many banks are not charging corporate cash management customers enough for services, according to industry consultant John D. Shain, president of Littlewood, Shain & Co., Wayne, Pa. 2

Mellon Bank said it has reached an agreement to purchase Backroom Systems Group, Monroe, N.C., a provider of microcomputer software for handling return items and other bank operations. 2

John P. LaWare, President Reagan's choice for the Federal Reserve Board, is seen as a compromise between a Republican administration in its last days and a Democratic-controlled Senate willing to wait to fill the post. 2

The Fed granted the Bank of New York a 45-day extension of its tender offer for Irving Bank Corp. Bank of New York immediately extended its offer until Friday. 3

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COMMENT

The Southeast — a region whose banks are showing healthy profits and capital-to-assets ratios — has strong economic reasons for advocating full national interstate banking laws, says Robert P. Forrestal, president of the Federal Reserve Bank of Atlanta. 4

TECHNOLOGY

The written signature is making a comeback as the most desirable method of ascertaining a person's identity. An American Banker *Special Report looks at developing technology for signature verification. It begins on page 5.*

The implications of signature verification systems are vast for bankers, retailers, and other corporations that fear their systems or premises are vulnerable to fraud or unauthorized entry. Although it is still viewed as a long-term proposition, vendors are increasingly going public with products and plans. 5

Two French merchant banks soon will begin testing a signature verification system as a security measure in their wire transfer rooms. TITN is the Paris-based computer engineering firm developing the system. 5

Cheque Alert Inc., New York, is promoting DigiScan. Unlike a dynamic system, which validates "live" signatures as they are written, DigiScan takes its measurements from signatures already on paper. 6

Worth Repeating

The White House blew it by waiting too long. It's politics. Politics gets very nasty before an election.

Margery Waxman, a partner with the law firm of Sidley and Austin, on President Reagan's announcement that he would nominate John P. LaWare for the Fed seat that has been vacant since December 1986. [Page 2]

An American Banker Special Report

17-Nation Pact Unifies Payment Systems

By JOHN J. DUFFY

Third of a Series

European 1992 Countdown

LONDON — For Europe Inc. to get its business off the ground after 1992, European bankers are going to have to do more than just compete effectively. In some areas they are also going to have to cooperate.

One of the areas that will require the greatest amount of cooperation is payment systems. For, if all the rhetoric about selling to 323 million consumers across Europe is to amount to more than just hot air, those consumers are going to need a quick and efficient way to make payments across borders. By 1992, bankers agree, that means paying with plastic.

Plastic cards — credit, debit, cash, and charge cards — have made dramatic inroads in Europe since the early 1970s, but only in a patchwork way. Countries with a bustling tourist trade such as Spain and France have moved into the plastic age with a vengeance, creating universal electronic systems that accept cards for everything from groceries to traffic tickets. In other countries, such as West Germany and the Netherlands, major banks have blocked the introduction of mass-market payment cards and consumers still make 90% of all their retail purchases with cash.

With the great push toward 1992, however, the drive to overhaul the European payments structure has begun to pick up speed. Last October, 40 banks in 17 countries that are members of the European Council for Payment Systems agreed to a document known as the European Accord.

The accord encompasses the 12 European Community countries, Scandinavia, Switzerland, and Austria. It sets a plan in motion by which banks hope to make all their payment cards and systems compatible by the early 1990s.

The goal initially will be complete card compatibility in automated teller machines. By the early 1990s, bankers say this could mean a common ATM network of 40,000 machines stretching from the Atlantic Ocean to the Aegean Sea. Ultimately the plan is to extend

European Accord: Page 22 ➻

FROM THE REGIONS

THE MIDDLE ATLANTIC

Banks, Thrifts Wage Turf Wars As Eastern Economy Heats Up

By ROBERT TRIGAUX

Washington Bureau

WASHINGTON — The robust economy of the Middle Altantic region is enabling banks and savings institutions to attack each others' turf more aggressively.

The diversity and strength of businesses have attracted the interest of savings institutions, which are expanding their commercial lending portfolios. Yet some commercial banks, recognizing thin lending margins to corporate customers, are anxious to attract more stable consumer banking deposits.

Business lenders and financial analysts remain gung ho over the economic climate from Richmond, Va., to New York. Merrill Lynch analyst Virginia Adair sees a shift "toward capital expansion and weakening of

From the Regions: Page 18 ➻

Fed Clarifies Rule On Underwriting Of Stocks Abroad

By JED HOROWITZ

NEW YORK — The Federal Reserve Board has clarified the extent to which subsidiaries of bank holding companies can underwrite equity securities overseas.

Banking attorneys disagree, however, on whether the letter signals a more liberal view of banks' securities powers by the Fed.

The interpretation was contained in an unpublished letter to Security Pacific Corp. dated April 18. The letter approved the bank company's request to add capital to its London brokerage

Fed: Page 18 ➻

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May 25, 1988, American Banker

Renewed Push Needed for National Interstate Banking

The following is excerpted from an address delivered March 15 by Robert P. Forrestal, president of the Federal Reserve Bank of Atlanta, to the Big Bend chapter of the Bank Administration Institute in Tallahassee, Fla.

□

AS YOU ALL KNOW, bankers in the Southeast stood out as leaders in promoting the spread of interstate banking earlier in this decade. Florida and Georgia were among the first states to pass laws allowing bank holding companies from other states to purchase banks within their borders.

This type of state banking legislation has also been adopted by other southeastern states. It carried the condition, however, that this privilege should be extended essentially within the immediate Southeast region. Banks from outside the region are still barred from entry.

While the regional compact arrangement was a progressive move at the time, the momentum of geographic deregulation has shifted to national rather than regional arrangements. Of the 40 or so states that have some form of interstate banking legislation on their books, seven permit unrestricted entry by holding companies from other states.

A few others allow entry by banks from reciprocating states anywhere in the nation. By 1990, legislation now in force in about half the states will open their borders entirely to nationwide banking — or at least allow such reciprocal arrangements.

Clearly, the most efficient way to proceed toward nationwide interstate banking would be for Congress to enact such legislation. However, I do not think we will see any significant movement on the part of lawmakers in Washington in the near future.

For that reason it may be time for state legislatures in the Southeast to consider taking the initiative again and allowing entry to banks from outside the region. I think there are several reasons why further progress toward interstate banking makes good sense, from the standpoint of both bankers and consumers.

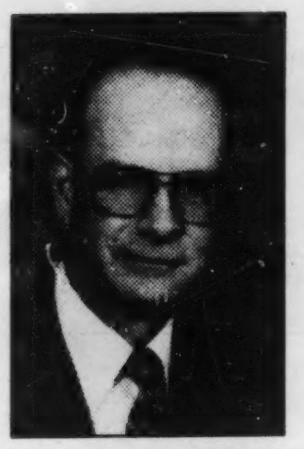
Local Character Not in Jeopardy

Let me begin by answering the argument of most opponents of nationwide interstate banking in the Southeast and elsewhere. These critics say that the local character of our banking markets should be protected against manipulation by outsiders. They view these outsiders as insensitive to local needs.

In many ways, this is a reincarnation of earlier arguments against the expansion of bank holding companies within the states. Owners of small banks staunchly supported such a view because they feared they would not be able to compete against large, urban-based institutions.

Indeed, a similar logic — one that was even more protective — previously led to prohibitions against the opening of branch banks outside a parent bank's home counties. This provision is still on the books in some states.

Just as these past concerns proved to be unfounded, I feel there is no reason to believe that well-managed banks in our region would be damaged by the onset of nationwide interstate banking. The Southeast's banks are in excellent shape to meet competition from outside institutions.



The Southeast's banks are in excellent shape to meet competition from outside institutions. We can see this most easily when we compare banks by . . . capital rather than size.

— Robert P. Forrestal
President
Federal Reserve Bank of Atlanta

We can see this most easily when we compare banks by measures of capital rather than size. It is true that only a few of our banks rank among the top 25 in the nation in total assets.

Profitability Paints the Picture

However, southeastern banks perform especially well when measured according to standards such as profitability and capital-to-asset ratios, which give a better picture of relative strength. Our large banks actually begin to look dominant when we consider the prices of their stock.

Their consistent good performance implies that investors remain bullish on our region's banking institutions. The access to new markets that would come from liberalizing current restrictions could allow banks here to become even stronger.

At the same time, I have no concern that the responsiveness of banks to local conditions would disappear. Over the years, experience has demonstrated the need for close-up knowledge of local markets in making loans.

Banks headquartered outside a local area have strong incentives to use people with such expertise. Otherwise they may not be able to compete successfully in local markets.

Rather than becoming insensitive, it is much more likely that the outsiders will bring in new products and new ways of doing business. These innovations in turn will increase the variety of services available in the community and make for more competitive pricing.

Local banks must adapt to new competition. But, when faced with challenges like these, most have shown that they can adapt successfully. At the same time, recent history in Atlanta, Florida, and elsewhere provides ample evidence that new banks will quickly be established to take up the slack if existing institutions fail to meet the needs of local markets.

Competition Brings Benefits

For these reasons, I do not believe our banks and the communities they serve have any real need to fear competition from outside banks. In addition, there are tangible benefits that nationwide interstate banking would bring to consumers and businesses in this region — indeed, throughout the country.

The most compelling case for broader interstate powers is that greater competition among existing banks and the potential new entrants into local markets would tend to enhance banking products and prices for all of us. This would be true even for individuals and businesses in areas where no interstate banking firm actually set up shop. Just the possibility that such a competitor was waiting in the wings to pick up any slack in service would tend to enforce market discipline on existing banks.

When we add up the likely effects of full interstate banking, the benefits seem to outweigh the costs. Banks in the Southeast have much to gain from further developing their links to money and capital markets outside our region.

Our banks also have much to lose if they are left behind by financial institutions in other states and regions that are more directly and efficiently strengthening their integration to the nation's and the world's financial networks. Thus, I feel it is time to make a renewed effort to achieve full geographic deregulation. ■

LETTER TO THE EDITOR

Mutual Fund Rule Changes Would Not Usurp SEC Authority

To the Editor:

I am concerned that the story titled "Comptroller May Broaden Fund Powers," which appeared in your May 19 edition [page 1], may mislead your readers into thinking that this is a new idea to give banks new mutual fund powers beyond the reach of Securities and Exchange Commission regulation. In fact, changes in the rules governing common trust funds have been under consideration for the for the past six years. These changes would be entirely consistent with existing law.

In 1982, the Office of the Comptroller of the Currency published a notice in the *Federal Register* asking for comment on several parts of our trust fund regulation, including advertising of common trust funds. In January 1983, the *American Banker* reprinted a speech I gave on this same subject. In the speech, I noted that we were currently drafting regulations on commingled investment funds that would include, among other things, modification of the advertising prohibition and modification of the management fee provision.

The Comptroller's office suspended action on these regulatory changes pending the outcome of extensive litigation on commingled individual retirement accounts. However, in late 1986, after four favorable court rulings, the Comptroller's office again began drafting a proposed rule on this subject. This effort was repeatedly noted in the Comptroller's semiannual regulatory agenda, which was published in the *Federal Register*. I have also continued to mention in speeches that we were drafting this proposal.

Most importantly, I believe the statements made by the Investment Company Institute in this story misrepresent the situation. The Comptroller's draft proposal would not change existing legal requirements that common trust funds be offered for fiduciary purposes and not solely for investment purposes. We have repeatedly said, and the courts have agreed, that banks may advertise any service they may lawfully offer. The removal of advertising limitations for common trust funds would not allow banks to advertise services (such as garden-variety mutual funds) that they may not offer under current law.

In addition, the proposal would not usurp in any way the SEC's authority to regulate bank collective investment funds to the extent allowed under the federal securities laws, just as the SEC now regulates collective IRA funds offered by banks.

The proposed rule is still in draft form. Before it can be published for comment, it must be reviewed and approved by senior Comptroller officials and then submitted to the Treasury Department and the Office of Management and Budget for their approval.

Dean E. Miller
Deputy Comptroller
Office of the Comptroller
Of the Currency
Washington

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European Accord Seeks to Unify Payment Systems

➻ Continued from Page 1

this reciprocity to payment cards accepted by retailers, creating the first international cashless shopping network.

"The objective is to widen the choice of consumers without losing the competitive edge among banks," said Ben van Eldik, president of the European Council and a director of the Dutch cooperative bank, Rabobank Nederland.

The accord has been greeted with some praise and a good deal of suspicion. It has been praised as the culmination of 10 years of talks within the European council on ways to achieve greater cooperation on payments systems. It has aroused suspicion because it touches on old and bitter rivalries between the existing payment systems and the banks that stand behind those systems.

The major rivals in Europe today are Eurocard, a charge card system prevalent in the northern countries; Visa, the global payment system that is dominant in the south; and Eurocheque, a paper-based check-guarantee system with long-standing ties to the German banks.

Eurocard International, headquartered in Brussels, is 15% owned by Mastercard International and 35% by Eurocheque International. Eurocard/-Mastercards are issued under the name of Access in Britain and Carte Verte in France.

Visa International is an evolution of the BankAmericard launched in 1958. In Europe, the Middle East, and Africa, Visa is now a local autonomous unit run by a board of Visa banks in the three areas. Headquarters are in London.

Eurocheque International was created in 1968 by Dr. Eckart van Hooven of Deutsche Bank to provide a standard procedure for check cashing at banks in 15 countries. Today most banks in Europe issue uniform Eurocheques and Eurocheque cards. The cards are used as check-guarantee instruments and also in a 3,120-machine ATM network. Headquarters are in Brussels.

At the moment, the accord remains an agreement between banks: the payment systems operators themselves have been kept out of the discussions. Yet the bankers realize that if a common European payments network is ever to come into being, then the existing systems and their vast telecommunications and data processing facilities must form the heart of it. Therein lies the source of much of the current discord surrounding the European Accord.

"The orthodox view is that the payment systems are owned by the banks and the banks should make all their assets sweat, including the payments systems," said John Buxton, operations director at the Association for Payment Clearing Services in London and the secretary to the European council.

The accord in that sense is very much a declaration of independence by the European banks. As the single European market begins to take shape in the next five years, many of these banks say they will no longer be content to play second fiddle to the payment systems — especially to payment systems that are still perceived in some circles to be controlled by Americans.

Accord Requires Reciprocity

The accord is more a statement of intent than a technical blueprint of how the system will work. At its heart, however, are the twin concepts of proprietary-card reciprocity and systems-based reciprocity.

Reciprocity for proprietary cards — that is, cards issued by banks largely for use in ATMs — will be by far be the easiest of the two to achieve. The accord envisions that banks issuing ATM cash cards will emboss them with a new European logo.

The logo will also be displayed on the ATM machines themselves and at teller windows of banks that are participants in the accord. The result is that cardholders need only look for the logo to know they can get cash, in the local currency, anywhere in Europe.

Certain software systems will have to be rewritten and banks will have to decide what fees they will charge for servicing each other's customers. But bankers say these are minor problems than can be dealt with fairly quickly.

"The ATM side of things is closer to achievement because the banks can do it themselves," said J. Christopher Wathen, payments services director at Midland Bank. "Eftpos is further away because our different national systems are at vastly different stages of development."

Eftpos, or electronic funds transfer at the point of sale, is indeed the long-term objective of the European Accord. It is envisioned that in the future the major European payments systems may also choose to emboss their cards with a European logo. Retailers belonging to all these systems would also display the logo.

Thus, in the grand vision of the accord, all the major payment systems in Europe would be brought under the European umbrella. Visa merchants would accept Eurocards. Thousands of Eurocheque merchants in central Europe would accept credit cards for the first time.

Building an Electronic Gateway

And most important, an electronic gateway would be built between Visanet, the Visa processing system, and European Payment System Services, the Eurocard system, allowing European banks access to the entire payment system infrastructure.

In practice, the European Accord — like most grand visions — will be difficult to implement. After decades of intense competition, the prospect of Europe's payment systems cooperating with each other prompts reactions ranging from uncertainty to outrage. In particular, banks that already possess successful card operations see little reason to add a new logo to their cards.

"If it adds value for our customers, of course we'd look at it," said Seymour Fortescue, director of U.K. retail services at Barclays Bank PLC. "But it will have to give us coverage in a lot more merchants if it is to add value," he said. Barclays is one of the largest Visa card issuers in Europe.

Reaction within the Visa organization has been less equivocal. Visa executives in London say the accord is a blatant attempt by one group of bankers who are either trying to gain control of the Visa system or to slow its development until they can come up with a competing system of their own.

"We are talking about the Germans — specifically the Deutsche Bank — and the Dutch. What they want to do through the plot of achieving reciprocity is to create a single European system and absorb everybody else," said Joao Ribeira da Fonseca, chief general manager of Visa International for Europe, the Middle East, and Africa. "Their strategy of going through a political game to absorb us is not going to work," Mr. da Fonseca said.

At Eurocard the reaction was friendly but guarded. "The good news as far as Eurocard is concerned is that bankers are thinking more and more in terms of cards," said Ann Cobb, managing director of Eurocard in Brussels.

Plastic Cards on the Continent

Yearend 1986 (in thousands)

	France	Germany	Italy	The Netherlands	Sweden	United Kingdom
Visa	8,600	$110	1,200	30	350	12,120
Eurocard/Mastercard	6,200	470	600	125	700	9,850
American Express	410	470	280	130	110	950
Diners Club	170	250	180	70	10	280
Retailer Cards	5,000	700	600	150	3,000	15,000
Total	**20,380**	**2,000**	**2,860**	**505**	**4,170**	**38,200**

Source: "The Retail Banking Revolution" by Dimitri Vittas, Patrick Frazer, and Thymi Metaxas-Vittas.

Bank Call Notice

Reserve District No. 2
CONSOLIDATED REPORT OF CONDITION OF

Bankers Trust Company

**of New York, New York
and Foreign and Domestic Subsidiaries,**

a member of the Federal Reserve System, at the close of business March 31, 1988 published in accordance with a call made by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS

		Dollar Amounts in Thousands
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$ 2,539,683
Interest-bearing balances		7,309,566
Securities		3,356,226
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold		886,530
Securities purchased under agreements to resell		4,842,184
Loans and lease financing receivables:		
Loans and leases, net of unearned income	$24,467,173	
Less: Allowance for loan and lease losses	1,275,581	
Loans and leases, net of unearned income and allowance		23,191,592
Assets held in trading accounts		9,106,788
Premises and fixed assets (including capitalized leases)		415,152
Other real estate owned		2,581
Investments in unconsolidated subsidiaries and associated companies		102,775
Customers' liability to this bank on acceptances outstanding		2,706,312
Intangible assets		2,000
Other assets		3,211,499
TOTAL ASSETS		$57,672,888

LIABILITIES

Deposits:		
In domestic offices		$10,317,417
Noninterest-bearing	$ 5,080,867	
Interest-bearing	5,236,550	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		19,855,833
Noninterest-bearing	$ 243,434	
Interest-bearing	19,612,399	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds purchased		4,300,901
Securities sold under agreements to repurchase		6,852,503
Demand notes issued to the U.S. Treasury		350,000
Other borrowed money		7,598,058
Mortgage indebtedness and obligations under capitalized leases		58,999
Bank's liability on acceptances executed and outstanding		2,706,380
Notes and debentures subordinated to deposits		333,333
Other liabilities		2,678,578
TOTAL LIABILITIES		55,052,002

EQUITY CAPITAL

Common stock	401,667
Surplus	486,321
Undivided profits	1,738,562
Cumulative foreign currency translation adjustments	(5,664)
TOTAL EQUITY CAPITAL	2,620,886
TOTAL LIABILITIES AND EQUITY CAPITAL	$57,672,888

I, Harold E. Reynolds, Vice President of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

HAROLD E. REYNOLDS

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Charles S. Sanford, Jr.
Philip M. Hampton
Edward A. Lesser
} Directors.

Bank Call Notice

Reserve District No. 2
Consolidated Report of Condition of

Irving Trust Company

**of New York, New York 10015,
and Foreign and Domestic Subsidiaries,**

a member of the Federal Reserve System, at the close of business March 31, 1988, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

Assets		Dollar Amounts in Thousands
Cash and balances due from depository institutions:		
(a) Noninterest-bearing balances and currency and coin		$ 1.219.836
(b) Interest-bearing balances		1.759.219
Securities		1.375.546
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries. and in IBFs:		
(a) Federal funds sold		159.500
(b) Securities purchased under agreements to resell		513.357
Loans and lease financing receivables:		
(a) Loans and leases. net of unearned income	$13.200.434	
(b) Less: Allowance for loan and lease losses	653.869	
(c) Loans and leases. net of unearned income and allowance		12.546.565
Assets held in trading accounts		1.213.397
Premises and fixed assets (including capitalized leases)		441.711
Other real estate owned		45.669
Investments in unconsolidated subsidiaries and associated companies		304.294
Customers' liability to this bank on acceptances outstanding		678.890
Intangible assets		15.263
Other assets		694.965
Total assets		**$20,968,212**
Liabilities		
Deposits:		
(a) In domestic offices		$ 7.245.692
(1) Noninterest-bearing	$4.261.314	
(2) Interest-bearing	2.984.378	
(b) In foreign offices. Edge and Agreement subsidiaries. and IBFs		6.268.391
(1) Noninterest-bearing	$ 171.827	
(2) Interest-bearing	6.096.564	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries. and in IBFs:		
(a) Federal funds purchased		2.158.994
(b) Securities sold under agreements to repurchase		1.291.952
Demand notes issued to the U.S. Treasury		61.115
Other borrowed money		1.363.801
Mortgage indebtedness and obligations under capitalized leases		11.317
Bank's liability on acceptances executed and outstanding		692.083
Notes and debentures subordinated to deposits ($37.600.000-8½% subordinated notes due 2002. principal payments of $2.400.000 due annually 1988 through 2001 and $4.000.000 in 2002 $100.000.000-12⅜% subordinated note due 2007. principal payments of $6.000.000 due annually 1992 through 2006 and $10.000.000 in 2007 $50.000.000-floating rate subordinated note due 1996. principal payments of $25.000.000 due in 1992 and 1996 $185.000.000-floating rate subordinated capital note due 1997)		372.600
Other liabilities		749.669
Total liabilities		**20,215,614**
Equity Capital		
Perpetual preferred stock		75.000
Common stock		272.876
Surplus		236.074
Undivided profits and capital reserves		163.181
Cumulative foreign currency translation adjustments		5.467
Total equity capital		**752,598**
Total liabilities and equity capital		**$20,968,212**

I. Anthony R. Burriesci. EVP & GC. of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

A. R. Burriesci

We. the undersigned directors. attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Joseph A. Rice
Peter C. Palmieri
David G. Taylor
} Directors

"What is lacking are the details."

The details will indeed be troublesome. At the pan-European level, the major problem is how to cooperate without breaking European commission rules on free competition. The accord has angered Visa and American Express, which have called it disciminatory and anticompetitive. The commission's antitrust division, Direction Generale IV, is looking into the allegations.

The problems stem from parts of the accord that appear to discriminate against non-European cards and non-European institutions. For example, its says cards issued outside Europe may be eligible for European reciprocity "only with the collective agreement of the participating banks." European bank participants must also adopt "a common position for relations outside Europe" the accord states.

To American Express, with three million cardholders in Europe, this language smacks of a cartel. "The European Accord as it is currently proposed is not procompetitive, and we remain opposed to it," said James T. Larkin, an executive vice president at American Express. "We will only support an accord which provides for open and shared networks on an open and shared basis."

Eurocheque Cards

Yearend 1986

	No. of Cards (thousands)
Austria	1,950
Belgium	2,800
France	9,200
Germany	20,500
Italy	1,200
Netherlands	2,600
Sweden	6
Switzerland	1,300
United Kingdom	1,500
Other Countries	535
Total	**41,591**

Source: "The Retail Banking Revolution" by Dimitri Vittas, Patrick Frazer, and Thymi Metaxas-Vittas.

Backers of the accord admit to some astonishment at the uproar the document has produced. They say that banks that are a party to the accord will still compete with each other by offering different products and services. And the payment systems will be free to price their network services in any way they choose. European bankers say once the service is up and running American Express will probably be welcomed — at a price.

"We do not have the intention to diminish competition or to build a European cartel," said Mr. van Eldik of Rabobank. "And we certainly could not forbid any European bank from making an arrangement with American Express. That is ridiculous."

Mr. van Eldik added that the language of "collective agreements" and "common positions" in the accord is only to protect European banks from being forced to accept cards they don't want. It does not, he said, forbid banks from making third-party arrangements.

"You should not oblige a Belgian bank to accept a Visa card issued in Japan just because a Spanish bank has agreed to," he said. "That is a matter for bilateral agreements."

Harmonizing Fee Structures

Another major problem for the accord is harmonizing widely different fee structures. Eurocheque — widely used in Germany, the Netherlands, Belgium, and Luxembourg — currently costs retailers nothing. The card systems require merchants to pay a fee based on a percentage of the transaction — the merchant discount fee.

Experts say that in any shared system the merchant fee would probably gravitate to a midpoint between the zero Eurocheque base and what the other card issuers charge. The result will be unpopular on both sides. Costs for Eurocheque merchants will undoubtedly rise and revenues for Eurocard, Visa, American Express, and others will probably fall.

Amid all the problems that must be overcome, experts say the technical problems of making different systems interact with each other are probably the least onerous. "We could interface with Visa in probably a week if there was the will to do it," said Eurocard's Ann Cobb.

At the moment, she admits, the will does not exist. "The card market in Europe is not a developed market," she said. "One way of competing in that market is through your systems, so no one is anxious to share those systems."

Mr. da Fonseca of Visa is adamant about not sharing. "They have nothing to offer us," he said, referring to the Eurocard/Mastercard organization. "I am not going to build a bridge or a gateway to the sea."

Bankers said, however, that the decision of whether the payment systems will participate in the accord will ultimately not be made by Ms. Cobb or Mr. da Fonseca. It will be made, they say, by the bankers themselves who sit on the boards of directors of each organization.

"If we as bankers want Visa and Eurocard to build an interface, it will happen," said Mr. van Eldik of Rabobank. "If we as bankers are determined to create this thing to help our customers and ourselves, it will be created."

Next: Although bankers in Switzerland have long recognized the need to participate in a unified European financial system, Swiss political observers say their nation's habit of neutrality appears too deeply ingrained for it to accept membership in the European Economic Community.

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30 days: 7.00 60 days: 7.07 90 days: 7.13
120 days: 7.18 150 days: 7.27 180 days: 7.27

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (5/24)
14 days: 6.55 30 days: 6.75 60 days: 6.90
90 days: 7.05 120 days: 7.10 150 days: 7.25
180 days: 7.30 270 days: 7.55 360 days: 7.65

Commercial paper, dealer Aaa, discount (5/24)
30 days: 6.95 60 days: 7.10 90 days: 7.15

Commercial paper, directly placed, discount (5/24)
5-14 days: N.A. 15-29 days: N.A.
30-59 days: N.A. 60-89 days: N.A.
90-179 days: N.A. 180-270 days: N.A.

Treasury-bill rates, secondary market, bid (5/24)
90 days: 6.32 180 days: 6.70 1 year: 7.02

Eurodollar deposits, London bid (5/24)
Overnight: 6⅞ 7 days: $7\frac{3}{16}$ 1 month: $7\frac{3}{16}$
3 mos.: $7\frac{7}{16}$ 6 mos.: $7\frac{11}{16}$ 1 year: $8\frac{3}{16}$

NIBOR: 7.75% **LIBOR:** 7.813%

The Bond Buyer Municipal Bond Index

	5/24/88	5/23/88	5/17/88
Index	86.30	86.26	87.20
Yield to Par Call	8.51	8.53	8.41
Yield to Maturity	8.24	8.25	8.16

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
June '88	93.62	93.58	93.59	+ 2	6.41
Sept.'88	93.24	93.20	93.22	+ 1	6.78
Dec. '88	93.00	92.96	92.99	+ 2	7.01
Mar. '89	92.79	.....	92.79	+ 2	7.21
Jun. '89	92.61	92.58	92.59	+ 2	7.41
Sept.'89	92.46	92.44	92.45	+ 2	7.55
Dec. '89	92.33	.....	92.32	+ 3	7.68
Mar. '90	.....	.....	92.20	+ 3	7.80

As of the previous day's close; Total no. of contracts traded: 4,593 total open interest: 28,396 and change in open interest: − 631

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
May 24 :	258.8	1988:	265.6	227.7	258.8
May 23 :	255.3	1987:	401.7	212.0	234.6
May 20 :	255.1	1986:	388.7	331.2	331.3
May 19 :	249.2	1985:	344.2	242.7	344.2
May 18 :	255.5	1984:	269.6	178.4	246.3

* Based on midday prices.

Chase Account Offers Rising Rate

NEW YORK — Chase Manhattan Bank has introduced a savings account that pays a market rate and offers a yield that increases over time — provided no withdrawals are made from the account.

"This product rewards savers," said Michael S. Cassidy, a Chase senior vice president. "Instead of 'promotional' rates — which often confuse customers — we are offering a competitive rate with a feature that increases the yield for people who save over a period of time." Interest on the account, which Chase has dubbed Dividend Savings, is now at 6.25%.

In the quarter a customer opens a Dividend Savings account, the interest earned is 6.25%, with a yield of 6.45%. If there are no withdrawals, there is a "dividend" equal to 2% of the interest earned the next quarter — raising the yield to 6.58%. In successive quarters, if there are no withdrawals, the "dividend" increases to 4% of earned interest — producing a 6.71% yield.

Dividend Savings requires a minimum deposit of $1,000. And the account's interest rate is subject to change quarterly. ■

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American Banker

TOP 300 U.S. THRIFTS — TABLES BEGIN ON P. 10

The Daily Financial Services

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Today

M. Danny Wall asked for a one-year extension of the moratorium that bars thrifts from leaving the FSLIC. The Bank Board chairman said the time is needed to counter the "perception that without the moratorium there may be a major exodus from the FSLIC." ____ 2

Canada's House of Commons is conducting a round of hearings in a continuing examination of bank disclosures of fees and fee increases. ____ 2

Congress is considering measures that would force financial institutions to substantially increase the amount of information they disclose to the public about commercial loans. ____ 3

The mutual fund industry expects a 45% decline in new fund sales this year, according to a survey by Drexel Burnham Lambert. But respondents expressed confidence in their industry's long-term health. ____ 24

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COMMENT

Why MBAs make such poor writers in the business world and what can be done to improve their writing skills is addressed by Joyce Pharris in an article adapted from the *Stanford Business School Magazine.* ____ 4

THRIFTS & MORTGAGES

Southern California lenders are ecstatic about soaring real estate prices. They expect to outperform previous record years with ease — and they can do so by writing fewer loans. ____ 6

Economist Michael C. Aronstein foresees downward pressure on home prices for the next 10 or 15 years. A principal in the money management and investment firm of Comstock Partners Inc., Mr. Aronstein recommends bankers replace upscale home and condo loans with high-quality, long-term debt. ____ 6

Thrifts and banks are using derivative mortgage securities successfully to remedy maturity gaps and protect against exposure to interest rate risk, writes Andrew S. Carron in the Observer column. ____ 8

Consolidation continued in 1987 as the nation's top 300 thrifts increased their share of the industry's deposits to 62.7% from 59.3% a year earlier. During the year, the total number of thrifts declined by 6.1%. ____ 10

Glenn R. Wilson Jr., who resigned last year as president of the Government National Mortgage Association to lead a Nebraska mortgage company, has been named president and chief operating officer of Knutson Mortgage Corp., Bloomington, Minn. ____ 5

Executive Changes ____ 5
Top 300 Thrift Listings ____ 11

Worth Repeating

We are within striking distance of dealing with all the problems with the funds available to us now.

M. Danny Wall, Bank Board chairman. [Page 3]

Thrifts Attract Diverse Array of Buyers

Nonthrift Acquirers Drawn to Cash, Positioning, Accounts

By LINDA ELLIS

NEW YORK — While regulators are putting together shotgun weddings of Energy Belt savings institutions, a growing number of thrifts have been wooed and won by nonthrift companies.

In the last few years, businesses that have reached out to the thrift industry for a partner include a child care services firm, insurance companies, private investors, mortgage bankers, a timber company, and a consulting concern.

Just this week, the Federal Home Loan Bank Board gave its approval for Hawaiian Electric Industries Inc., Honolulu — the state's major utility — to acquire Hawaii's second largest savings and loan association, American Savings Bank, Honolulu. The $112 million deal came about because Hawaiian Electric, like many other utilities, is flush with cash and looking for opportunities to diversify.

In most cases the thrift brings a dowry of synergy or dollars or both. The thrift's customer base can be used for cross-selling, or the thrift charter permits attractive activities unavailable without the acquisition. In the case of a developer, it's a marriage of convenience and ready cash.

The acquisitions of thrifts by nonbanks and nonthrifts have come in spurts in the past three years. But as more companies want to add "financial services" to their corporate identities, the trend can be expected to continue.

Within the past 10 days, a manufactured home/mortgage banking organization based in Tulsa, Okla., an-

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THRIFTS & MORTGAGES
AN AMERICAN BANKER WEEKLY FEATURE

Section Begins on Page 8

Torell Named CEO at CalFed

Rutland Resigns to Make Room for Hanover's Ex-Chief

By ROBERT LUKE
West Coast Bureau

John R. Torell

LOS ANGELES — John R. Torell 3d, former president of Manufacturers Hanover Corp., was elected chairman and chief executive officer of CalFed Inc., the nation's fourth largest thrift holding company.

As a result, George P. Rutland, 55, resigned as president and chief executive officer.

"I don't think the new chief executive should be in with the current chief executive around. That's not appropriate," Mr. Rutland said in an interview.

Mr. Torell, 49, succeeds Robert R. Dockson, who retired as chairman of the board but remains chairman of the board's executive committee. Mr. Torell assumes his posts on Aug. 1.

Mr. Rutland's departure was not unexpected. Reports had circulated for months that he would not be chosen to succeed Mr. Dockson, whose employment contract with the company expired at the company's annual stockholders meeting in April.

"If it was going to be Rutland, Dockson's retirement would have been an-

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Banks Will Pay Overdraft Costs, Fed Official Hints

By YVETTE D. KANTROW

NEW YORK — The idea of making banks responsible for the payment system risk they create when using large-dollar transfer networks is gaining support at the Federal Reserve Board, Vice Chairman Manuel H. Johnson said Thursday.

"If risk responsibility can be clearly assigned, not only will markets allocate daylight credit more effectively, but the level of aggregate exposure will also decline," the vice chairman told a payment systems symposium in Williamsburg, Va.

At the same symposium, E. Gerald Corrigan, president of the Federal Re-

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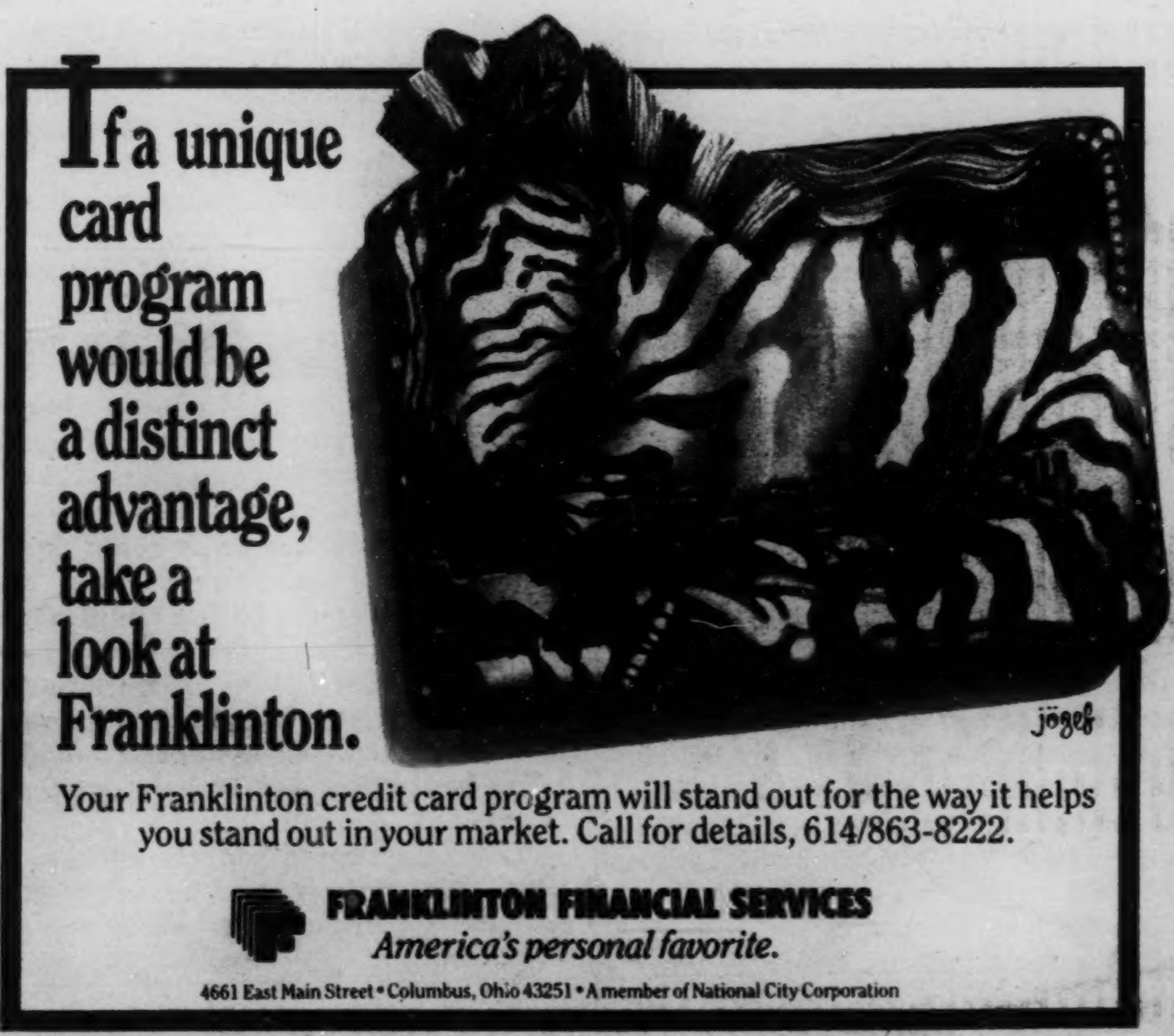

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May 27, 1988, American Banker

If Johnny the MBA Can Read, Why Can't He Write?

By JOYCE PHARRISS

NOT VERY LONG AGO the subject of many a news story was "why Johnny can't read." Although that theme seems to have lost its appeal, "why Johnny can't write" — a question more fitting for the careerist 1980s — has taken its place.

Johnny and his classmate Joanne have grown up and gone to business school. And guess what? Those kids with the high-priced MBAs can't write a readable report or memo once they get out there in the business world.

At least that's what a lot of people, including some from corporate America's executive suites, would have you believe. The sheer number of MBAs now out there makes it inevitable that some will indeed be poor writers, some excellent, many mediocre.

People holding MBA degrees — newly acquired or a decade old — are not more likely to write more or less coherently than other people in the business world with comparable levels of education — such as engineers, lawyers, or biochemists.

Many people complete years of schooling, including graduate-level studies at some of the most prestigious universities, without being obliged to write well. Writing skills are simply not emphasized in graduate education.

But these days resentment runs high when it turns out that MBAs from the top business schools can't communicate effectively. The competition to hire business school graduates is intense, and the salaries that companies pay to bring them on board can only be justified if they walk on water.

> Resentment runs high when it turns out that MBAs from the top business schools can't communicate effectively. The salaries companies pay to bring them on board can only be justified if they walk on water.

Yet this year's newly minted MBAs have the same problems in writing clearly that MBAs 10 years out of school and executives as a group have had for years. Grammar and spelling errors aren't the problem, either for executives or students in the MBA program at Stanford.

Deadly Dullness of Business Style

Most writing difficulties in both groups can be traced to three bad habits that create confusing business documents, waste time, and undermine goodwill: thinking aloud on paper, ignoring the reader's needs, and adopting the prevalent business style. Even a simple announcement of the office Christmas party, couched in the prevalent business style, reads like a proclamation from the great industrial potentate.

Thinking on your feet is unquestionably a valuable skill in business. It's almost always fatal when adapted to the written word. The executive who writes or dictates thoughts as they occur, hoping to wrap up that third-quarter production report in 10 minutes, will inevitably produce a report no one else can read — at least not without some second guessing.

Think clearly about the subject and how to organize it on paper. Make a rough draft and polish. These basic investments in time and effort are necessary to save your reader from being puzzled by your report. Other people's time saved is one measure of effective executive writing.

Yet you'll hear students in the MBA program at Stanford, as well as executives, insist: "I have too much to do. I don't have time to go through all that to get out a report."

Such an attitude assumes that your reader has little to do and plenty of time to figure out what your report is trying to say. The result is more misunderstandings and more of your own and your reader's time spent on clarifications and explanations. If time is money, as the cliche goes, you're costing your organization plenty through duplication of effort.

Ignoring the reader's needs is another costly executive writing error. Think about how you read the documents that cross your own desk.

Make the Facts Easy to Find

If you're like most busy people, you scan quickly, looking for answers to three unspoken questions: What is this about? What does it have to do with me? What should I do about it? Yet much of this basic information is often buried somewhere in the third paragraph, sometimes only implied. Much of the time it is omitted altogether.

A busy reader who can't get quickly to the information sought may devote more time and effort to unearthing it. Or the reader may just put your letter on the bottom of the pile. While you're waiting for a reaction and wondering why it's taking so long to get, a quarter-million-dollar project is on hold.

Basic information — what your letter is about, what it has to do with the reader, what needs to be done about it — should be highlighted so it can't be missed. State this information directly and specifically. Make it easy for your reader to get the information needed to ensure that you get the results you want from your writing. Getting results is a second measure of effective executive writing.

Executive writing problem No. 3 lies in the unconscious tendency of managers at every level to adopt the prevalent business style. As a result, much executive writing sounds dreadfully similar. It is stilted, overly formal, obscure, and inflated — whether the subject is the quarterly earnings report or a commendation to an employee for 25 years of faithful service.

The solution is fairly easy. Get back to writing in plain English. Write shorter sentences. Use active voice in most of them.

Avoid Rodomontade, Prolixities

Avoid jargon, big words, and wordiness. To name a few of the prolixities that plague business documents: "prior to" instead of "before;" "in the event that" instead of "if;" and "at the present time" instead of "now."

Get rid of legalese, such as "affix your signature to this document," "pursuant to our agreement," or "accede to your request." Use personal pronouns and contractions. Strive for a conversational tone.

A third measure of executive writing is how effectively it promotes goodwill. Business success depends on successful relationships among people.

The prevalent business style wastes the reader's time, being more difficult to understand than the subject matter warrants. At worst, it comes across as imperious and impersonal. Letting your own conversational voice be heard on paper is a much better strategy for winning friends and influencing people.

Why do young MBAs write in the prevalent business style? Probably for the same reasons as executives in general: They've simply adopted this aspect of the corporate culture just as they've adopted its dress code.

Students who take management writing workshops at Stanford Business School often resist the suggestion to write in a simpler, less formal style. After all, they've read executive memos at their previous places of employment before coming to business school.

At business school they've been inundated with academic readings full of jargon, polysyllabic vocabulary, passive verbs, and sentences running 40 to 60 words. With such role models, how many success-driven people are going to take a chance on looking dumb by writing in plain English?

If attention to writing is given short shrift by many of the new crop of MBAs, there may be other reasons. At business school, many students say, it's not worth the effort to spend time on writing because good writing isn't a criterion for success in most of their courses.

Once in business, these students believe, the emphasis will be on their ability to think on their feet, make smooth presentations, and deliver dynamic speeches. Stanford Business School workshops on how to make presentations consistently outdraw those on writing by more than 3-to-1.

Executives may indeed write less as they reach the ranks of general management. However, MBAs moving into entry-level management positions and through middle-management ranks will frequently be called on to write.

The Writing Is on the Wall

During the first few years of their careers, these managers may often be visible to top management only as names on proposals, reports, or memos. Depending on how well or poorly they come across on paper, their writing can be either a blessing or a curse.

The senior vice president of a large pharmaceutical company recently phoned the communication skills office at Stanford Business School to get some help for his newly appointed vice president of sales. The problem: He wrote proposals that the chief executive officer couldn't understand.

This writer sent directives to the field force that no one could follow. His memos to colleagues gave rise to conflicting interpretations. The effects were wasted time, lowered productivity, professional embarrassment, and damaged credibility.

The diagnosis: the three bugaboos of business writing described above. All the symptoms were easy to spot in a small collection of the sales vice president's documents.

Like this manager, anyone can change writing habits and produce more effective letters, memos, and reports with this three-pronged approach:

- **Attitude.** Recognize that certain ideas you may have about writing are unrealistic: "I shouldn't have to spend time on writing" or "It should be as easy as talking."

Other attitudes are untrue: "I can't change the way I write" or "It takes an innate talent I don't have." Such attitudes only encourage frustration and powerlessness.

Recognize that writing require an investment in time. By its very nature writing is more exacting than talking. It

Required Reading: Page 19 ➜

Ms. Pharriss is director of the communication skills program of the Stanford University Business School. This article is adapted from Volume 56, No. 1 of the *Stanford Business School Magazine*. Copyright 1987 by the Board of Trustees of the Stanford University.

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Thrift Industry Continues to Shrink

By **THERESIA E. TREPEL**

NEW YORK

THE consolidation of the thrift industry that began in the early 1980s continued last year. The nation's top 300 thrifts held 62.7% of the industry's deposits on Dec. 31, up from 59.3% a year earlier and from 54.3% at yearend 1981.

The total number of thrifts fell by 6.1% in 1987. There were 3,467 federally insured institutions on Dec. 31, compared with 3,692 a year earlier and 4,110 at yearend 1981. That amounts to a 15.6% decline over a six-year period.

These are some of the findings of the *American Banker's* annual survey of the nation's thrift industry. The *American Banker* identifies and ranks the 300 largest savings and loan associations and savings banks in the nation by total deposits and assets as of Dec. 31. A geographical breakdown of the top 300 thrifts in deposits is also provided.

Henry Peltz, a vice president and thrift analyst with Keefe, Bruyette, & Woods Inc., cited two reasons for the concentration of deposits at the larger thrifts. "Big thrifts have money desks where they buy deposits," he said. "In addition, acquisitions of smaller thrifts by the top thrifts played a role."

The *American Banker* found that 26 of the top 300 thrifts in deposits acquired thrifts in 1987. The assets of these acquired institutions totaled $14.8 billion and accounted for 30% of the $49.4 billion growth in assets at the top 300 institutions last year.

The deposits of the top 300 thrifts rose 7.7% to $692.3 billion on Dec. 31, from $642.9 billion a year earlier. The total deposits for the entire industry were up 1.8% to $1.103 trillion from $1.083 trillion a year earlier.

Three hundred and twenty of the thrifts in the United States at yearend, or 9.2% of the total, were insured by the Federal Deposit Insurance Corp. The FDIC-insured thrifts had $170.9 billion in deposits, or 15.5% of the industry total. The remaining 3,147 thrifts, insured by the Federal Savings and Loan Insurance Corp., had deposits of $932.6 billion, or 84.5% of the industry's deposits.

Other Survey Findings

- The trend toward conversion from mutual to stock ownership continued for the fourth year in a row. Among the top 300 thrifts in deposits, 198, or 66%, were stock companies at yearend 1987, compared with 177 institutions, or 59%, a year earlier. At yearend 1983, only 32% were stock companies.

Thrifts have been converting from mutual ownership to stock ownership primarily to recover capital lost during hard times in the early 1980s. Mr. Peltz believes this trend will continue.

- Alabama Federal Savings and Loan Association, Birmingham, had the largest gain in deposits among the top 300 thrifts. Its deposits rose 120% from $651.4 million on June 30 to $1.43 billion on Dec. 31. The increase was attributed in part to the acquisition of the $935 million-asset First Financial Bank, New Orleans, and the $55 million-asset First Federal Savings Bank, Slidell, La.
- The second largest deposit gain was posted by the 78th-ranked Home Savings Association of Kansas City. The Missouri thrift's deposits doubled from $1.17 billion on June 30, to $2.34 billion on Dec. 31. The thrift acquired the $1.1 billion-asset Riverside Federal Savings Association, Pine Bluff, Ark., on Dec. 8.
- The thrift with the third largest deposit increase was 64th-ranked Guaranty Federal Savings and Loan Association, Galveston, Tex. Its deposits rose 41% to $2.62 billion at yearend. The gain was helped by its purchase of a branch office of Benjamin Franklin Savings Association, Houston, in July, and Guaranty Federal's acquisition of 14 branches of United Savings Association, Houston, in December.
- The largest decline in deposits was posted by 144th-ranked Far West Federal Bank, Portland, Ore. Its deposits dropped 40%, to $1.43 million at yearend from $2.38 billion at midyear. The thrift has been insolvent since yearend 1986.
- Lyons Savings, Hinsdale, Ill., had the second largest drop in deposits. The thrift was known as Lyons Federal Trust and Savings Bank until it was placed in the Federal Home Loan Bank Board's management consignment program in September. Lyons Savings had a 17% deposit loss, down to $1.28 billion on Dec. 31 from $1.54 billion on June 30. This decline was attributable to the thrift's large loan losses.

Citicorp Units with High Capital Ratios

- Two Citicorp affiliates were among the top 300 thrifts with the highest ratios of net worth to assets. Citicorp Savings of Illinois, Chicago, had a ratio of 30.88%, and Citicorp Savings of Florida, Miami, 19.34%. In addition, a third Citicorp thrift, Citicorp Savings, San Francisco, had the ninth highest capital ratio. These three Citicorp thrifts have ranked among the 10 thrifts with the best capital ratios for the past three years.
- A newcomer to the highest capital ratio list was Southern California Savings, Beverly Hills. Its ratio of 15.45% ranked fourth among the top 300 in deposits at yearend. In 1986, the thrift had the sixth poorest ratio among the top 300 thrifts, −16.24%. The turnaround was attributable to the Simon group's purchase of the thrift in spring 1987. At that time, the institution was recapitalized.
- The thrifts with the poorest capital ratios were Western Federal Savings and Loan Association, Dallas, and American Diversified Savings Bank, Lodi, Calif., at −150.88% and −116.21%, respectively. Western lost $885 million in 1987, the largest loss posted by a thrift. American Diversified lost more than $111 million, the 26th largest loss.
- The biggest merger last year was reported by fifth-ranked Glendale Federal Savings and Loan Association, Glendale, Calif. It acquired the $2.7 billion-asset Guarantee Savings, Fresno, Calif., on Oct. 30.
- The second largest merger was the acquisition of $1.5 billion-asset Central Savings and Loan Association, San Diego, by 11th-ranked Coast Savings and Loan Association, Los Angeles, on April 10, 1987.
- The third largest merger was posted by 52d-ranked Commercial Federal Savings and Loan Association, Omaha. It acquired the $1.4 billion-asset Empire Savings Building and Loan Association, Denver, on April 30.
- In a major consolidation, three members of the Empire Financial network — the $3.4 billion-asset Empire of America Savings Bank, Fort Worth; the $79.5 billion-asset Empire of America-Texas Federal Savings Bank, Houston; and the $409.8 billion-asset Empire of America-California Federal Savings Bank, Woodland Hills, were consolidated under the charter of 13th-ranked Empire of America Federal Savings Bank, Buffalo, on Dec. 31. ■

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Centennial Application Gets Nod

ST. LOUIS — The Federal Reserve Bank of St. Louis has approved the application of Centennial Bancshares Corp., Elsberry, Mo., to become a bank holding company through the acquisition of Bank of Lincoln County, Elsberry. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our top 300 U.S. thrift institutions tables and feature meet your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the tables or feature to make it more useful? What would you add?

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(2.) What do you like **best** about the tables and feature?

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(4.) How do you use the tables and feature in your work?

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Name (optional)______________________

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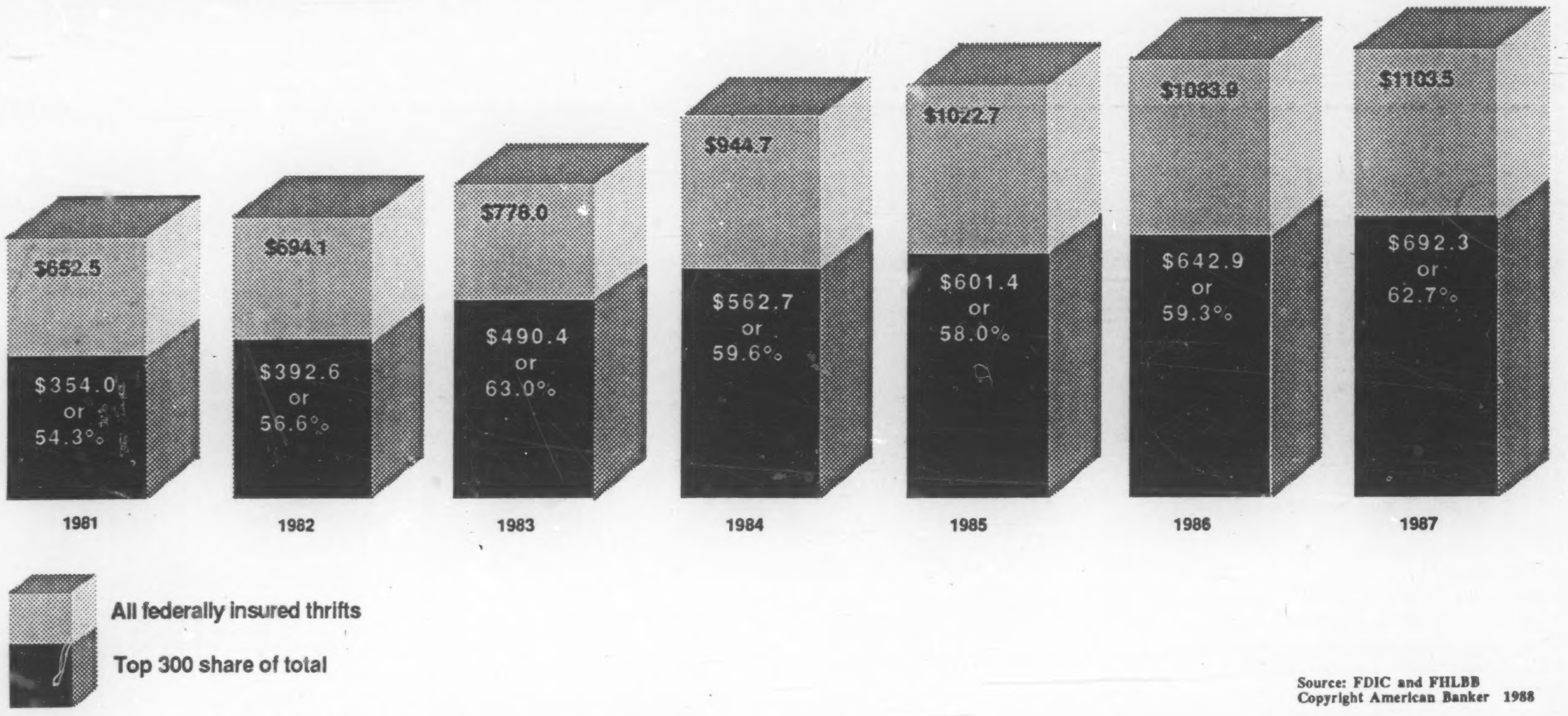
Top 300 Thrifts

In deposits and assets on Dec. 31, 1987

American Banker ranks the 300 largest savings and loan associations and savings banks in the nation by their total deposits and their total assets on Dec. 31, 1987. A geographical breakdown of the top 300 thrifts in deposits is also provided. Summary tables identify the fastest growing thrifts in deposits and the thrifts with the largest deposit losses over the last half of 1987. Additional summary tables identify the thrifts with the best and poorest net worth-to-assets ratios at yearend.

Total Deposits of All Federally Insured Thrifts

1981-1987, in billions of dollars



Source: FDIC and FHLBB
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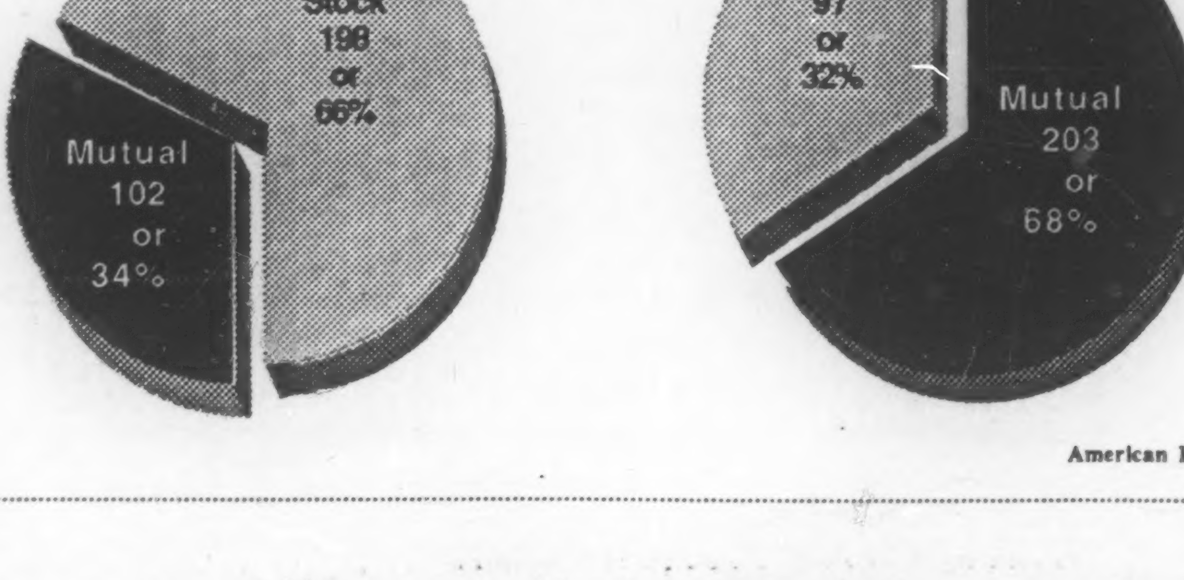
Ownership of the 300: Stock vs. Mutual

1987 Compared with 1983



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Top 300 U.S. Thrift Institutions

In Order of Deposits, December 31, 1987, Compared with December 31, 1986

Rank 12/31/87		Deposits 12/31/87	Deposits 12/31/86	Rank 1986	Gain	Assets 12/31/87	Assets 12/31/86	Net Worth 12/31/87	Net Worth/ Assets(%)	Chart. Type	Insur. Type
1	**Home Savings of America, FA, Irwindale, Calif.**	22,561,926,000	21,774,759,000	1		30,533,471,000	27,789,661,000	1,789,989,000	5.86	4	2
2	**Great Western Bank, FSB, Beverly Hills**	20,054,706,000	18,130,530,000	2		28,526,110,000	27,405,368,000	1,283,392,000	4.50	2	2
3	**American Savings & Loan Assn., Stockton, Calif.**	16,687,638,000	16,977,839,000	3		33,843,873,000	33,933,294,000	195,270,000	0.58	4	2
4	**California Fed. Savings & Loan Assn., Los Angeles**	16,045,200,000	15,455,800,000	4		23,219,400,000	20,540,400,000	1,151,500,000	4.96	4	2
5	**Glendale Federal Savings & Loan Assn., Calif.**	15,315,257,000	12,700,344,000	5		23,206,137,000	17,451,589,000	1,058,985,000	4.56	4	2
6	**Meritor Savings Bank, Philadelphia**	12,915,395,000	12,676,100,000	6		19,016,456,000	18,447,272,000	1,226,175,000	6.45	2	1
7	**First Nationwide Bank, FSB, San Francisco**	12,033,764,000	11,079,351,000	7		17,177,903,000	15,044,316,000	1,017,236,000	5.92	2	2
8	**Goldome, Buffalo, N.Y. (a)**	11,033,778,000	11,016,213,000	8		15,153,370,000	14,669,199,000	451,308,000	2.98	2	1
9	**Great American First Savings Bank, San Diego, Calif.**	10,639,905,000	8,877,414,000	9		15,242,243,000	13,064,815,000	763,638,000	5.01	2	2
10	**Home Fed. Savings & Loan Assn. of San Diego, Calif.**	10,564,359,000	8,562,059,000	10		14,109,123,000	12,074,620,000	1,157,321,000	8.20	4	2
11	**Coast Savings & Loan Assn., Los Angeles**	8,624,869,000	5,931,131,000	16	+5	11,951,980,000	9,725,362,000	1,012,021,000	8.47	4	2
12	**World Savings, FS&LA, Oakland, Calif.**	8,427,351,000	7,698,523,000	11		12,837,910,000	12,439,262,000	867,403,000	6.76	4	2
13	**Empire of America, FSB, Buffalo, N.Y. (b)**	7,996,568,000	4,967,439,000(c)	23	+10	10,855,983,000	6,301,574,000(c)	556,512,000†	5.13†	2	2
14	**Dime Savings Bank of New York FSB, Garden City**	7,845,831,000	6,464,274,000	15	+1	10,944,187,000	8,366,595,000	682,865,000	6.24	2	1
15	**CrossLand Savings FSB, Brooklyn, New York**	7,748,030,000	6,876,465,000	13		13,774,567,000	10,095,697,000	1,100,000,000	7.99	2	1
16	**City Federal Savings Bank, Bedminster, N.J.**	7,230,507,000	6,998,588,000	12		10,810,794,000	10,728,053,000	359,154,000	3.32	2	2
17	**Columbia Savings & Loan Assn., Beverly Hills**	7,176,004,000	5,192,585,000	19	+2	11,227,256,000	10,222,652,000	656,283,000	5.85	4	2
18	**Imperial Savings Assn., San Diego, Calif.**	7,028,948,197	5,532,288,000	18		10,869,881,763	8,911,820,000	417,936,038	3.84	4	2
19	**Anchor Savings Bank FSB, Northport, N.Y.**	6,581,206,000	6,468,025,000	14		7,673,815,000	7,359,381,000	574,397,000	7.49	2	2
20	**Gibraltar Savings, Beverly Hills**	6,524,411,000	5,727,043,000	17		13,480,564,000	11,406,157,000	511,107,000	3.79	4	2
21	**First Federal of Michigan, Detroit**	5,202,530,000	5,047,913,315	22	+1	11,882,593,000	11,271,916,424	389,915,000	3.28	4	2
22	**Bowery Savings Bank, New York**	5,200,433,000	5,136,413,000	20		6,513,306,000	6,303,939,000	361,408,000	5.55	2	1
23	**CenTrust Savings Bank, Miami**	5,051,883,000	3,588,802,971	35	+ 12	8,187,242,000	6,167,095,000	432,928,000	5.29	4	2
24	**Citicorp Savings, FS&LA, San Francisco**	4,945,324,000	3,072,518,000	47	+ 23	6,976,531,000	4,978,642,000	915,240,000	13.12	4	2
25	**People's Bank, Bridgeport, Conn.**	4,676,625,000	4,352,744,000	26	+1	5,651,206,000	4,956,668,000	364,637,000	6.45	1	1
26	**Talman Home Federal Savings & Loan Assn., Chicago**	4,544,146,000	4,748,281,000	24		6,048,694,000	5,699,630,000	289,294,000	4.78	4	2
27	**Standard Federal Bank, Troy, Mich.**	4,500,435,454	4,450,335,801	25		8,514,739,405	6,736,680,682	607,837,362	7.14	2	2
28	**Western Savings & Loan Assn., Phoenix, Ariz.**	4,469,353,294	3,813,475,624	32	+4	6,052,257,047	5,593,209,327	271,882,000	4.49	4	2
29	**Northeast Savings, FA, Hartford, Conn.**	4,409,350,000	3,454,316,000	36	+7	7,368,279,000	5,845,804,000	332,693,000	4.52	4	2
30	**Carteret Savings Bank, FA, Morristown, N.J.**	4,374,165,000	4,123,994,000	28		5,906,209,000	5,541,090,000	339,002,000	5.74	4	2
31	**Gibraltar Savings Assn., Houston**	4,249,560,000	3,398,074,075	39	+8	6,148,164,000	4,707,511,800	262,824,000	4.27	4	2
32	**Howard Savings Bank, Newark, N.J.**	4,203,982,000	3,704,461,000	33	+1	4,880,614,000	4,294,392,000	334,300,000	6.85	2	1
33	**Long Island Savings Bank FSB, Syosset, N.Y.**	4,165,793,000	4,194,343,000	27		5,666,304,000	5,635,827,000	504,920,000	8.91	1	2
34	**Sears Savings Bank, Glendale, Calif.**	4,040,423,000	5,054,267,728	21		5,604,724,000	6,577,588,093	300,919,000	5.37	2	2
35	**MeraBank, FSB, Phoenix, Ariz.**	4,007,610,000	3,905,887,000	31		6,635,588,000	6,257,802,000	527,955,000	7.96	2	2
36	**Dollar-Dry Dock Savings Bank, White Plains, N.Y.**	4,001,718,000	3,956,983,000	30		4,609,881,000	4,365,459,000	180,361,000	3.91	2	1
37	**Atlantic Financial Federal, Bala Cynwyd, Pa.**	3,965,830,000	4,107,470,000	29		7,355,209,000	5,979,325,000	298,049,000	4.05	4	2
38	**Citicorp Savings of Illinois, FS&LA, Chicago**	3,664,208,000	3,640,424,000	34		5,509,947,000	5,527,563,000	1,701,430,000	30.88	4	2
39	**Florida Federal Savings & Loan Assn., St. Petersburg**	3,529,475,656	3,446,706,000	37		5,494,518,060	5,464,673,000	164,140,000	2.99	4	2
40	**Washington Mutual Savings Bank, Seattle**	3,493,311,000	3,293,169,000	41	+1	5,707,574,000	5,392,597,000	397,644,000	6.97	2	1
41	**Perpetual Savings Bank, FSB, McLean, Va.**	3,420,727,000	3,193,313,000	42	+1	4,690,121,000	4,407,268,000	369,961,000	7.89	2	2
42	**TransOhio Savings Bank, Cleveland**	3,396,077,000	3,391,000,000	40		5,745,739,000	5,062,000,000	310,311,000	5.40	4	2
43	**Lincoln Savings & Loan Assn., Irvine, Calif.**	3,374,531,000	2,823,134,000	53	+ 10	4,748,467,000	3,605,217,000	252,530,000	5.32	4	2
44	**First Federal Savings & Loan Assn., Rochester, N.Y.**	3,356,370,000	3,154,870,641	45	+1	4,777,318,000	4,540,240,189	92,173,000	1.93	3	2
45	**TCF Banking & Savings, FA, Minneapolis**	3,342,102,000	3,405,961,000	38		5,871,264,000	6,517,650,000	201,360,000	3.43	4	2
46	**University Savings Assn., Houston**	3,309,375,000	2,853,527,000	51	+5	4,289,583,000	3,935,592,000	229,513,000	5.35	4	2
47	**United Savings Assn., Houston**	3,304,226,000	3,193,286,000	43		5,802,246,000	5,988,566,000	196,935,000	3.39	4	2
48	**Emigrant Savings Bank, New York**	3,239,474,000	3,138,797,252	46		3,558,059,000	3,514,356,932	195,688,000	5.50	1	1
49	**Sunbelt Savings Assn., Dallas**	3,111,621,000	2,821,995,000	54	+5	3,386,571,000	3,195,491,929	(447,774,000)	(13.22)	4	2
50	**Green Point Savings Bank, Brooklyn, New York**	3,102,199,090	2,752,920,447	56	+6	3,588,764,621	3,091,464,072	368,975,434	10.28	1	1
51	**Benjamin Franklin Federal S & L Assn., Portland, Ore.**	3,058,855,000	2,869,674,291	50		4,923,795,000	4,430,535,792	233,581,000	4.74	4	2
52	**Commercial Federal Savings & Loan Assn., Omaha, Neb.**	3,050,582,592	1,804,121,000	99	+ 47	5,999,297,244	3,329,508,000	221,378,000	3.69	4	2
53	**Bright Banc Savings Assn., Dallas**	3,044,084,000	3,173,566,000	44		4,794,234,000	4,801,080,000	82,157,000	1.71	4	2
54	**American Savings Bank FSB, New York**	2,993,944,000	2,943,771,031	49		4,052,698,000	3,833,200,000	351,402,000	8.67	2	1
55	**Chevy Chase Savings Bank, FSB, Md.**	2,989,811,213	2,424,005,745	63	+8	3,562,798,333	2,790,560,425	220,936,131	6.20	2	2
56	**AmeriFirst Federal Savings & Loan Assn., Miami**	2,947,780,000	2,811,388,000	55		3,927,492,000	4,016,949,000	205,535,000	5.23	4	2
57	**Far West Savings & Loan Assn., Newport Beach, Calif.**	2,835,208,000	2,121,591,000	81	+ 24	3,751,520,000	3,025,187,000	200,418,000	5.34	4	2
58	**Community Federal Savings & Loan Assn., St. Louis, Mo.**	2,735,358,000	3,055,827,000	48		3,662,807,000	4,030,483,000	102,415,000	2.80	3	2
59	**Manhattan Savings Bank, New York**	2,730,382,945	2,727,680,008	57		3,040,874,820	3,018,622,531	259,798,188	8.54	1	1
60	**Society for Savings, Hartford, Conn.**	2,715,978,000	2,227,823,000	70	+ 10	3,557,645,000	2,948,366,000	189,928,000	5.34	2	1
61	**Homestead Savings, FS&LA, San Francisco**	2,697,598,000	2,479,493,677	61		5,512,871,000	5,492,379,681	223,616,000	4.06	4	2
62	**Franklin Savings Assn., Ottawa, Kan.**	2,684,611,000	1,961,504,000	89	+ 27	9,049,634,000	6,036,487,000	388,898,000	4.30	4	2
63	**First Texas Savings Assn., Dallas**	2,622,894,000	2,853,280,424	52		3,484,217,000	3,662,639,319	(87,822,000)	(2.52)	4	2
64	**Guaranty Federal Savings & Loan Assn., Galveston, Tex.**	2,622,544,000	1,762,433,000	101	+ 37	2,966,890,000	2,246,578,000	(68,759,000)	(2.32)	4	2
65	**Fidelity Federal S & L Assn., Glendale, Calif.**	2,587,171,000	2,406,569,000	65		3,848,192,000	3,294,905,000	181,600,000	4.72	4	2
66	**Hudson City Savings Bank, Paramus, N.J.**	2,585,407,549	2,487,373,787	60		2,891,962,321	2,741,931,840	211,455,083	7.31	1	1
67	**Old Stone Bank FSB, Providence, R.I.**	2,575,999,000	2,511,973,000	59		3,931,299,000	3,512,277,000	254,231,000	6.47	2	2
68	**Georgia Federal Bank, FSB, Atlanta**	2,552,621,000	2,332,455,000	67		3,570,772,000	3,214,514,000	251,931,000	7.06	2	2
69	**Apple Bank For Savings, New York**	2,533,419,000	2,451,764,000	62		2,866,754,000	2,699,331,000	198,486,000	6.92	2	1
70	**Downey Savings & Loan Assn., Costa Mesa, Calif.**	2,526,953,489	2,187,856,093	73	+3	3,219,288,136	2,481,734,397	221,061,867	6.87	4	2
71	**Valley Federal S & L Assn., Van Nuys, Calif.**	2,436,724,000	2,066,910,000	84	+ 13	3,324,584,000	2,661,455,000	118,292,000	3.56	4	2
72	**Home Owners Federal Savings & Loan Assn., Boston**	2,431,170,000	914,108,000	234	+162	3,657,020,000	1,388,222,000	191,000,000	5.22	4	2
73	**Farm & Home Savings Assn., Nevada, Mo.**	2,416,567,232	2,590,605,626	58		3,494,095,183	3,298,358,490	218,672,291	6.26	4	2
74	**Williamsburgh Savings Bank, Brooklyn, New York**	2,400,154,000	2,215,194,000	72		2,684,662,000	2,330,027,000	178,925,000	6.66	2	1
75	**Seamen's Bank for Savings FSB, New York**	2,372,010,000	2,418,300,000	64		4,124,084,000	3,315,240,000	183,618,000	4.45	2	1
76	**Pacific First Federal Savings Bank, Tacoma, Wash.**	2,359,451,000	2,059,374,000	85	+9	4,508,601,000	4,096,568,000	236,949,000	5.26	2	2
77	**Bank Western FSB, Denver**	2,339,671,927	2,365,452,405	66		3,569,662,452	3,508,319,362	271,647,831	7.61	2	1
78	**Home Savings Assn. of Kansas City FA, Mo.**	2,338,536,000	841,083,000	257	+179	2,755,493,000	1,131,302,000	107,848,000	3.91	4	2
79	**Midwest Federal Savings & Loan Assn., Minneapolis**	2,311,430,000	2,137,637,837	78		3,370,871,000	3,254,372,338	142,509,000	4.23	3	2
80	**San Jacinto Savings Assn., Houston**	2,277,731,000	2,271,363,269	68		2,843,381,000	2,709,356,252	188,698,000	6.64	4	2
81	**First Federal Savings & Loan Assn., Pittsburgh**	2,255,356,000	2,171,290,000	75		2,532,416,000	2,476,943,000	91,061,000	3.60	3	2
82	**Santa Barbara Savings & Loan Assn., Calif.**	2,252,170,000	2,005,337,000	88	+6	5,346,749,000	4,556,652,000	141,647,000	2.65	4	2
83	**St. Paul Federal Bank for Savings, Chicago**	2,248,559,483	2,077,714,000	83		2,818,398,750	2,395,382,000	223,955,346	7.95	2	2
84	**Capitol Federal Savings & Loan Assn., Topeka, Kan.**	2,240,250,000	2,132,795,499	79		2,613,369,000	2,494,514,607	239,428,000	9.16	3	2
85	**American Savings & Loan Assn. of Florida, Miami**	2,229,632,000	2,144,742,000	77		3,012,663,000	2,610,774,000	156,017,000	5.18	4	2
86	**Lincoln Savings Bank FSB, New York**	2,228,785,000	2,112,118,365	82		2,550,410,000	2,306,923,091	114,307,000	4.48	1	1
87	**First Minnesota Savings Bank FSB, St. Paul**	2,224,284,000	2,267,736,183	69		3,200,729,000	3,040,030,046	112,143,000	3.50	1	2
88	**Hill Financial Savings Assn., Red Hill, Pa.**	2,104,000,000	2,009,666,587	87		3,043,000,000	2,696,861,111	162,000,000	5.32	3	2
89	**Rochester Community Savings Bank, N.Y.**	2,088,114,000	2,152,028,000	76		3,272,385,000	3,137,856,000	312,500,000	9.55	2	1
90	**Citizens Federal Savings & Loan Assn., Dayton, Ohio**	2,036,650,756	1,957,586,529	90		2,346,776,610	2,261,115,804	105,100,324	4.48	3	2
91	**Citizens Federal Savings & Loan Assn., Miami**	2,006,114,000	1,904,050,000	94	+3	3,005,091,000	2,599,102,000	205,705,000	6.85	4	2
92	**Lamar Savings Assn., Austin, Tex.**	1,989,050,000	1,892,664,000	96	+4	1,919,183,000	1,994,725,000	(293,658,000)	(15.30)	4	2
93	**Astoria Federal Savings & Loan Assn., Queens, New York**	1,980,058,821	1,866,725,771	97	+4	2,643,382,160	2,571,270,264	190,101,085	7.19	3	2
94	**Dollar Bank FSB, Pittsburgh**	1,972,825,000	1,900,786,000	95	+1	2,463,892,000	2,380,196,000	212,849,000	8.64	1	2
95	**Greater New York Savings Bank, New York**	1,971,006,000	1,914,806,000	93		2,975,908,000	2,299,945,000	193,397,000	6.50	2	1
96	**Pima Savings & Loan Assn., Tucson, Ariz.**	1,969,703,000	1,768,579,000	100	+4	3,002,773,000	2,564,031,000	103,504,000	3.45	4	2
97	**Beverly Hills Savings, FS&LA**	1,964,336,000	1,380,974,000	143	+ 46	1,683,651,000	1,961,792,000	(531,650,000)	(31.58)	3	2
98	**Horizon Financial, FA, Southampton, Pa.**	1,947,531,000	1,940,932,000	91		2,521,658,000	2,419,515,000	47,124,000	1.87	3	2
99	**Coral Gables Federal Savings & Loan Assn., Fla.**	1,942,469,225	2,018,428,245	86		2,283,704,754	2,369,787,383	205,361,036	8.99	3	2
100	**East River Savings Bank, New York**	1,919,849,000	1,938,605,745	92		2,596,003,000	2,453,117,950	138,171,000	5.32	2	1

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data from the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. were used. These data were provided by **ADP Data Services Division, New York.** ADP has two thrift data bases for thrifts: (1) Its data base of thrifts reporting to the FHLBB on the "Quarterly Financial Report to the Federal Home Loan Bank Board." Virtually all of these thrifts are FSLIC-insured; (2) Its new data base of savings banks reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks." All the institutions in this data base are FDIC-insured. **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Regulatory Net Worth** includes permanent, reserve, or guarantee stock; paid-in surplus; qualifying mutual capital certificates; income capital/net worth certificates; qualifying subordinated debentures; appraised equity capital; reserves; undivided profits; and net undistributed income. **Charter Types: 1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types: 1**-FDIC-Insured; **2**-FSLIC-Insured; **3**-State Insured. **(a)**— Data are reported on a consolidated GAAP ("generally accepted accounting principles" basis. **(b)**— On Dec. 31, 1987, three members of the Empire Financial network—Empire of America Savings Bank, Fort Worth; Empire of America- Texas Federal Savings Bank, Houston; and Empire of America- California Federal Savings Bank, Woodland Hills, were consolidated under the Buffalo-charted savings bank. **(c)**— The 1986 data are unconsolidated and include the Buffalo-based institution only. **(†)**— Includes the effect of FSLIC granted forbearances.

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Top 300 U.S. Thrift Institutions

In Order of Deposits, December 31, 1987, Compared with December 31, 1986

Rank 12/31/87		Deposits 12/31/87	Deposits 12/31/86	Rank 1986	Gain	Assets 12/31/87	Assets 12/31/86	Net Worth 12/31/87	Net Worth/ Assets(%)	Chart. Type	Insur. Type
101	**San Francisco Federal Savings & Loan Assn.**	1,901,651,000	1,692,706,000	105	+4	2,911,825,000	2,345,742,000	155,657,000	5.35	4	2
102	**Mercury Savings, FS&LA, Huntington Beach, Calif.**	1,889,441,841	1,823,000,000	98		2,380,526,000	2,372,705,000	84,351,000	3.54	4	2
103	**Champion Federal Savings & Loan Assn., Bloomington, Ill.**	1,833,590,883	1,705,502,000	104	+1	2,316,818,354	1,975,378,000	118,651,910	5.12	3	2
104	**San Antonio Savings Assn., Tex.**	1,818,577,000	1,751,913,000	102		2,911,408,000	2,611,999,000	204,314,000	7.02	3	2
105	**Fortune Savings Bank, Clearwater, Fla.**	1,789,349,000	1,518,033,000	127	+ 22	2,950,558,000	2,415,876,000	113,172,000	3.84	4	2
106	**Sacramento Savings & Loan Assn., Calif.**	1,777,360,465	1,631,757,388	112	+6	2,218,584,000	2,064,691,897	116,061,000	5.23	4	2
107	**Third Federal Savings & Loan Assn., Cleveland**	1,773,008,576	1,520,458,834	124	+ 17	2,021,473,945	1,721,660,699	189,984,737	9.40	3	2
108	**Columbia Savings, FS&LA, Englewood, Colo.**	1,764,079,000	1,662,389,350	109	+1	2,862,070,000	2,718,020,189	(64,380,000)	(2.25)	4	2
109	**Silverado Banking Savings & Loan Assn., Denver**	1,758,127,000	1,350,217,000	146	+ 37	2,257,151,000	1,802,323,000	78,311,000	3.47	4	2
110	**Eureka Federal Savings & Loan Assn., San Carlos, Calif.**	1,750,106,000	1,496,431,000	128	+ 18	1,689,565,000	1,595,496,000	(93,694,000)	(5.55)	3	2
111	**Household Bank FSB, Newport Beach, Calif.**	1,717,147,000	1,568,154,000	117	+6	3,390,829,000	2,121,451,000	185,008,000	5.46	2	2
112	**Western Federal Savings & Loan Assn., Dallas**	1,700,340,000	1,544,320,000	120	+8	854,082,000	1,582,460,000	(1,287,952,000)	(150.80)	3	2
113	**Security Savings & Loan Assn., Milwaukee, Wis.**	1,694,834,090	1,231,872,251	166	+ 53	2,129,228,723	1,432,692,084	207,309,403	9.74	3	2
114	**Altus Bank, FSB, Mobile, Ala.**	1,690,554,000	1,607,013,000	113		2,730,250,000	2,535,435,000	117,432,000	4.30	2	2
115	**Boston Five Cents Savings Bank FSB**	1,690,011,000	1,488,491,000	129	+ 14	2,264,111,000	1,927,016,000	141,081,000	6.23	2	1
116	**Benjamin Franklin Savings Assn., Houston**	1,686,586,000	1,663,785,000	108		2,382,380,000	1,937,982,000	53,886,000	2.26	4	2
117	**Gill Savings Assn., Hondo, Tex.**	1,666,521,000	1,520,054,000	125	+8	1,626,630,000	1,619,360,000	(211,863,000)	(13.02)	4	2
118	**First Financial Savings Assn., Stevens Point, Wis.**	1,661,627,000	1,549,527,503	118		1,883,313,000	1,798,278,032	84,430,000	4.48	4	2
119	**Decatur Federal Savings & Loan Assn., Ga.**	1,656,308,164	1,647,000,000	110		2,063,899,505	1,880,000,000	87,161,068	4.22	3	2
120	**Fulton Federal Savings & Loan Assn., Atlanta**	1,650,999,000	1,672,319,000	107		2,391,827,000	2,028,952,000	72,313,000	3.02	4	2
121	**Great Lakes Bancorp, Ann Arbor, Mich.**	1,649,556,000	1,692,595,383	106		3,143,233,000	2,691,794,278	162,096,000	5.16	2	2
122	**Albany Savings Bank FSB, N.Y.**	1,643,321,807	1,645,077,790	111		1,844,933,980	1,776,671,047	115,753,077	6.27	1	2
123	**East New York Savings Bank, New York**	1,622,622,305	1,305,076,415	151	+ 28	1,855,282,323	1,515,526,085	151,825,586	8.18	2	1
124	**Guardian Savings & Loan Assn., Houston**	1,606,605,726	1,540,136,066	121		3,337,884,078	2,589,666,193	188,339,770	5.64	4	2
125	**First Federal Savings & Loan Assn., Greenville, S.C.**	1,595,420,538	1,417,948,000	136	+ 11	1,976,479,420	1,861,511,000	96,155,017	4.86	4	2
126	**Southwest Savings & Loan Assn., Phoenix, Ariz.**	1,591,785,000	1,532,484,000	123		2,261,858,000	2,088,141,000	89,028,000	3.94	4	2
127	**Uptown Federal Savings FA, Niles, Ill.**	1,591,507,000	869,949,000	247	+120	2,004,811,000	1,098,162,000	101,629,000	5.07	4	2
128	**BankAtlantic, FSB, Fort Lauderdale, Fla.**	1,586,231,000	1,469,000,000	134	+6	1,929,812,000	1,900,000,000	98,683,000	5.11	4	2
129	**Cragin Federal Savings & Loan Assn., Chicago**	1,585,488,119	1,408,711,999	138	+9	2,065,218,314	1,862,983,566	149,096,468	7.22	3	2
130	**Bell Federal Savings & Loan Assn., Chicago**	1,585,486,029	1,577,924,848	116		1,818,528,398	1,722,388,635	113,434,250	6.24	3	2
131	**Union Federal Savings & Loan Assn., Los Angeles**	1,576,821,916	1,079,132,816	189	+ 58	1,927,646,417	1,516,440,245	136,837,062	7.10	4	2
132	**Pelican Homestead & Savings Assn., Metairie, La.**	1,568,544,000	931,635,000	229	+ 97	1,946,304,000	980,799,000	125,314,000	6.44	3	2
133	**Investors Savings Bank, Richmond**	1,557,309,000	1,203,218,000	169	+ 36	2,108,773,000	1,636,820,000	72,609,000	3.44	4	2
134	**Pioneer Savings Bank, Clearwater, Fla.**	1,538,062,000	1,539,473,696	122		2,138,383,000	2,018,387,813	63,646,000	2.98	2	2
135	**American Pioneer Savings Bank, Orlando, Fla.**	1,519,821,000	1,338,397,000	147	+ 12	1,997,966,000	1,846,976,000	77,419,000	3.87	2	2
136	**Cardinal Federal Savings Bank, Cleveland**	1,509,146,000	1,484,316,000	132		1,585,312,000	1,683,455,000	(58,999,000)	(3.72)	1	2
137	**Western Fed. Savings & Loan Assn., Marina Del Rey, Calif.**	1,465,198,000	1,294,388,000	153	+ 16	2,188,199,000	1,841,567,000	104,327,000	4.77	4	2
138	**Dixie Savings & Loan Assn., New Orleans, La.**	1,457,739,000	1,193,245,000	170	+ 32	1,742,302,000	1,557,105,000	68,242,000	3.92	4	2
139	**Dominion Federal Savings & Loan Assn., McLean, Va.**	1,449,348,000	1,474,703,000	133		1,956,192,000	1,737,206,000	76,673,000	3.92	4	2
140	**Alabama Federal Savings & Loan Assn., Birmingham**	1,433,758,000	665,560,000	315	+175	2,245,085,000	1,018,944,000	270,736,000	12.06	4	2
141	**American Savings & Loan Assn., Salt Lake City, Utah**	1,432,251,000	2,132,412,000	80		2,201,276,000	2,867,591,000	(26,632,000)	(1.21)	4	2
142	**Beneficial Savings Bank, Philadelphia**	1,431,465,000	1,486,701,000	130		1,499,746,000	1,560,833,000	62,076,000	4.14	1	1
143	**Independent American Savings Assn. Irving, Tex.**	1,429,900,000	1,403,529,000	139		923,896,000	1,085,375,000	(649,996,000)	(70.35)	4	2
144	**Far West Federal Bank, Portland, Ore.**	1,427,465,000	1,484,860,197	131		1,863,220,000	2,239,550,281	25,568,000	1.37	4	2
145	**Leader Federal Savings & Loan Assn., Memphis, Tenn.**	1,406,871,774	1,353,956,811	145		2,108,516,215	1,905,064,518	123,677,896	5.87	3	2
146	**Loyola Federal Savings & Loan Assn., Baltimore**	1,395,674,000	1,305,436,000	150	+4	1,813,577,000	1,592,508,000	147,042,000	8.11	4	2
147	**Ensign Bank FSB, New York**	1,367,260,000	1,052,000,000	196	+ 49	1,832,692,000	1,506,000,000	62,614,000	3.42	2	2
148	**Honolulu Federal Savings & Loan Assn., Hawaii**	1,346,786,000	1,244,235,000	162	+ 14	2,143,861,000	1,686,104,000	84,046,000	3.92	4	2
149	**Collective Federal Savings Bank, Egg Harbor City, N.J.**	1,338,269,998	1,177,220,000	178	+ 29	1,996,114,222	1,559,626,000	106,442,457	5.33	2	2
150	**Citizens Savings Bank FSB, Providence, R.I.**	1,333,507,117	1,101,453,386	188	+ 38	1,949,534,113	1,927,340,005	222,281,052	11.40	2	1
151	**Bay View Fed. Savings & Loan Assn., San Mateo, Calif.**	1,306,634,000	1,076,028,000	190	+ 39	2,091,251,000	1,587,258,000	178,543,000	8.54	4	2
152	**Broadview Savings Bank, Cleveland**	1,305,579,000	1,238,847,646	164	+ 12	1,883,364,000	1,896,559,661	4,187,000	0.22	4	2
153	**Commonwealth Savings & Loan Assn., Ft. Lauderdale, Fla.**	1,304,824,000	1,114,116,000	186	+ 33	1,533,838,000	1,180,933,000	56,960,000	3.71	4	2
154	**Hollywood Federal Savings & Loan Assn., Fla.**	1,302,167,000	1,250,314,000	159	+5	1,570,768,000	1,451,101,000	53,223,000	3.39	3	2
155	**Citicorp Savings of Florida, FS&LA, Miami**	1,289,615,112	1,584,523,788	114		2,713,948,413	2,947,940,000	525,011,913	19.34	4	2
156	**First Federal Savings Bank, Cleveland**	1,289,219,000	1,289,034,000	154		1,486,120,000	1,485,510,000	70,053,000	4.71	1	2
157	**Provident Savings Bank, Jersey City, N.J.**	1,288,560,000	1,306,257,349	149		1,387,025,000	1,395,997,061	90,430,000	6.52	1	1
158	**Fidelity New York, FSB, Floral Park, N.Y.**	1,287,176,000	1,190,459,527	172	+ 14	1,706,063,000	1,608,174,017	100,019,000	5.86	1	2
159	**Albuquerque Federal Savings & Loan Assn., N.M.**	1,281,257,000	1,300,720,000	152		2,122,345,000	2,099,826,000	66,271,000	3.12	4	2
160	**Naples Federal Savings & Loan Assn., Fla.**	1,281,039,000	1,140,566,000	183	+ 23	1,566,058,000	1,410,890,000	59,974,000	3.83	4	2
161	**Lyons Savings, FSB, Hinsdale, Ill.**	1,277,192,000	1,707,114,000	103		1,906,373,000	1,846,246,000	(150,845,000)	(7.91)	3	2
162	**Flagler Federal Savings & Loan Assn., Miami**	1,275,546,211	1,235,552,376	165	+3	1,471,455,249	1,464,651,305	60,502,000	4.11	3	2
163	**Goldome Savings Bank, St. Petersburg, Fla.**	1,273,330,161	1,355,106,000	144		1,735,772,671	1,806,692,000	72,149,540	4.16	2	2
164	**First Federal Savings & Loan Assn., Toledo, Ohio**	1,263,298,800	1,186,738,567	173	+9	1,329,968,968	1,281,862,849	56,827,660	4.27	3	2
165	**Bell Savings & Loan Assn., FS&LA, San Mateo, Calif.**	1,260,592,000	1,153,892,000	182	+ 17	1,000,324,000	1,169,615,000	(413,505,000)	(41.34)	3	2
166	**Baltimore Federal Financial, FSA**	1,259,197,000	1,285,180,000	155		1,794,634,000	1,763,300,000	(77,465,000)	(4.32)	3	2
167	**First Federal Savings Bank of California, Santa Monica**	1,256,458,000	1,044,622,000	200	+ 33	1,866,363,000	1,456,105,000	94,304,000	5.05	2	2
168	**Peoples Westchester Savings Bank, Hawthorne, N.Y.**	1,252,689,000	1,215,311,000	167		1,465,359,000	1,412,706,000	137,696,000	9.40	2	1
169	**Ohio Savings Bank, Cleveland**	1,250,287,717	1,238,867,000	163		1,392,092,437	1,379,757,000	82,556,559	5.93	2	2
170	**Peoples Heritage Federal S & L Assn., Salina, Kan.**	1,238,368,000	1,045,025,000	199	+ 29	2,155,580,000	1,642,546,000	86,779,000	4.03	4	2
171	**Commonwealth Savings Assn., Houston**	1,231,832,000	1,384,699,000	140		1,925,372,000	1,760,114,000	(89,192,000)	(4.63)	4	2
172	**Germantown Savings Bank, Bala Cynwyd, Pa.**	1,231,572,000	1,257,337,000	158		1,382,056,000	1,404,969,000	77,108,000	5.58	2	1
173	**Norstar Bank Central New York, Syracuse**	1,224,615,000	1,125,813,951	185	+ 12	1,354,163,000	1,170,391,299	61,833,000	4.57	1	1
174	**Independence Savings Bank, Brooklyn, New York**	1,220,557,308	1,178,307,313	176	+2	1,366,747,394	1,294,801,173	100,076,543	7.32	1	1
175	**Peoples Heritage Savings Bank, Portland, Me.**	1,211,932,000	1,016,018,000	204	+ 29	1,700,371,000	1,345,941,000	222,317,000	13.07	2	1
176	**Montfort Savings Assn., FSA, Dallas**	1,204,067,000	....	...		1,281,745,000	....	(3,880,000)	(0.30)	3	2
177	**First Federal Savings of Arkansas, FA, Little Rock**	1,201,609,000	1,323,740,000	148		1,737,758,000	1,853,512,000	1,661,000	0.10	4	2
178	**Freedom Savings & Loan Assn., Tampa, Fla.**	1,201,016,000	1,546,009,668	119		1,689,497,000	2,174,584,228	(173,420,000)	(10.26)	4	2
179	**Gem Savings Assn., Dayton, Ohio**	1,196,215,517	1,244,877,085	161		1,586,988,007	1,601,441,504	56,200,000	3.54	3	2
180	**Columbia Banking Federal S & L Assn., Rochester, N.Y.**	1,192,301,320	1,180,755,000	174		1,482,999,326	1,433,474,000	60,109,000	4.05	3	2
181	**Beach Federal Savings & Loan Assn., Boynton Beach, Fla.**	1,191,985,489	1,384,649,000	141		1,145,793,560	1,389,452,000	(75,029,000)	(6.55)	3	2
182	**Provident Institution for Savings, Boston**	1,190,957,446	1,070,011,290	193	+ 11	1,552,295,745	1,461,162,192	103,966,628	6.70	2	1
183	**Roosevelt Federal Savings & Loan Assn., Chesterfield, Mo.**	1,188,134,000	1,248,050,000	160		2,293,689,000	1,690,599,000	66,924,000	2.92	4	2
184	**Landmark Savings Assn., Pittsburgh**	1,182,730,000	1,176,220,000	179		1,653,049,000	1,540,601,000	84,741,000	5.13	4	2
185	**Chase Federal Savings & Loan Assn., Miami**	1,180,556,017	1,383,992,456	142		1,695,512,000	1,853,890,221	49,806,000	2.94	3	2
186	**Washington Federal Savings & Loan Assn., Seattle**	1,180,350,000	849,746,000	254	+ 68	1,900,475,000	1,310,022,000	214,315,000	11.28	4	2
187	**Sooner Federal Savings & Loan Assn., Tulsa, Okla.**	1,174,778,000	1,177,805,000	177		1,458,788,000	1,513,631,000	58,442,000	4.01	4	2
188	**Home Savings Bank, Brooklyn, New York**	1,170,108,732	1,191,240,845	171		1,637,095,787	1,461,161,083	243,353,622	14.86	2	1
189	**Jamaica Savings Bank FSB, Lynbrook, N.Y.**	1,168,494,589	1,168,843,144	180		1,392,342,356	1,381,033,150	189,924,380	13.64	1	1
190	**Maine Savings Bank, Portland**	1,160,198,000	1,045,823,000	198	+8	1,584,703,000	1,316,848,000	98,439,000	6.21	2	1
191	**American Diversified Savings Bank, Lodi, Calif.**	1,159,098,000	637,680,000	328	+137	546,120,000	613,226,000	(634,626,000)	(116.21)	4	2
192	**Sandia Federal Savings & Loan Assn., Albuquerque, N.M.**	1,158,230,000	1,074,661,000	191		1,172,316,000	1,195,998,000	(84,798,000)	(7.23)	4	2
193	**First Mutual of Boston**	1,156,963,000	1,214,530,652	168		1,271,262,000	1,336,868,990	95,173,000	7.49	1	1
194	**Metropolitan Federal Bank FSB, Fargo, N.D.**	1,147,284,000	1,044,298,000	201	+7	2,280,686,000	1,923,960,000	118,195,000	5.18	2	2
195	**Commodore Savings Assn., Stamford, Tex.**	1,139,543,000	1,005,888,000	207	+ 12	746,296,000	815,853,000	(399,516,000)	(53.53)	4	2
196	**United Postal Savings Assn., St. Louis, Mo.**	1,134,347,000	890,349,000	241	+ 45	1,399,019,000	1,290,733,000	81,230,000	5.81	3	2
197	**Financial Fed. Savings & Loan Assn., Miami Lakes, Fla.**	1,131,134,000	1,180,675,435	175		1,364,202,000	1,385,678,466	29,479,000	2.16	3	2
198	**Neworld Bank for Savings, Boston**	1,130,296,000	1,047,616,000	197		1,422,954,000	1,207,119,000	126,023,000	8.86	2	1
199	**First Constitution Bank, New Haven, Conn.**	1,129,836,000	1,059,600,000	194		1,767,068,000	1,398,058,000	221,586,000	12.54	2	2
200	**New Haven Savings Bank, Conn.**	1,105,617,000	1,126,117,183	184		1,448,200,000	1,469,165,842	123,317,000	8.52	1	1

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201	**Pomona First Fed. Savings & Loan Assn., Calif.**	1,103,939,775	1,070,758,322	192		1,189,762,091	1,154,063,315	73,080,772	6.14	3	2
202	**Nevada Savings & Loan Assn., Las Vegas**	1,102,991,432	962,120,142	217	+ 15	2,368,063,436	1,824,769,652	151,529,054	6.40	4	2
203	**Southern California Savings, FS&LA, Beverly Hills**	1,076,745,000	1,021,019,000	203		1,648,134,000	983,842,000	254,632,000	15.45	4	2
204	**Columbia First Federal S & L Assn., Washington, D.C.**	1,075,314,000	963,440,003	216	+ 12	1,901,328,000	1,755,182,863	113,047,000	5.95	4	2
205	**Onondaga Savings Bank, Syracuse, N.Y.**	1,074,075,000	1,108,880,000	187		1,381,277,000	1,209,519,000	82,890,000	6.00	2	1
206	**State Savings Bank, Columbus, Ohio**	1,067,933,000	1,011,667,000	205		1,431,855,000	1,324,560,000	82,156,000	5.74	4	2
207	**Investors Savings & Loan Assn., Millburn, N.J.**	1,060,895,164	1,267,349,833	157		2,088,489,990	2,056,799,031	106,700,630	5.11	3	2
208	**Mid America Federal Savings & Loan Assn., Clarendon Hills**	1,051,839,617	980,534,224	213	+5	1,335,988,339	1,329,498,247	51,174,823	3.83	3	2
209	**Security Savings & Loan Assn., Scottsdale, Ariz.**	1,049,816,000	1,056,999,000	195		798,734,000	1,029,046,000	(270,874,000)	(33.91)	4	2
210	**First Federal Savings Bank, Santurce, P.R.**	1,037,432,325	876,327,816	244	+ 34	1,592,304,645	1,386,240,592	147,688,252	9.28	2	2
211	**Caguas Central Federal Savings Bank, San Juan, P.R.**	1,034,622,987	993,634,335	210		1,433,947,882	1,393,798,214	87,732,931	6.12	1	2
212	**Horizon Federal Savings Bank, Wilmette, Ill.**	1,034,514,000	1,009,921,000	206		1,205,579,000	1,137,395,000	42,571,000	3.53	1	2
213	**Connecticut Savings Bank, New Haven**	1,025,656,513	985,040,084	211		1,164,318,075	1,130,372,669	77,927,711	6.69	1	1
214	**First Federal Savings & Loan Assn., Lincoln, Neb.**	1,024,841,000	1,027,282,038	202		1,197,568,000	1,274,188,250	50,700,000	4.23	3	2
215	**D&N Savings Bank, FSB, Hancock, Mich.**	1,024,288,000	954,204,000	219	+4	1,809,047,000	1,672,260,000	97,384,000	5.38	2	2
216	**Pacific Savings Bank, Costa Mesa, Calif.**	1,022,342,000	1,166,653,000	181		1,119,803,000	1,658,221,000	(173,161,000)	(15.46)	3	2
217	**First Atlantic Savings, South Plainfield, N.J.**	1,004,275,000	892,955,000	240	+ 23	1,327,905,000	1,202,558,000	47,885,000	3.61	3	2
218	**Security First Fed. S & L Assn., Daytona Beach, Fla.**	999,558,009	1,002,006,112	208		1,131,035,000	1,151,838,319	32,665,004	2.89	3	2
219	**United Savings of America, FS&LA, Chicago**	999,031,247	898,331,702	236	+ 17	1,110,587,364	996,645,868	53,558,818	4.82	3	2
220	**South Boston Savings Bank, Boston**	998,006,000	954,810,000	218		1,327,788,000	1,215,565,315	94,404,000	7.11	2	1
221	**The First, F.A., Orlando, Fla.**	997,409,000	995,000,000	209		1,220,351,000	1,174,000,000	51,824,000	4.25	3	2
222	**Pathway Financial, FA, Chicago**	995,542,000	982,211,391	212		1,298,948,000	1,312,751,431	674,000	0.05	3	2
223	**Ridgewood Savings Bank, Queens, New York**	990,059,967	972,827,595	214		1,116,915,634	1,141,890,738	94,349,428	8.45	1	1
224	**Crestmont Federal Savings & Loan Assn., Edison, N.J.**	989,954,000	871,068,324	246	+ 22	1,515,015,000	1,189,605,691	69,049,000	4.56	4	2
225	**Murray Savings, FS&LA, Dallas**	987,460,271	827,210,108	261	+ 36	1,339,727,935	1,071,425,421	27,937,630	2.09	4	2
226	**Mechanics & Farmers Savings Bank FSB, Bridgeport, Conn.**	985,130,778	764,107,102	276	+ 50	1,357,051,144	1,045,506,643	85,071,357	6.27	1	1
227	**Banking Center, Waterbury, Conn.**	979,921,000	922,308,660	232	+5	1,500,313,000	1,290,770,619	241,231,000	16.08	2	1
228	**First Federal Savings & Loan Assn., Jacksonville, Fla.**	971,571,000	970,687,821	215		1,236,627,000	1,182,711,147	26,729,000	2.16	3	2
229	**Anchor Savings & Loan Assn., Madison, Wis.**	965,108,164	937,503,360	224		1,166,764,326	1,138,840,173	55,917,287	4.79	3	2
230	**Mid-America Federal Savings & Loan Assn., Columbus, Ohio**	963,826,000	934,911,000	225		1,404,950,000	1,447,463,000	50,366,000	3.58	3	2
231	**Columbia Savings & Loan Assn., Fair Lawn, N.J.**	962,413,318	933,124,000	227		1,198,756,887	1,175,662,000	61,107,557	5.10	3	2
232	**Southwest Savings Assn., Dallas**	953,146,000	893,646,000	239	+7	1,410,470,000	1,200,160,000	36,765,000	2.61	4	2
233	**Wilmington Savings Fund Society FSB, Del.**	946,948,000	894,663,000	237	+4	1,239,284,000	1,074,829,000	91,740,000	7.40	2	1
234	**American Charter Federal S & L Assn., Lincoln, Neb.**	936,423,000	940,696,000	223		1,391,418,000	1,612,246,000	35,517,000	2.55	3	2
235	**Lincoln Federal Savings & Loan Assn., Westfield, N.J.**	933,339,000	946,199,000	222		1,207,872,000	1,223,879,000	(42,905,000)	(3.55)	3	2
236	**Hunter Savings Assn., Cincinnati**	932,576,000	933.638,000	226		1,301,177,000	1,219,966,000	76,326,000	5.87	4	2
237	**Amoskeag Bank, Manchester, N.H.**	927,444,000	948,260,000	220		1,395,278,000	1,278,377,000	93,900,000	6.73	2	1
238	**County Savings Bank, Santa Barbara, Calif.**	925,807,000	....	...		1,239,291,000	....	74,200,000	5.99	4	2
239	**Republic Federal Savings & Loan Assn., Los Angeles**	920,271,000	635,021,000	329	+ 90	1,453,010,000	843,452,000	50,443,000	3.47	4	2
240	**Columbia Federal Savings Bank, Queens, New York**	917,970,700	850,829,805	252	+ 12	1,300,253,652	1,254,853,438	73,265,458	5.63	1	2
241	**Diamond Savings & Loan Co., Findlay, Ohio**	917,625,000	947,603,000	221		1,112,854,000	1,195,826,000	37,325,000	3.35	4	2
242	**Roosevelt Savings Bank, Garden City, N.Y.**	913,698,000	894,024,000	238		1,067,056,000	1,006,411,000	49,403,000	4.63	1	1
243	**Duval Fed. Savings & Loan Assn., Jacksonville, Fla.**	902,848,434	863,785,557	249	+6	1,306,161,112	1,117,828,768	35,794,895	2.74	3	2
244	**Morris Savings Bank, Morristown, N.J.**	899,529,000	905,796,000	235		1,027,282,000	997,733,000	64,784,000	6.31	2	1
245	**Capitol Federal Savings & Loan Assn., Denver**	890,754,006	924,695,047	231		1,265,521,892	1,226,006,637	56,724,783	4.48	4	2
246	**Coast Federal Savings & Loan Assn., Sarasota, Fla.**	887,752,309	932,796,104	228		1,205,857,941	1,220,709,000	81,092,747	6.72	4	2
247	**Western Financial Savings Bank, Orange, Calif.**	883,726,293	613,758,078	346	+ 99	1,777,829,982	976,851,013	194,020,086	10.91	4	2
248	**First Federal Bancorp, Inc., Pontiac, Mich.**	883,696,000	810,693,000	264	+ 16	1,358,257,000	1,291,235,000	55,725,000	4.10	4	2
249	**American Fed. S & L Assn of Iowa, Des Moines**	878,091,149	865,847,080	248		1,039,983,003	1,052,009,331	17,166,426	1.65	3	2
250	**Union Federal Savings Bank, Indianapolis**	869,158,000	....	...		1,232,049,000	....	96,419,000	7.83	2	2
251	**Metropolitan Federal S & L Assn., Nashville, Tenn.**	867,800,000	767,000,523	274	+ 23	1,168,240,000	1,032,314,058	104,684,000	8.96	4	2
252	**Buckeye Federal Savings & Loan Assn., Columbus, Ohio**	866,025,000	919,700,000	233		1,251,101,000	1,326,454,000	34,051,000	2.72	4	2
253	**City Savings & Loan Assn., San Angelo, Tex.**	864,109,000	824,100,000	263	+ 10	708,994,000	784,774,000	(200,724,000)	(28.31)	4	2
254	**Commonwealth Federal S & L Assn., Norristown, Pa.**	862,085,000	871,089,000	245		1,134,016,000	1,132,766,000	79,537,000	7.01	3	2
255	**Mid-State Federal Savings & Loan Assn., Ocala, Fla.**	860,497,000	586,345,000	...		1,075,757,000	754,525,000	53,688,000	4.99	4	2
256	**First Federal Savings & Loan Assn., Austin, Tex.**	858,479,000	797,347,370	266	+ 10	1,036,103,000	882,741,712	7,537,000	0.73	4	2
257	**American Savings Bank, Springfield, Ill.**	854,113,000	854,960,000	251		979,861,000	1,037,237,000	(23,509,000)	(2.40)	1	1
258	**Richmond Hill Savings Bank, Floral Park, N.Y.**	850,052,149	720,222,289	292	+ 34	1,084,434,311	903,235,143	149,153,948	13.75	2	1
259	**Standard Federal Savings & Loan Assn., Chicago**	848,996,310	792,159,428	269	+ 10	920,594,678	855,694,329	55,406,166	6.02	3	2
260	**Mutual Savings & Loan Assn. of Wisconsin, Milwaukee**	848,549,000	846,408,000	256		947,132,000	938,551,000	76,110,000	8.04	3	2
261	**First Western Savings Assn., Las Vegas, Nev.**	844,685,000	880,486,000	242		1,271,443,000	1,216,084,000	67,337,000	5.30	4	2
262	**Great Financial Federal S & L Assn., Louisville, Ky.**	843,653,148	879,688,060	243		1,010,387,461	1,031,693,484	86,366,727	8.55	3	2
263	**First Home Federal Savings & Loan Assn., Greensboro, N.C.**	840,983,000	828,631,000	259		1,188,001,000	1,308,186,000	36,814,000	3.10	4	2
264	**ComFed Savings Bank, Lowell, Mass.**	833,141,000	850,365,000	253		1,590,469,000	1,283,821,000	89,037,000	5.60	2	2
265	**Blue Valley Fed. Savings & Loan Assn., Kansas City, Mo.**	826,212,570	858,424,181	250		951,802,470	970,285,222	2,909,739	0.31	3	2
266	**Springfield Institution for Savings, Mass.**	815,978,000	792,959,000	268	+2	1,023,042,000	902,276,000	85,436,000	8.35	1	1
267	**Security Savings & Loan Assn., Vineland, N.J.**	815,470,000	756,066,000	280	+ 13	1,229,606,000	950,665,000	66,850,000	5.44	4	2
268	**Olney Savings Assn., Tex.**	814,987,000	846,668,000	255		1,296,905,000	1,233,050,000	32,559,000	2.51	4	2
269	**Poughkeepsie Savings Bank FSB, N.Y.**	808,788,000	750,153,000	283	+ 14	1,621,480,000	1,196,620,000	104,072,000	6.42	2	2
270	**Century Federal Savings & Loan Assn., Pasadena, Calif.**	790,573,000	785,034,000	270		1,062,781,000	1,003,296,000	66,971,000	6.30	3	2
271	**Home Savings Bank of Florida, Hollywood**	790,016,750	764,572,707	275	+4	883,304,514	854,274,361	80,324,389	9.09	3	2
272	**Roslyn Savings Bank, N.Y.**	788,770,689	773,543,363	273	+1	913,951,209	906,082,176	90,066,181	9.85	1	1
273	**Heritage Federal Savings Bank, Taylor, Mich.**	786,236,000	....	...		964,238,000	....	49,272,000	5.11	1	2
274	**Home Unity Savings & Loan Assn., Lafayette Hill, Pa.**	786,103,000	756,944,000	279	+5	1,089,487,000	929,287,000	34,847,000	3.20	4	2
275	**Savers Fed. Savings & Loan Assn., Little Rock, Ark.**	783,832,000	827,845,000	260		937,111,000	936,286,000	(225,546,000)	(24.07)	4	2
276	**Frontier Fed. Savings & Loan Assn., Ponca City, Okla.**	783,454,000	750,957,000	282	+6	975,273,000	860,076,000	(30,985,000)	(3.18)	4	2
277	**American Federal Bank FSB, Greenville, S.C.**	782,578,297	794,916,000	267		1,032,398,051	996,606,000	16,665,453	1.61	1	2
278	**Hawthorne Savings & Loan Assn., Calif.**	782,179,981	681,048,039	309	+ 31	859,443,989	746,199,630	59,296,235	6.90	4	2
279	**Southwest Savings & Loan Assn., Los Angeles**	777,706,000	715,534,273	293	+ 14	957,543,000	779,004,219	18,807,000	1.96	4	2
280	**BancPlus Savings Assn., Pasadena, Tex.**	777,386,000	....	...		888,732,000	....	13,588,000	1.53	4	2
281	**Continental Federal Savings Bank, Fairfax, Va.**	766,785,000	826,073,000	262		1,062,469,000	981,237,000	63,253,000	5.95	2	2
282	**Columbia Savings Assn. FA, Emporia, Kan.**	760,518,000	....	...		907,471,000	....	28,023,000	3.09	4	2
283	**Firstrust Savings Bank, Philadelphia**	759,432,000	734,400,000	289	+6	1,039,933,000	930,300,000	154,771,000	14.88	2	1
284	**United Federal Savings Bank of Iowa, Des Moines**	759,353,000	739,416,000	287	+3	889,638,000	876,765,000	18,162,000	2.04	1	2
285	**Northwestern Savings & Loan Assn., Chicago**	753,237,816	620,177,681	340	+ 55	1,358,346,000	835,180,754	96,139,000	7.08	3	2
286	**Home Savings & Loan Co., Youngstown, Ohio**	749,876,000	697,269,093	305	+ 19	809,645,000	758,690,206	51,889,000	6.41	3	2
287	**Champion Savings Association, Houston**	749,294,000	839,543,000	258		775,667,000	911,286,000	(200,707,000)	22.88	4	2
288	**Sun State Savings & Loan Assn., Phoenix, Ariz.**	748,801,903	606,238,000	349	+ 61	907,493,000	683,443,000	45,762,000	5.04	4	2
289	**Staten Island Savings Bank, New York**	748,124,000	703,478,466	300	+ 11	815,997,000	766,791,981	62,032,000	7.60	1	1
290	**Olympic Federal Savings & Loan Assn., Berwyn, Ill.**	746,394,892	698,258,128.	303	+ 13	830,356,988	803,628,485	27,586,397	3.32	3	2
291	**First Federal Savings & Loan Assn., Fort Myers, Fla.**	745,508,155	762,133,506	277		823,470,379	831,162,609	66,613,107	8.09	4	2
292	**Harris Savings Assn., Harrisburg, Pa.**	745,159,977	657,338,767	317	+ 25	853,461,560	729,497,082	53,793,772	6.30	3	2
293	**Fidelity Federal Savings & Loan Assn., Nashville, Tenn**	744,114,000	740,316,000	285		930,886,000	854,204,000	103,660,000	11.14	4	2
294	**Mutual Savings & Loan Assn. FA, Bay City, Mich.**	741,364,000	720,800,300	291		1,248,501,000	1,168,413,746	57,115,000	4.57	3	2
295	**Home Federal Savings Bank of Tennessee, Knoxville**	740,318,563	712,126,920	297	+2	815,159,335	782,665,466	57,339,423	7.03	1	2
296	**Skokie Federal Savings & Loan Assn., Ill.**	739,655,000	797,908,000	265		939,109,000	948,075,000	15,874,000	1.69	4	2
297	**Commerce Savings Assn., San Antonio, Tex.**	738,308,000	758,268,000	278		813,101,000	838,174,000	11,508,000	1.42	4	2
298	**Central Federal Savings, FSB, Long Beach, N.Y.**	737,972,000	713,941,310	295		930,805,000	899,269,677	30,027,000	3.23	1	2
299	**Puget Sound Savings Bank, Seattle**	733,718,000	615,883,000	344	+ 45	1,415,152,000	1,248,539,000	96,087,000	6.79	2	1
300	**American Savings Bank, New Britain, Conn.**	732,826,264	679,986,242	311	+ 11	826,951,514	764,047,227	81,464,026	9.85	1	1

Data sources: Primary source is American Banker questionnaire sent to the 400 largest thrifts in the nation. For those thrifts not responding to the American Banker, data from the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. were used. These data were provided by **ADP Data Services Division, New York.** ADP has two thrift data bases for thrifts: (1) Its data base of thrifts reporting to the FHLBB on the "Quarterly Financial Report to the Federal Home Loan Bank Board." Virtually all of these thrifts are FSLIC-insured; (2) Its new data base of savings banks reporting to the FDIC on the quarterly "Consolidated Reports of Income and Condition for Savings Banks." All the institutions in this data base are FDIC-insured. **Total deposits and savings accounts** include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. **Regulatory Net Worth** includes permanent, reserve, or guarantee stock; paid-in surplus; qualifying mutual capital certificates; income capital/net worth certificates; qualifying subordinated debentures; appraised equity capital; reserves; undivided profits; and net undistributed income. **Charter Types: 1**-Mutual Savings Bank; **2**-Stock Savings Bank; **3**-Mutual Savings & Loan Association; **4**- Stock Savings & Loan Association. **Insurance Types: 1**-FDIC-Insured; **2**-FSLIC-Insured; **3**-State Insured.

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Top 300 Thrifts in the United States

Listed Geographically by Order of Size within States

Rank 12/87		Deposits 12/31/87
	ALABAMA	
114	Altus Bank, FSB, Mobile	1,690,554,000
140	Alabama Federal Savings & Loan Assn., Birmingham	1,433,758,000
	ARIZONA	
28	Western Savings & Loan Assn., Phoenix	4,469,353,294
35	MeraBank, FSB, Phoenix	4,007,610,000
96	Pima Savings & Loan Assn., Tucson	1,969,703,000
126	Southwest Savings & Loan Assn., Phoenix	1,591,785,000
209	Security Savings & Loan Assn., Scottsdale	1,049,816,000
288	Sun State Savings & Loan Assn., Phoenix	748,801,903
	ARKANSAS	
177	First Federal Savings of Arkansas, FA, Little Rock	1,201,609,000
275	Savers Fed. Savings & Loan Assn., Little Rock	783,832,000
	CALIFORNIA	
1	Home Savings of America, FA, Irwindale	22,561,926,000
2	Great Western Bank, FSB, Beverly Hills	20,054,706,000
3	American Savings & Loan Assn., Stockton	16,687,638,000
4	California Fed. Savings & Loan Assn., Los Angeles	16,045,200,000
5	Glendale Federal Savings & Loan Assn.	15,315,257,000
7	First Nationwide Bank, FSB, San Francisco	12,033,764,000
9	Great American First Savings Bank, San Diego	10,639,905,000
10	Home Fed. Savings & Loan Assn. of San Diego	10,564,359,000
11	Coast Savings & Loan Assn., Los Angeles	8,624,869,000
12	World Savings, FS&LA, Oakland	8,427,351,000
17	Columbia Savings & Loan Assn., Beverly Hills	7,176,004,000
18	Imperial Savings Assn., San Diego	7,028,948,197
20	Gibraltar Savings, Beverly Hills	6,524,411,000
24	Citicorp Savings, FS&LA, San Francisco	4,945,324,000
34	Sears Savings Bank, Glendale	4,040,423,000
43	Lincoln Savings & Loan Assn., Irvine	3,374,531,000
57	Far West Savings & Loan Assn., Newport Beach	2,835,208,000
61	Homestead Savings, FS&LA, San Francisco	2,697,598,000
65	Fidelity Federal S & L Assn., Glendale	2,587,171,000
70	Downey Savings & Loan Assn., Costa Mesa	2,526,953,489
71	Valley Federal S & L Assn., Van Nuys	2,436,724,000
82	Santa Barbara Savings & Loan Assn.	2,252,170,000
97	Beverly Hills Savings, FS&LA	1,964,336,000
101	San Francisco Federal Savings & Loan Assn.	1,901,651,000
102	Mercury Savings, FS&LA, Huntington Beach	1,889,441,841
106	Sacramento Savings & Loan Assn.	1,777,360,465
110	Eureka Federal Savings & Loan Assn., San Carlos	1,750,106,000
111	Household Bank FSB, Newport Beach	1,717,147,000
131	Union Federal Savings & Loan Assn., Los Angeles	1,576,821,916
137	Western Fed. Savings & Loan Assn., Marina Del Rey	1,465,198,000
151	Bay View Fed. Savings & Loan Assn., San Mateo	1,306,634,000
165	Bell Savings & Loan Assn., FS&LA, San Mateo	1,260,592,000
167	First Federal Savings Bank of California, Santa Monica	1,256,458,000
191	American Diversified Savings Bank, Lodi	1,159,098,000
201	Pomona First Fed. Savings & Loan Assn.	1,103,939,775
203	Southern California Savings, FS&LA, Beverly Hills	1,076,745,000
216	Pacific Savings Bank, Costa Mesa	1,022,342,000
238	County Savings Bank, Santa Barbara	925,807,000
239	Republic Federal Savings & Loan Assn., Los Angeles	920,271,000
247	Western Financial Savings Bank, Orange	883,726,293
270	Century Federal Savings & Loan Assn., Pasadena	790,573,000
278	Hawthorne Savings & Loan Assn.	782,179,981
279	Southwest Savings & Loan Assn., Los Angeles	777,706,000
	COLORADO	
77	Bank Western FSB, Denver	2,339,671,927
108	Columbia Savings, FS&LA, Englewood	1,764,079,000
109	Silverado Banking Savings & Loan Assn., Denver	1,758,127,000
245	Capitol Federal Savings & Loan Assn., Denver	890,754,006
	CONNECTICUT	
25	People's Bank, Bridgeport	4,676,625,000
29	Northeast Savings, FA, Hartford	4,409,350,000
60	Society for Savings, Hartford	2,715,978,000
199	First Constitution Bank, New Haven	1,129,836,000
200	New Haven Savings Bank	1,105,617,000
213	Connecticut Savings Bank, New Haven	1,025,656,513
226	Mechanics & Farmers Savings Bank FSB, Bridgeport	985,130,778
227	Banking Center, Waterbury	979,921,000
300	American Savings Bank, New Britain	732,826,264
	DELAWARE	
233	Wilmington Savings Fund Society FSB	946,948,000
	DISTRICT OF COLUMBIA	
204	Columbia First Federal S & L Assn., Washington, D.C.	1,075,314,000
	FLORIDA	
23	CenTrust Savings Bank, Miami	5,051,883,000
39	Florida Federal Savings & Loan Assn., St. Petersburg	3,529,475,656
56	AmeriFirst Federal Savings & Loan Assn., Miami	2,947,780,000
85	American Savings & Loan Assn. of Florida, Miami	2,229,632,000
91	Citizens Federal Savings & Loan Assn., Miami	2,006,114,000
99	Coral Gables Federal Savings & Loan Assn.	1,942,469,225
105	Fortune Savings Bank, Clearwater	1,789,349,000
128	BankAtlantic, FSB, Fort Lauderdale	1,586,231,000
134	Pioneer Savings Bank, Clearwater	1,538,062,000
135	American Pioneer Savings Bank, Orlando	1,519,821,000
153	Commonwealth Savings & Loan Assn., Ft. Lauderdale	1,304,824,000
154	Hollywood Federal Savings & Loan Assn.	1,302,167,000
155	Citicorp Savings of Florida, FS&LA, Miami	1,289,615,112
160	Naples Federal Savings & Loan Assn.	1,281,039,000
162	Flagler Federal Savings & Loan Assn., Miami	1,275,546,211
163	Goldome Savings Bank, St. Petersburg	1,273,330,161
178	Freedom Savings & Loan Assn., Tampa	1,201,016,000
181	Beach Federal Savings & Loan Assn., Boynton Beach	1,191,985,489
185	Chase Federal Savings & Loan Assn., Miami	1,180,556,017
197	Financial Fed. Savings & Loan Assn., Miami Lakes	1,131,134,000
218	Security First Fed. S & L Assn., Daytona Beach	999,558,009
221	The First, F.A., Orlando	997,409,000
228	First Federal Savings & Loan Assn., Jacksonville	971,571,000
243	Duval Fed. Savings & Loan Assn., Jacksonville	902,848,434
246	Coast Federal Savings & Loan Assn., Sarasota	887,752,309
255	Mid-State Federal Savings & Loan Assn., Ocala	860,497,000
271	Home Savings Bank of Florida, Hollywood	790,016,750
291	First Federal Savings & Loan Assn., Fort Myers	745,508,155
	GEORGIA	
68	Georgia Federal Bank, FSB, Atlanta	2,552,621,000
119	Decatur Federal Savings & Loan Assn.	1,656,308,164
120	Fulton Federal Savings & Loan Assn., Atlanta	1,650,999,000
	HAWAII	
148	Honolulu Federal Savings & Loan Assn., Hawaii	1,346,786,000
	ILLINOIS	
26	Talman Home Federal Savings & Loan Assn., Chicago	4,544,146,000
38	Citicorp Savings of Illinois, FS&LA, Chicago	3,664,208,000
83	St. Paul Federal Bank for Savings, Chicago	2,248,559,483
103	Champion Federal Savings & Loan Assn., Bloomington	1,833,590,883
127	Uptown Federal Savings FA, Niles	1,591,507,000
129	Cragin Federal Savings & Loan Assn., Chicago	1,585,488,119
130	Bell Federal Savings & Loan Assn., Chicago	1,585,486,029
161	Lyons Savings, FSB, Hinsdale	1,277,192,000
208	Mid America Federal Savings & Loan Assn., Clarendon Hills	1,051,839,617
212	Horizon Federal Savings Bank, Wilmette	1,034,514,000
219	United Savings of America, FS&LA, Chicago	999,031,247
222	Pathway Financial, FA, Chicago	995,542,000
257	American Savings Bank, Springfield	854,113,000
259	Standard Federal Savings & Loan Assn., Chicago	848,996,310
286	Northwestern Savings & Loan Assn., Chicago	753,237,816
290	Olympic Federal Savings & Loan Assn., Berwyn	746,394,892
296	Skokie Federal Savings & Loan Assn.	739,655,000
	INDIANA	
250	Union Federal Savings Bank, Indianapolis	869,158,000
	IOWA	
249	American Fed. S & L Assn of Iowa, Des Moines	878,091,149
285	United Federal Savings Bank of Iowa, Des Moines	759,353,000
	KANSAS	
62	Franklin Savings Assn., Ottawa	2,684,611,000
84	Capitol Federal Savings & Loan Assn., Topeka	2,240,250,000
170	Peoples Heritage Federal S & L Assn., Salina	1,238,368,000
283	Columbia Savings Assn. FA, Emporia	760,518,000
	KENTUCKY	
262	Great Financial Federal S & L Assn., Louisville	843,653,148
	LOUISIANA	
132	Pelican Homestead & Savings Assn., Metairie	1,568,544,000
138	Dixie Savings & Loan Assn., New Orleans	1,457,739,000
	MAINE	
175	Peoples Heritage Savings Bank, Portland	1,211,932,000
190	Maine Savings Bank, Portland	1,160,198,000
	MARYLAND	
55	Chevy Chase Savings Bank, FSB	2,989,811,213
146	Loyola Federal Savings & Loan Assn., Baltimore	1,395,674,000
166	Baltimore Federal Financial, FSA	1,259,197,000
	MASSACHUSETTS	
72	Home Owners Federal Savings & Loan Assn., Boston	2,431,170,000
115	Boston Five Cents Savings Bank FSB	1,690,011,000
182	Provident Institution for Savings, Boston	1,190,957,446
193	First Mutual of Boston	1,156,963,000
198	Neworld Bank for Savings, Boston	1,130,296,000
220	South Boston Savings Bank, Boston	998,006,000
264	ComFed Savings Bank, Lowell	833,141,000
266	Springfield Institution for Savings	815,978,000
	MICHIGAN	
21	First Federal of Michigan, Detroit	5,202,530,000
27	Standard Federal Bank, Troy	4,500,435,454
121	Great Lakes Bancorp, Ann Arbor	1,649,556,000
215	D&N Savings Bank, FSB, Hancock	1,024,288,000
248	First Federal Bancorp, Inc., Pontiac	883,696,000
273	Heritage Federal Savings Bank, Taylor	786,236,000
294	Mutual Savings & Loan Assn. FA, Bay City	741,364,000
	MINNESOTA	
45	TCF Banking & Savings, FA, Minneapolis	3,342,102,000
79	Midwest Federal Savings & Loan Assn., Minneapolis	2,311,430,000
87	First Minnesota Savings Bank FSB, St. Paul	2,224,284,000
	MISSOURI	
58	Community Federal Savings & Loan Assn., St. Louis	2,735,358,000
73	Farm & Home Savings Assn., Nevada	2,416,567,232
78	Home Savings Assn. of Kansas City FA	2,338,536,000
183	Roosevelt Federal Savings & Loan Assn., Chesterfield	1,188,134,000
196	United Postal Savings Assn., St. Louis	1,134,347,000
265	Blue Valley Fed. Savings & Loan Assn., Kansas City	826,212,570

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Top 300 Thrifts in the United States

Listed Geographically by Order of Size within States

Rank 12/87		Deposits 12/31/87
	NEBRASKA	
52	Commercial Federal Savings & Loan Assn., Omaha	3,050,582,592
214	First Federal Savings & Loan Assn., Lincoln	1,024,841,000
234	American Charter Federal S & L Assn., Lincoln	936,423,000
	NEVADA	
202	Nevada Savings & Loan Assn., Las Vegas	1,102,991,432
261	First Western Savings Assn., Las Vegas	844,685,000
	NEW HAMPSHIRE	
237	Amoskeag Bank, Manchester	927,444,000
	NEW JERSEY	
16	City Federal Savings Bank, Bedminster	7,230,507,000
30	Carteret Savings Bank, FA, Morristown	4,374,165,000
32	Howard Savings Bank, Newark	4,203,982,000
66	Hudson City Savings Bank, Paramus	2,585,407,549
149	Collective Federal Savings Bank, Egg Harbor City	1,338,269,998
157	Provident Savings Bank, Jersey City	1,288,560,000
207	Investors Savings & Loan Assn., Millburn	1,060,895,164
217	First Atlantic Savings, South Plainfield	1,004,275,000
224	Crestmont Federal Savings & Loan Assn., Edison	989,954,000
231	Columbia Savings & Loan Assn., Fair Lawn	962,413,318
235	Lincoln Federal Savings & Loan Assn., Westfield	933,339,000
244	Morris Savings Bank, Morristown	899,529,000
267	Security Savings & Loan Assn., Vineland	815,470,000
	NEW MEXICO	
159	Albuquerque Federal Savings & Loan Assn.	1,281,257,000
192	Sandia Federal Savings & Loan Assn., Albuquerque	1,158,230,000
	NEW YORK	
8	Goldome, Buffalo	11,033,778,000
13	Empire of America, FSB, Buffalo	7,996,568,000
14	Dime Savings Bank of New York FSB, Garden City	7,845,831,000
15	CrossLand Savings FSB, Brooklyn, New York	7,748,030,000
19	Anchor Savings Bank FSB, Northport	6,581,206,000
22	Bowery Savings Bank, New York	5,200,433,000
33	Long Island Savings Bank FSB, Syosset	4,165,793,000
36	Dollar-Dry Dock Savings Bank, White Plains	4,001,718,000
44	First Federal Savings & Loan Assn., Rochester	3,356,370,000
48	Emigrant Savings Bank, New York	3,239,474,000
50	Green Point Savings Bank, Brooklyn, New York	3,102,199,090
54	American Savings Bank FSB, New York	2,993,944,000
59	Manhattan Savings Bank, New York	2,730,382,945
69	Apple Bank For Savings, New York	2,533,419,000
74	Williamsburgh Savings Bank, Brooklyn, New York	2,400,154,000
75	Seamen's Bank for Savings FSB, New York	2,372,010,000
86	Lincoln Savings Bank FSB, New York	2,228,785,000
89	Rochester Community Savings Bank	2,088,114,000
93	Astoria Federal Savings & Loan Assn., Queens, New York	1,980,058,821
95	Greater New York Savings Bank, New York	1,971,006,000
100	East River Savings Bank, New York	1,919,849,000
122	Albany Savings Bank FSB	1,643,321,807
123	East New York Savings Bank, New York	1,622,622,305
147	Ensign Bank FSB, New York	1,367,260,000
158	Fidelity New York, FSB, Floral Park	1,287,176,000
168	Peoples Westchester Savings Bank, Hawthorne	1,252,689,000
173	Norstar Bank Central New York, Syracuse	1,224,615,000
174	Independence Savings Bank, Brooklyn, New York	1,220,557,308
180	Columbia Banking Federal S & L Assn., Rochester	1,192,301,320
188	Home Savings Bank, Brooklyn, New York	1,170,108,732
189	Jamaica Savings Bank FSB, Lynbrook	1,168,494,589
205	Onondaga Savings Bank, Syracuse	1,074,075,000
223	Ridgewood Savings Bank, Queens, New York	990,059,967
240	Columbia Federal Savings Bank, Queens, New York	917,970,700
242	Roosevelt Savings Bank, Garden City	913,698,000
258	Richmond Hill Savings Bank, Floral Park	850,052,149
269	Poughkeepsie Savings Bank FSB	808,788,000
272	Roslyn Savings Bank	788,770,689
289	Staten Island Savings Bank, New York	748,124,000
298	Central Federal Savings, FSB, Long Beach	737,972,000
	NORTH CAROLINA	
263	First Home Federal Savings & Loan Assn., Greensboro	840,983,000
	NORTH DAKOTA	
194	Metropolitan Federal Bank FSB, Fargo	1,147,284,000
	OHIO	
42	TransOhio Savings Bank, Cleveland	3,396,077,000
90	Citizens Federal Savings & Loan Assn., Dayton	2,036,650,756
107	Third Federal Savings & Loan Assn., Cleveland	1,773,008,576
136	Cardinal Federal Savings Bank, Cleveland	1,509,146,000
152	Broadview Savings Bank, Cleveland	1,305,579,000
156	First Federal Savings Bank, Cleveland	1,289,219,000
164	First Federal Savings & Loan Assn., Toledo	1,263,298,800
169	Ohio Savings Bank, Cleveland	1,250,287,717
179	Gem Savings Assn., Dayton	1,196,215,517
206	State Savings Bank, Columbus	1,067,933,000
230	Mid-America Federal Savings & Loan Assn., Columbus	963,826,000
236	Hunter Savings Assn., Cincinnati	932,576,000
241	Diamond Savings & Loan Co., Findlay	917,625,000
252	Buckeye Federal Savings & Loan Assn., Columbus	866,025,000
287	Home Savings & Loan Co., Youngstown	749,876,000
	OKLAHOMA	
187	Sooner Federal Savings & Loan Assn., Tulsa	1,174,778,000
276	Frontier Fed. Savings & Loan Assn., Ponca City	783,454,000
	OREGON	
51	Benjamin Franklin Federal S & L Assn., Portland	3,058,855,000
144	Far West Federal Bank, Portland	1,427,465,000
	PENNSYLVANIA	
6	Meritor Savings Bank, Philadelphia	12,915,395,000
37	Atlantic Financial Federal, Bala Cynwyd	3,965,830,000
81	First Federal Savings & Loan Assn., Pittsburgh	2,255,356,000
88	Hill Financial Savings Assn., Red Hill	2,104,000,000
94	Dollar Bank FSB, Pittsburgh	1,972,825,000
98	Horizon Financial, FA, Southampton	1,947,531,000
142	Beneficial Savings Bank, Philadelphia	1,431,465,000
172	Germantown Savings Bank, Bala Cynwyd	1,231,572,000
184	Landmark Savings Assn., Pittsburgh	1,182,730,000
254	Commonwealth Federal S & L Assn., Norristown	862,085,000
274	Home Unity Savings & Loan Assn., Lafayette Hill	786,103,000
283	Firstrust Savings Bank, Philadelphia	759,432,000
292	Harris Savings Assn., Harrisburg	745,159,977
	PUERTO RICO	
210	First Federal Savings Bank, Santurce	1,037,432,325
211	Caguas Central Federal Savings Bank, San Juan	1,034,622,987
	RHODE ISLAND	
67	Old Stone Bank FSB, Providence	2,575,999,000
150	Citizens Savings Bank FSB, Providence	1,333,507,117
	SOUTH CAROLINA	
125	First Federal Savings & Loan Assn., Greenville	1,595,420,538
277	American Federal Bank FSB, Greenville	782,578,297
	TENNESSEE	
145	Leader Federal Savings & Loan Assn., Memphis	1,406,871,774
251	Metropolitan Federal S & L Assn., Nashville	867,800,000
293	Fidelity Federal Savings & Loan Assn., Nashville	744,114,000
295	Home Federal Savings Bank of Tennessee, Knoxville	740,318,563
	TEXAS	
31	Gibraltar Savings Assn., Houston	4,249,560,000
46	University Savings Assn., Houston	3,309,375,000
47	United Savings Assn., Houston	3,304,226,000
49	Sunbelt Savings Assn., Dallas	3,111,621,000
53	Bright Banc Savings Assn., Dallas	3,044,084,000
63	First Texas Savings Assn., Dallas	2,622,894,000
64	Guaranty Federal Savings & Loan Assn., Galveston	2,622,544,000
80	San Jacinto Savings Assn., Houston	2,277,731,000
92	Lamar Savings Assn., Austin (a)	1,989,050,000
104	San Antonio Savings Assn.	1,818,577,000
112	Western Federal Savings & Loan Assn., Dallas	1,700,340,000
116	Benjamin Franklin Savings Assn., Houston	1,686,586,000
117	Gill Savings Assn., Hondo	1,666,521,000
124	Guardian Savings & Loan Assn., Houston	1,606,605,726
143	Independent American Savings Assn. Irving	1,429,900,000
171	Commonwealth Savings Assn., Houston	1,231,832,000
176	Montfort Savings Assn., FSA, Dallas	1,204,067,000
195	Commodore Savings Assn., Stamford	1,139,543,000
225	Murray Savings, FS&LA, Dallas	987,460,271
232	Southwest Savings Assn., Dallas (a)	953,146,000
253	City Savings & Loan Assn., San Angelo (a)	864,109,000
256	First Federal Savings & Loan Assn., Austin	858,479,000
268	Olney Savings Assn.	814,987,000
280	BancPlus Savings Assn., Pasadena	777,386,000
287	Champion Savings Assn., Houston	749,294,000
297	Commerce Savings Assn., San Antonio	738,308,000
	UTAH	
141	American Savings & Loan Assn., Salt Lake City	1,432,251,000
	VIRGINIA	
41	Perpetual Savings Bank, FSB, McLean	3,420,727,000
133	Investors Savings Bank, Richmond	1,557,309,000
139	Dominion Federal Savings & Loan Assn., McLean	1,449,348,000
281	Continental Federal Savings Bank, Fairfax	766,785,000
	WASHINGTON	
40	Washington Mutual Savings Bank, Seattle	3,493,311,000
76	Pacific First Federal Savings Bank, Tacoma	2,359,451,000
186	Washington Federal Savings & Loan Assn., Seattle	1,180,350,000
299	Puget Sound Savings Bank, Seattle	733,718,000
	WISCONSIN	
113	Security Savings & Loan Assn., Milwaukee	1,694,834,090
118	First Financial Savings Assn., Stevens Point	1,661,627,000
229	Anchor Savings & Loan Assn., Madison	965,108,164
260	Mutual Savings & Loan Assn. of Wisconsin, Milwaukee	848,549,000

(a)— Southwest Savings Assn., Dallas, will acquire four insolvent Texas thrifts with FSLIC assistance within the next year. The four thrifts are: 92d-ranked Lamar Savings Assn., Austin; 253d-ranked City Savings & Loan Assn., San Angelo; 303d-ranked Stockton Savings Assn., Addison ($730 million in deposits); and Briercroft Savings Assn., Austin ($599 million in deposits).

Top 300 Thrifts in the United States

Ranked by assets on December 31, 1987 (dollar amounts in thousands)

Rank 12/87		Assets 12/31/87	Assets 12/31/86	Rank 12/86	Gain
1	American Savings & Loan Assn., Stockton, Calif.	33,843,873	33,933,294	1	
2	Home Savings of America, FA, Irwindale, Calif.	30,533,471	27,789,661	2	
3	Great Western Bank, FSB, Beverly Hills	28,526,110	27,405,368	3	
4	California Fed. Savings & Loan Assn., Los Angeles	23,219,400	20,540,400	4	
5	Glendale Federal Savings & Loan Assn., Calif.	23,206,137	17,451,589	6	+1
6	Meritor Savings Bank, Philadelphia	19,016,456	18,447,272	5	
7	First Nationwide Bank, FSB, San Francisco	17,177,903	15,044,316	7	
8	Great American First Savings Bank, San Diego, Calif.	15,242,243	13,064,815	9	+1
9	Goldome, Buffalo, N.Y.	15,153,370	14,669,199	8	
10	Home Fed. Savings & Loan Assn. of San Diego, Calif.	14,109,123	12,074,620	11	+1
11	CrossLand Savings FSB, Brooklyn, New York	13,774,567	10,095,697	16	+5
12	Gibraltar Savings, Beverly Hills	13,480,564	11,406,157	12	
13	World Savings, FS&LA, Oakland, Calif.	12,837,910	12,439,262	10	
14	Coast Savings & Loan Assn., Los Angeles	11,951,980	9,725,362	17	+3
15	First Federal of Michigan, Detroit	11,882,593	11,271,916	13	
16	Columbia Savings & Loan Assn., Beverly Hills	11,227,256	10,222,652	15	
17	Dime Savings Bank of New York FSB, Garden City	10,944,187	8,366,595	19	+2
18	Imperial Savings Assn., San Diego, Calif.	10,869,882	8,911,820	18	
19	Empire of America, FSB, Buffalo, N.Y.	10,855,963	6,301,574	25	+6
20	City Federal Savings Bank, Bedminster, N.J.	10,810,794	10,728,053	14	
21	Franklin Savings Assn., Ottawa, Kan.	9,049,634	6,036,487	28	+7
22	Standard Federal Bank, Troy, Mich.	8,514,739	6,736,681	21	
23	CenTrust Savings Bank, Miami	8,187,242	6,167,095	27	+4
24	Anchor Savings Bank FSB, Northport, N.Y.	7,673,815	7,359,381	20	
25	Northeast Savings, FA, Hartford, Conn.	7,368,279	5,845,804	31	+6
26	Atlantic Financial Federal, Bala Cynwyd, Pa.	7,355,209	5,979,325	30	+4
27	Citicorp Savings, FS&LA, San Francisco	6,976,531	4,978,642	41	+14
28	MeraBank, FSB, Phoenix, Ariz.	6,635,588	6,257,802	26	
29	Bowery Savings Bank, New York	6,513,306	6,303,939	24	
30	Gibraltar Savings Assn., Houston	6,148,164	4,707,512	44	+14
31	Western Savings & Loan Assn., Phoenix, Ariz.	6,052,257	5,593,209	34	+3
32	Talman Home Fed. Savings & Loan Assn., Chicago	6,048,694	5,699,630	32	
33	Commercial Fed. S & L Assn., Omaha, Neb.	5,999,297	3,329,508	61	+28
34	Carteret Savings Bank, FA, Morristown, N.J.	5,906,209	5,541,090	35	+1
35	TCF Banking & Savings, FA, Minneapolis	5,871,264	6,517,650	23	
36	United Savings Assn., Houston	5,802,246	5,988,566	29	
37	TransOhio Savings Bank, Cleveland	5,745,739	5,062,000	40	+3
38	Washington Mutual Savings Bank, Seattle	5,707,574	5,392,597	39	+1
39	Long Island Savings Bank FSB, Syosset, N.Y.	5,666,304	5,635,827	33	
40	People's Bank, Bridgeport, Conn.	5,651,206	4,956,668	42	+2
41	Sears Savings Bank, Glendale, Calif.	5,604,724	6,577,588	22	
42	Homestead Savings, FS&LA, San Francisco	5,512,871	5,492,380	37	
43	Citicorp Savings of Illinois, FS&LA, Chicago	5,509,947	5,527,563	36	
44	Florida Fed. Savings & Loan Assn., St. Petersburg	5,494,518	5,464,673	38	
45	Santa Barbara Savings & Loan Assn., Calif.	5,346,749	4,556,652	45	
46	Benjamin Franklin Fed. S&L Assn., Portland, Ore.	4,923,795	4,430,536	47	+1
47	Howard Savings Bank, Newark, N.J.	4,880,614	4,294,392	50	+3
48	Bright Banc Savings Assn., Dallas	4,794,234	4,801,080	43	
49	First Federal Savings & Loan Assn., Rochester, N.Y.	4,777,318	4,540,240	46	
50	Lincoln Savings & Loan Assn., Irvine, Calif.	4,748,467	3,605,217	57	+7
51	Perpetual Savings Bank, FSB, McLean, Va.	4,690,121	4,407,268	48	
52	Dollar-Dry Dock Savings Bank, White Plains, N.Y.	4,609,881	4,365,459	49	
53	Pacific First Federal Savings Bank, Tacoma, Wash.	4,508,601	4,096,568	51	
54	University Savings Assn., Houston	4,289,583	3,935,592	54	
55	Seamen's Bank for Savings FSB, New York	4,124,084	3,315,240	62	+7
56	American Savings Bank FSB, New York	4,052,698	3,833,200	55	
57	Old Stone Bank FSB, Providence, R.I.	3,931,299	3,512,277	59	+2
58	AmeriFirst Federal Savings & Loan Assn., Miami	3,927,492	4,016,949	53	
59	Fidelity Federal S & L Assn., Glendale, Calif.	3,848,192	3,294,905	64	+5
60	Far West S & L Assn., Newport Beach, Calif.	3,751,520	3,025,187	71	+11
61	Community Fed. S & L Assn., St. Louis, Mo.	3,662,807	4,030,483	52	
62	Home Owners Federal Savings & Loan Assn., Boston	3,657,020	1,388,222	189	+127
63	Green Point Savings Bank, Brooklyn, New York	3,588,765	3,091,464	69	+6
64	Georgia Federal Bank, FSB, Atlanta	3,570,772	3,214,514	66	+2
65	Bank Western FSB, Denver	3,569,662	3,508,319	60	
66	Chevy Chase Savings Bank, FSB, Md.	3,562,798	2,790,560	76	+10
67	Emigrant Savings Bank, New York	3,558,059	3,514,357	58	
68	Society for Savings, Hartford, Conn.	3,557,645	2,948,366	73	+5
69	Farm & Home Savings Assn., Nevada, Mo.	3,494,095	3,298,358	63	
70	First Texas Savings Assn., Dallas	3,484,217	3,662,639	56	
71	Household Bank FSB, Newport Beach, Calif.	3,390,829	2,121,451	110	+39
72	Sunbelt Savings Assn., Dallas	3,386,571	3,195,491	67	
73	Midwest Federal Savings & Loan Assn., Minneapolis	3,370,871	3,254,372	65	
74	Guardian Savings & Loan Assn., Houston	3,337,884	2,589,666	88	+14
75	Valley Federal S & L Assn., Van Nuys, Calif.	3,324,584	2,661,455	84	+9
76	Rochester Community Savings Bank, N.Y.	3,272,385	3,137,856	68	
77	Downey Savings & Loan Assn., Costa Mesa, Calif.	3,219,288	2,481,734	93	+16
78	First Minnesota Savings Bank FSB, St. Paul	3,200,729	3,040,030	70	
79	Great Lakes Bancorp, Ann Arbor, Mich.	3,143,233	2,691,794	83	+4
80	Hill Financial Savings Assn., Red Hill, Pa.	3,043,000	2,696,861	82	+2
81	Manhattan Savings Bank, New York	3,040,874	3,018,622	72	
82	American Savings & Loan Assn. of Florida, Miami	3,012,663	2,610,774	86	+4
83	Citizens Federal Savings & Loan Assn., Miami	3,005,091	2,599,102	87	+4
84	Pima Savings & Loan Assn., Tucson, Ariz.	3,002,773	2,564,031	90	+6
85	Greater New York Savings Bank, New York	2,975,908	2,299,945	105	+20
86	Guaranty Fed. Svgs & Loan Assn., Galveston, Tex.	2,966,890	2,246,578	107	+21
87	Fortune Savings Bank, Clearwater, Fla.	2,950,558	2,415,876	97	+10
88	San Francisco Federal Savings & Loan Assn.	2,911,825	2,345,742	102	+14
89	San Antonio Savings Assn., Tex.	2,911,408	2,611,999	85	
90	Hudson City Savings Bank, Paramus, N.J.	2,891,962	2,741,932	77	
91	Apple Bank For Savings, New York	2,866,754	2,699,331	81	
92	Columbia Savings, FS&LA, Englewood, Colo.	2,862,070	2,718,020	79	
93	San Jacinto Savings Assn., Houston	2,843,381	2,709,356	80	
94	St. Paul Federal Bank for Savings, Chicago	2,818,398	2,395,382	98	+4
95	Home Savings Assn. of Kansas City FA, Mo.	2,755,493	1,131,302	243	+148
96	Altus Bank, FSB, Mobile, Ala.	2,730,250	2,535,435	91	
97	Citicorp Savings of Florida, FS&LA, Miami	2,713,948	2,947,940	74	
98	Williamsburgh Savings Bank, Brooklyn, New York	2,684,662	2,330,027	103	+5
99	Astoria Federal S & L Assn., Queens, New York	2,643,382	2,571,270	89	
100	Capitol Federal Savings & Loan Assn., Topeka, Kan.	2,613,369	2,494,514	92	
101	East River Savings Bank, New York	2,596,003	2,453,118	95	
102	Lincoln Savings Bank FSB, New York	2,550,410	2,306,923	104	+2
103	First Federal Savings & Loan Assn., Pittsburgh	2,532,416	2,476,943	94	
104	Horizon Financial, FA, Southampton, Pa.	2,521,658	2,419,515	96	
105	Dollar Bank FSB, Pittsburgh	2,463,892	2,380,196	99	
106	Fulton Federal Savings & Loan Assn., Atlanta	2,391,827	2,028,952	116	+10
107	Benjamin Franklin Savings Assn., Houston	2,382,380	1,937,982	120	+13
108	Mercury Savings, FS&LA, Huntington Beach, Calif.	2,380,526	2,372,705	100	
109	Nevada Savings & Loan Assn., Las Vegas	2,368,063	1,824,770	135	+26
110	Citizens Federal Savings & Loan Assn., Dayton, Ohio	2,346,777	2,261,116	106	
111	Champion Federal S&L Assn., Bloomington, Ill.	2,316,818	1,975,378	118	+7
112	Roosevelt Federal S & L Assn., Chesterfield, Mo.	2,293,689	1,690,599	147	+35
113	Coral Gables Federal Savings & Loan Assn., Fla.	2,283,705	2,369,787	101	
114	Metropolitan Federal Bank FSB, Fargo, N.D.	2,280,686	1,923,960	123	+9
115	Boston Five Cents Savings Bank FSB	2,264,111	1,927,016	122	+7
116	Southwest Savings & Loan Assn., Phoenix, Ariz.	2,261,858	2,088,141	112	
117	Silverado Banking Savings & Loan Assn., Denver	2,257,151	1,802,323	137	+20
118	Alabama Federal Savings & Loan Assn., Birmingham	2,245,085	1,018,944	260	+142
119	Sacramento Savings & Loan Assn., Calif.	2,218,584	2,064,692	114	
120	American Savings & Loan Assn., Salt Lake City, Utah	2,201,276	2,867,591†	76r	
121	Western Fed. S & L Assn., Marina Del Rey, Calif.	2,188,199	1,841,567	134	+13
122	Peoples Heritage Federal S & L Assn., Salina, Kan.	2,155,580	1,642,546	152	+30
123	Honolulu Federal Savings & Loan Assn., Hawaii	2,143,861	1,686,104	148	+25
124	Pioneer Savings Bank, Clearwater, Fla.	2,138,383	2,018,388	117	
125	Security Savings & Loan Assn., Milwaukee, Wis.	2,129,229	1,432,692	179	+54
126	Albuquerque Federal Savings & Loan Assn., N.M.	2,122,345	2,099,826	111	
127	Investors Savings Bank, Richmond	2,108,773	1,636,820	153	+26
128	Leader Federal S & L Assn., Memphis, Tenn.	2,108,516	1,905,065	124	
129	Bay View Fed. S & L Assn., San Mateo, Calif.	2,091,251	1,587,258	160	+31
130	Investors Savings & Loan Assn., Millburn, N.J.	2,088,490	2,056,799	115	
131	Cragin Federal Savings & Loan Assn., Chicago	2,065,218	1,862,984	128	
132	Decatur Federal Savings & Loan Assn., Ga.	2,063,900	1,880,000	127	
133	Third Federal Savings & Loan Assn., Cleveland	2,021,474	1,721,661	145	+12
134	Uptown Federal Savings FA, Niles, Ill.	2,004,811	1,098,162	247	+113
135	American Pioneer Savings Bank, Orlando, Fla.	1,997,966	1,846,976	132	
136	Collective Fed. Savings Bank, Egg Harbor City, NJ	1,996,114	1,559,626	163	+27
137	First Federal Savings & Loan Assn., Greenville, S.C.	1,976,479	1,861,511	129	
138	Dominion Fed. Savings & Loan Assn., McLean, Va.	1,956,192	1,737,206	143	+5
139	Citizens Savings Bank FSB, Providence, R.I.	1,949,534	1,927,340	121	
140	Pelican Homestead & Savings Assn., Metairie, La.	1,946,304	980,799	270	+130
141	BankAtlantic, FSB, Fort Lauderdale, Fla.	1,929,812	1,900,000	125	
142	Union Federal Savings & Loan Assn., Los Angeles	1,927,646	1,516,440	166	+24
143	Commonwealth Savings Assn., Houston	1,925,372	1,760,114	141	
144	Lamar Savings Assn., Austin, Tex.	1,919,183	1,994,725†	118r	
145	Lyons Savings, FSB, Hinsdale, Ill.	1,906,373	1,846,246	133	
146	Columbia First Fed. S&L Assn., Washington, D.C.	1,901,328	1,755,183	142	
147	Washington Federal Savings & Loan Assn., Seattle	1,900,475	1,310,022	202	+55
148	Broadview Savings Bank, Cleveland	1,883,364	1,896,560	126	
149	First Financial Savings Assn., Stevens Point, Wis.	1,883,313	1,798,278	138	
150	First Fed. Savings Bank of California, Santa Monica	1,866,363	1,456,105	175	+25
151	Far West Federal Bank, Portland, Ore.	1,863,220	2,239,550	108	
152	East New York Savings Bank, New York	1,855,282	1,515,526	167	+15
153	Albany Savings Bank FSB, N.Y.	1,844,934	1,776,671	139	
154	Ensign Bank FSB, New York	1,832,692	1,506,000	169	+15
155	Bell Federal Savings & Loan Assn., Chicago	1,818,528	1,722,389	144	
156	Loyola Federal Savings & Loan Assn., Baltimore	1,813,577	1,592,508	159	+3
157	D&N Savings Bank, FSB, Hancock, Mich.	1,809,047	1,672,260	150	
158	Baltimore Federal Financial, FSA	1,794,634	1,763,300	140	
159	Western Financial Savings Bank, Orange, Calif.	1,777,830	976,851	271	+112
160	First Constitution Bank, New Haven, Conn.	1,767,068	1,398,058	185	+25
161	Dixie Savings & Loan Assn., New Orleans, La.	1,742,302	1,557,105	164	+3
162	First Federal Savings of Arkansas, FA, Little Rock	1,737,758	1,853,512	131	
163	Goldome Savings Bank, St. Petersburg, Fla.	1,735,773	1,806,692	136	
164	Fidelity New York, FSB, Floral Park, N.Y.	1,706,063	1,608,174	156	
165	Peoples Heritage Savings Bank, Portland, Me.	1,700,371	1,345,941	195	+30
166	Chase Federal Savings & Loan Assn., Miami	1,695,512	1,853,890	130	
167	Eureka Federal S & L Assn., San Carlos, Calif.	1,689,565	1,595,496	158	
168	Freedom Savings & Loan Assn., Tampa, Fla.	1,689,497	2,174,584	109	
169	Beverly Hills Savings, FS&LA	1,683,651	1,961,792	119	
170	Landmark Savings Assn., Pittsburgh	1,653,049	1,540,601	165	
171	Southern California Savings, FS&LA, Beverly Hills	1,648,134	983,842	268	+97
172	Home Savings Bank, Brooklyn, New York	1,637,096	1,461,161	174	+2
173	Gill Savings Assn., Hondo, Tex.	1,626,630	1,619,360	154	
174	Poughkeepsie Savings Bank FSB, N.Y.	1,621,480	1,196,620	226	+52
175	First Federal Savings Bank, Santurce, P.R.	1,592,305	1,386,241	190	+15
176	ComFed Savings Bank, Lowell, Mass.	1,590,469	1,283,821	208	+32
177	Gem Savings Assn., Dayton, Ohio	1,586,988	1,601,442	157	
178	Cardinal Federal Savings Bank, Cleveland	1,585,312	1,683,455	149	
179	Maine Savings Bank, Portland	1,584,703	1,316,848	200	+21
180	Hollywood Federal Savings & Loan Assn., Fla.	1,570,768	1,451,101	176	
181	Naples Federal Savings & Loan Assn., Fla.	1,566,058	1,410,890	183	+2
182	Provident Institution for Savings, Boston	1,552,296	1,461,162	173	
183	Commonwealth S & L Assn., Ft. Lauderdale, Fla.	1,533,838	1,180,933	231	+48
184	Crestmont Fed. Savings & Loan Assn., Edison, NJ	1,515,015	1,189,606	228	+44
185	Banking Center, Waterbury, Conn.	1,500,313	1,290,771	206	+21
186	Beneficial Savings Bank, Philadelphia	1,499,746	1,560,833	162	
187	First Federal Savings Bank, Cleveland	1,486,120	1,485,510	170	
188	Columbia Banking Fed. S & L Assn., Rochester, N.Y.	1,482,999	1,433,474	178	
189	Flagler Federal Savings & Loan Assn., Miami	1,471,455	1,464,651	172	
190	Peoples Westchester Svgs Bank, Hawthorne, N.Y.	1,465,359	1,412,706	182	
191	Sooner Federal Savings & Loan Assn., Tulsa, Okla.	1,458,788	1,513,631	168	
192	Republic Fed. Savings & Loan Assn., Los Angeles	1,453,010	843,452	302	+110
193	New Haven Savings Bank, Conn.	1,448,200	1,469,166	171	
194	Caguas Central Fed. Savings Bank, San Juan, P.R.	1,433,948	1,393,798	187	
195	State Savings Bank, Columbus, Ohio	1,431,855	1,324,560	199	+4
196	Neworld Bank for Savings, Boston	1,422,954	1,207,119	223	+27
197	Puget Sound Savings Bank, Seattle	1,415,152	1,248,539	213	+16
198	Southwest Savings Assn., Dallas	1,410,470	1,200,160	225	+27
199	Mid-America Federal S & L Assn., Columbus, Ohio	1,404,950	1,447,463	177	
200	United Postal Savings Assn., St. Louis, Mo.	1,399,019	1,290,733	207	+7

(r)— Rank thrift would have had, if data had been available. **(†)**— Asset data were unavailable last year. Source of data was the FHLBB.

Top 300 Thrifts in the United States

Ranked by assets on December 31, 1987 (dollar amounts in thousands)

Rank 12/87		Assets 12/31/87	Assets 12/31/86	Rank 12/86	Gain
201	Amoskeag Bank, Manchester, N.H.	1,395,278	1,278,377	210	+9
202	Jamaica Savings Bank FSB, Lynbrook, N.Y.	1,392,342	1,381,033	192	
203	Ohio Savings Bank, Cleveland	1,392,092	1,379,757	193	
204	American Charter Federal S & L Assn., Lincoln, Neb.	1,391,418	1,612,246	155	
205	Provident Savings Bank, Jersey City, N.J.	1,387,025	1,395,997	186	
206	Germantown Savings Bank, Bala Cynwyd, Pa.	1,382,056	1,404,969	184	
207	Onondaga Savings Bank, Syracuse, N.Y.	1,381,277	1,209,519	222	+15
208	Independence Savings Bank, Brooklyn, New York	1,366,747	1,294,801	204	
209	Financial Fed. S & L Assn., Miami Lakes, Fla.	1,364,202	1,385,678	191	
210	Northwestern Savings & Loan Assn., Chicago	1,358,346	835,181	305	+95
211	First Federal Bancorp, Inc., Pontiac, Mich.	1,358,257	1,291,235	205	
212	Mechanics & Farmers SB FSB, Bridgeport, Conn.	1,357,051	1,045,507	254	+42
213	Norstar Bank Central New York, Syracuse	1,354,163	1,170,391	234	+21
214	Murray Savings, FS&LA, Dallas	1,339,728	1,071,425	251	+37
215	Mid America Federal S & L Assn., Clarendon Hills, Il	1,335,988	1,329,498	197	
216	First Federal Savings & Loan Assn., Toledo, Ohio	1,329,969	1,281,863	209	
217	First Atlantic Savings, South Plainfield, N.J.	1,327,905	1,202,558	224	+7
218	South Boston Savings Bank, Boston	1,327,788	1,215,565	221	+3
219	Standard Federal Savings Bank, Gaithersburg, Md.	1,322,865	1,088,894	248	+29
220	Duval Fed. Savings & Loan Assn., Jacksonville, Fla.	1,306,161	1,117,829	245	+25
221	Hunter Savings Assn., Cincinnati	1,301,177	1,219,966	219	
222	Columbia Federal Savings Bank, Queens, New York	1,300,254	1,254,853	212	
223	Pathway Financial, FA, Chicago	1,298,948	1,312,751	201	
224	Olney Savings Assn., Tex.	1,296,905	1,233,050	215	
225	Montfort Savings Assn., FSA, Dallas	1,281,745	....	...	
226	First Western Savings Assn., Las Vegas, Nev.	1,271,443	1,216,084	220	
227	First Mutual of Boston	1,271,262	1,336,869	196	
228	Capitol Federal Savings & Loan Assn., Denver	1,265,522	1,226,007	216	
229	Buckeye Fed. S & L Assn., Columbus, Ohio	1,251,101	1,326,454	198	
230	Mutual Savings & Loan Assn. FA, Bay City, Mich.	1,248,501	1,168,414	236	+6
231	County Savings Bank, Santa Barbara, Calif.	1,239,291	....	...	
232	Wilmington Savings Fund Society FSB, Del.	1,239,284	1,074,829	250	+18
233	First Fed. Savings & Loan Assn., Jacksonville, Fla.	1,236,627	1,182,711	230	
234	Union Federal Savings Bank, Indianapolis	1,232,049	....	...	
235	Security Savings & Loan Assn., Vineland, N.J.	1,229,606	950,665	274	+39
236	The First, F.A., Orlando, Fla.	1,220,351	1,174,000	233	
237	Lincoln Fed. Savings & Loan Assn., Westfield, N.J.	1,207,872	1,223,879	217	
238	Coast Federal Savings & Loan Assn., Sarasota, Fla.	1,205,858	1,220,709	218	
239	Horizon Federal Savings Bank, Wilmette, Ill.	1,205,579	1,137,395	241	+2
240	Centerbanc SA, St. Petersburg, Fla.	1,205,004	....	...	
241	Columbia Savings & Loan Assn., Fair Lawn, N.J.	1,198,757	1,175,662	232	
242	First Federal Savings & Loan Assn., Lincoln, Neb.	1,197,568	1,274,188	211	
243	Pomona First Fed. Savings & Loan Assn., Calif.	1,189,762	1,154,063	237	
244	First Home Federal S & L Assn., Greensboro, N.C.	1,188,001	1,308,186	203	
245	Sandia Fed. Svgs & Loan Assn., Albuquerque, NM	1,172,316	1,185,998	229	
246	Metropolitan Federal S & L Assn., Nashville, Tenn.	1,168,240	1,032,314	256	+10
247	Anchor Savings & Loan Assn., Madison, Wis.	1,166,764	1,138,840	240	
248	Federal Savings Bank of Puerto Rico, San Juan	1,166,641	1,105,870	246	
249	St. Bernard Federal S & L Assn., Chalmette, La.	1,165,636	858,377	297	+48
250	Connecticut Savings Bank, New Haven	1,164,318	1,130,373	244	

Rank 12/87		Assets 12/31/87	Assets 12/31/86	Rank 12/86	Gain
251	Beach Federal S & L Assn., Boynton Beach, Fla.	1,145,793	1,389,452	188	
252	Gateway Bank, South Norwalk, Conn.	1,140,491	919,054	284	+32
253	Commonwealth Federal S & L Assn., Norristown, Pa.	1,134,016	1,132,766	242	
254	Security First Fed. S & L Assn., Daytona Beach, Fla.	1,131,035	1,151,838	238	
255	Liberty Savings Bank, FSB, Macon, Ga.	1,128,827	....	...	
256	Ponce Federal Bank, FSB, P.R.	1,124,448	874,097	294	+38
257	Pacific Savings Bank, Costa Mesa, Calif.	1,119,803	1,658,221	151	
258	Ridgewood Savings Bank, Queens, New York	1,116,916	1,141,891	239	
259	Diamond Savings & Loan Co., Findlay, Ohio	1,112,854	1,195,826	227	
260	United Savings of America, FS&LA, Chicago	1,110,587	996,646	266	+6
261	First Indiana Bank, FSB, Indianapolis	1,105,000	919,631	283	+22
262	John Hanson S&LA Inc., Beltsville, Md.	1,099,463	....	...	
263	Home Unity Savings & Loan Assn., Lafayette Hill, Pa.	1,089,487	929,287	280	+17
264	Richmond Hill Savings Bank, Floral Park, N.Y.	1,084,434	903,235	288	+24
265	Mid-State Federal Savings & Loan Assn., Ocala, Fla.	1,075,757	754,525	334	+69
266	Roosevelt Savings Bank, Garden City, N.Y.	1,067,056	1,006,411	262	
267	Cumberland Federal Savings Bank, Louisville, Ky.	1,066,617	910,565	286	+19
268	Century Federal S & L Assn., Pasadena, Calif.	1,062,781	1,003,296	263	
269	Continental Federal Savings Bank, Fairfax, Va.	1,062,469	981,237	269	
270	Midwest Federal Savings Bank, Minot, N.D.	1,056,293	921,968	281	+11
271	American Fed. S & L Assn of Iowa, Des Moines	1,039,983	1,052,009	252	
272	Firstrust Savings Bank, Philadelphia	1,039,933	930,300	279	+7
273	First Federal Savings & Loan Assn., Austin, Tex.	1,036,103	882,742	291	+18
274	American Federal Bank FSB, Greenville, S.C.	1,032,398	996,606	267	
275	Morris Savings Bank, Morristown, N.J.	1,027,282	997,733	264	
276	Springfield Institution for Savings, Mass.	1,023,042	902,276	289	+13
277	Washington Fed. Svgs Bank, Washington, D.C.	1,010,965	947,672	276	
278	Great Financial Federal S & L Assn., Louisville, Ky.	1,010,387	1,031,693	257	
279	Great Southern Federal Svgs Bank, Savannah, Ga.	1,005,011	996,944	265	
280	Bell Savings & Loan Assn., FS&LA, San Mateo, Calif.	1,000,324	1,169,615	235	
281	Ameribanc Savings Bank, Annandale, Va.	996,977	809,933	315	+34
282	American Savings Bank, Springfield, Ill.	979,861	1,037,237	255	
283	Great American Federal S & L Assn., Oak Park, Ill.	977,007	1,016,054	261	
284	Frontier Fed. S & L Assn., Ponca City, Okla.	975,273	860,076	296	+12
285	Financial Fed. Tr. & Svgs Bank, Olympia Fields, Ill.	975,229	732,052	344	+59
286	Heritage Federal Savings Bank, Taylor, Mich.	964,238	....	...	
287	Berkeley Fed. Savings & Loan Assn., Millburn, N.J.	963,655	1,030,636	258	
288	Southwest Savings & Loan Assn., Los Angeles	957,543	779,004	325	+37
289	Capital Federal S & L Assn., Sacramento, Calif.	953,183	875,238	293	+4
290	Blue Valley Fed. S & L Assn., Kansas City, Mo.	951,802	970,285	272	
291	Mutual Svgs & Loan Assn. of Wisconsin, Milwaukee	947,132	938,551	277	
292	New Hampshire Savings Bank, Concord	941,022	....	...	
293	Skokie Federal Savings & Loan Assn., Ill.	939,109	948,075	275	
294	Savers Fed. Savings & Loan Assn., Little Rock, Ark.	937,111	936,286	278	
295	First American Savings Bank FSB, Greensboro, N.C.	936,095	960,974	273	
296	Fidelity Fed. Svgs & Loan Assn., Nashville, Tenn	930,886	854,204	300	+4
297	Central Federal Savings, FSB, Long Beach, N.Y.	930,805	899,270	290	
298	Second National Fed. Savings Bank, Salisbury, Md.	924,250	....	...	
299	Independent American Savings Assn. Irving, Tex.	923,896	1,085,375	249	
300	Standard Federal Savings & Loan Assn., Chicago	920,595	855,694	298	

Summary of Survey Findings

10 Largest Deposit Gains

Dollar amounts in millions

		Deposits 12/31/87	Deposits 6/30/87	Incr. (%)	Rank
1	Alabama Federal Savings & Loan Assn., Birmingham	1,433.8	651.4	120.09	140
2	Home Savings Assn. of Kansas City FA, Mo.	2,338.5	1,169.9	99.89	78
3	Guaranty Fed. Savings & Loan Assn., Galveston, Tex.	2,622.5	1,861.7	40.87	64
4	Union Federal Savings & Loan Assn., Los Angeles	1,576.8	1,121.5	40.61	131
5	Republic Federal Savings & Loan Assn., Los Angeles	920.3	656.6	40.16	239
6	Western Financial Savings Bank, Orange, Calif.	883.7	656.5	34.61	247
7	Mid-State Federal Savings & Loan Assn., Ocala, Fla.	860.5	643.9	33.63	255
8	Imperial Savings Assn., San Diego, Calif.	7,028.9	5,555.2	26.53	18
9	Mechanics & Farmers Svgs Bank FSB, Bridgeport	985.1	789.2	24.83	226
10	Investors Savings Bank, Richmond	1,557.3	1,250.7	24.52	133

Gains over six months ended Dec. 31, 1987. Percentage gain based on unrounded deposit figures.

10 Largest Deposit Declines

Dollar amounts in millions

		Deposits 12/31/87	Deposits 6/30/87	Decr. (%)	Rank
1	Far West Federal Bank, Portland, Ore.	1,427.5	2,384.4	-40.13	144
2	Lyons Savings, FSB, Hinsdale, Ill.	1,277.2	1,540.8	-17.11	161
3	Investors Savings & Loan Assn., Millburn, N.J.	1,060.9	1,221.1	-13.12	207
4	Washington Federal Savings & Loan Assn., Seattle	1,180.4	1,325.0	-10.92	186
5	TCF Banking & Savings, FA, Minneapolis	3,342.1	3,644.5	-8.30	45
6	Dominion Federal Savings & Loan Assn., McLean, Va.	1,449.3	1,562.9	-7.27	139
7	Community Fed. Savings & Loan Assn., St. Louis, Mo.	2,735.4	2,931.0	-6.68	58
8	ComFed Savings Bank, Lowell, Mass.	833.1	879.2	-5.24	264
9	Amoskeag Bank, Manchester, N.H.	927.4	975.0	-4.88	237
10	First Federal Savings of Arkansas, Little Rock	1,201.6	1,261.3	-4.73	177

Declines over six months ended Dec. 31, 1987. Percentage decline based on unrounded deposit figures.

10 Highest Capital Ratios

Dollar amounts in millions

		Net Worth 12/31/87	Assets 6/30/87	Ratio (%)	Rank
1	Citicorp Savings of Illinois, FS&LA, Chicago	1,701.4	5,509.9	30.88	38
2	Citicorp Savings of Florida, FS&LA, Miami	525.0	2,713.9	19.34	155
3	Banking Center, Waterbury, Conn.	241.2	1,500.3	16.08	227
4	Southern California Savings, FS&LA, Bevery Hills	254.6	1,648.1	15.45	203
5	Firstrust Savings Bank, Philadelphia	154.8	1,039.9	14.88	283
6	Home Savings Bank, Brooklyn, New York	243.4	1,637.1	14.86	188
7	Richmond Hill Savings Bank, Floral Park, N.Y.	149.2	1,084.4	13.75	258
8	Jamaica Savings Bank, FSB, Lynbrook, N.Y.	189.9	1,392.3	13.64	189
9	Citicorp Savings, FS&LA, San Francisco	915.2	6,976.5	13.12	24
10	Peoples Heritage Savings Bank, Portland, Me.	222.3	1,700.4	13.07	175

Capital ratio: Regulatory net worth on Dec. 31, 1987, divided by total assets, expressed as a percentage.

10 Lowest Capital Ratios

Dollar amounts in millions

		Net Worth 12/31/87	Assets 6/30/87	Ratio (%)	Rank
1	Western Fed. Savings & Loan Assn., Dallas	-1,288.0	854.1	-150.80	112
2	American Diversified Savings Bank, Lodi, Calif.	-634.6	546.1	-116.21	191
3	Independent American Savings Assn., Irving, Tex.	-650.0	923.9	-70.35	143
4	Commodore Savings Assn., Stamford, Tex.	-399.5	746.3	-53.53	195
5	Bell Savings & Loan Assn., FS&LA, San Mateo, Calif.	-413.5	1,000.3	-41.34	165
6	Security Savings & Loan Assn., Scottsdale, Ariz.	-270.9	798.7	-33.91	209
7	Beverly Hills Savings, FS&LA	-531.7	1,683.7	-31.58	97
8	City Savings & Loan Assn., San Angelo, Tex.	-200.7	709.0	-28.31	253
9	Champion Savings Assn., Houston	-200.7	775.7	-25.88	287
10	Savers Fed. Savings & Loan Assn., Little Rock, Ark.	-225.5	937.1	-24.07	275

Capital ratio: Regulatory net worth on Dec. 31, 1987, divided by total assets, expressed as a percentage.

6/1/88 C0175-1 A

American Banker

The Daily Financial Services

VOL. CLIII NO. 106 Wednesday, June 1, 1988 53rd Year

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BETHESDA MD 20814

Today

The new president of a Japanese bankers group urged the Ministry of Finance to push ahead with its plan to deregulate interest rates on small deposits by yearend. ____ 2

The board of the Texas Finance Commission delayed a scheduled vote on a controversial proposal to give insurance powers to state-chartered banks. ____ 2

Ballooning expenditures by the FSLIC and the FDIC could trigger across-the-board federal budget cuts under the Gramm-Rudman-Hollings law, according to the Office of Management and Budget. ____ 3

The president of America First Financial Corp. saw a sound core in the troubled Eureka Federal Savings and Loan when the company agreed to inject $100 million into the mutual association. ____ 12

BEI Holdings Ltd. is entering the thrift business after 12 years of financial industry consulting with its purchase of Fidelity Federal Savings & Loan, Nashville. ____ 16

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Jesse Jackson's ambitious budget program establishes an elaborate liberal agenda, but Americans would have to pick up the tab, writes Robert J. Samuelson. ____ 10

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A vast exhibition of the latest in automated services was part of NOAC '88, the ABA's national operations and automation conference. 3

The popularity of voice response systems is growing in banks' back offices. Vendors of such systems are bringing a slew of new automated voice products to the market. ____ 6

An automated system that reduces the time involved in resolving credit card chargeback disputes has been developed by Mastercard International Inc. and a high-technology firm owned by TRW Inc. The MasterCom system speeds processing by combining digital-image processing with laser printing at a personal-computer workstation. ____ 6

The first banking software to be integrated into the Wang image system is now being rewritten for IBM computers. BancA Corp., a year-old software company in Dallas, announced that several large banks are sponsoring its development of an IBM version of the Power 1 office automation system. ____ 7

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Worth Repeating

Your value to an organization is not your sameness, but your difference. That is what makes you unique as an individual.

C. James Maselko of the consulting firm Block, Petrella, Weisbord. [Page 2]

COMMENT

Bankers Dispute ABA

By SANFORD ROSE

The much-publicized American Bankers Association study of delivery system economics argues that "the U.S. banking industry faces a significant branch restructuring challenge that is not about to disappear, and most banks do not have the management tools needed to address the problem." Do bankers agree with the assessment of their trade association?

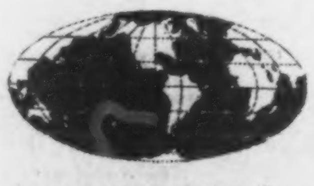
Based on a survey recently conducted by Oliver, Wyman & Company, one would have to conclude that they don't. The OW survey, which elicited responses from 36 large branch banking systems (the smallest bank had about $4 billion in assets, while the median bank had approximately $10 billion), reveals that bankers, by and large, do not feel their branches are in crisis.

An overwhelming majority of the respondents say that branch systems are critical to their strategic objectives — a sentiment with which neither the ABA nor Oliver, Wyman would disagree. However, the ABA study contends that fully 25% to 40% of all branches are

Comment: Page 4 ➻

Japanese Test Global Market With Trust Bank Units in US

By JAMES R. KRAUS and ROBERT LUKE



International Briefing

NEW YORK — Japan's giant trust banks, once content to focus primarily on their national market, are now pushing aggressively into the global arena. Nowhere is this more evident than in the United States.

Recently, four of Japan's seven trust banks opened branches in New York — Yasuda Trust and Banking Co., Sumitomo Trust and Banking Co., Mitsubishi Trust and Banking Corp., and Mitsui Trust and Banking Co.

The trust banks are also expanding their geographic reach by opening representative offices. Yasuda, which has had a New York branch since 1977 and a Los Angeles agency since 1980, recently opened offices in Chicago and Atlanta.

"In the past, we've grown in an environment of distinctive national markets," said Fujio Takayama, president of Yasuda. "Now, we're dealing in a global market. Everyone recognizes this." He cited recent agreements to adopt common international capital-to-assets ratios as the best evidence.

International asset management, he said, is part of the growing diversification among Japanese trust banks, which in the postwar years served primarily to gather long-term deposits and channel them into capital investments.

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U.S. League's Journal Takes FDIC to Task

Article Favors Creation Of New Federal Agency

By JIM McTAGUE
Washington Bureau

WASHINGTON — An official of the U.S. League of Savings Institutions advocates the creation of a federal agency modeled on the Depression-era Reconstruction Finance Corp. to help overhaul the deposit insurance system.

In an upcoming article, Dennis Jacobe, research director for the 3,200-member thrift organization, argues that both the insolvent Federal Savings and Loan Insurance Corp. and the Federal Deposit Insurance Corp. need a radical overhaul. Mr. Jacobe says a merger of the funds won't work.

The financial strength of the FDIC, which has $18.3 billion in funds, is illusory, he claims. Mr. Jacobe said, however, that the league itself has not taken an official position on the strength of the FDIC.

Treasury Under Secretary George D. Gould said Tuesday that savings institutions are capable of contributing more money to restore the FSLIC.

Outlays May Trigger Budget Cuts
Page 3

Mr. Jacobe's article is scheduled to appear in this month's issue of *Savings Institutions*, the U.S. League's official magazine. The article does not specify where the new agency would obtain cash for troubled banks and thrifts.

A related piece in the May issue debunked claims about the FDIC's

U.S. League: Page 15 ➻

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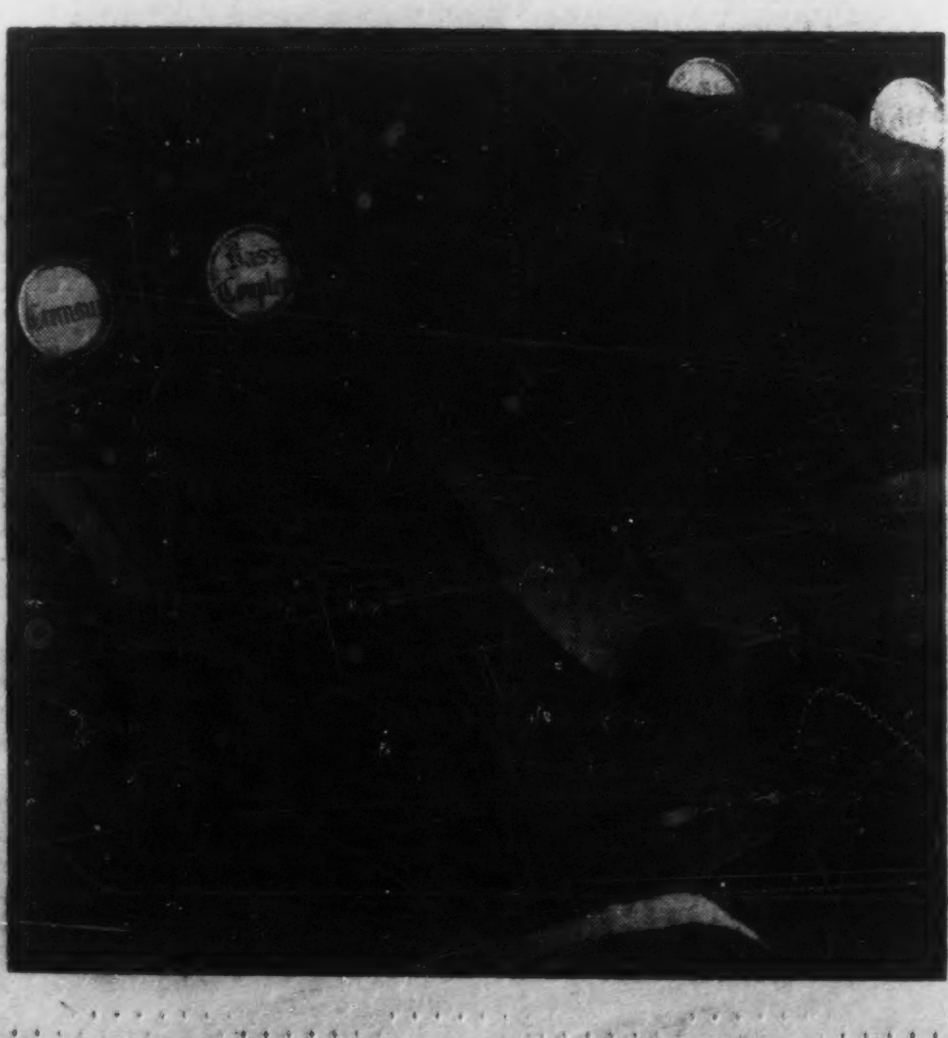

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Operations Show Not Just for Vendors

By JEFFREY KUTLER and SUZANNE CHRISTY

THE AMERICAN BANKERS Association held its annual technology extravaganza in Atlanta last week. Among 3,500 people in attendance, bankers were outnumbered almost 2-to-1 by representatives of 230 companies selling everything from mainframe computers to artificial intelligence systems — and from used automated tellers to filing cabinets for checks.

It was the largest such show ever in U.S. banking, reflecting the industry's voracious appetite for many kinds of systems. A visitor could have spent the entire three days touring the vast exhibit hall, listening to sales pitches, and trying to understand how the latest in products and services might be of help to their operations back home.

But the exhibition, which occupied several acres of the Georgia World Congress Center, was only half the story of NOAC '88, the ABA's national operations and automation conference. Despite the exhibit hall's record size and attention-grabbing glitz, "conference" was still the operative word.

Presentations by speakers, along with the informal conversations in the hallways, vied with the exhibit floor for the attention of those who sought more sober discussions of the issues and controversies facing bank operations executives at a time of volatility and uncertainty.

Cause to Celebrate

THE GROWTH of the national operations and automation conference over the past 20 years attests to the prominence achieved by operations — and operations managers — in the banking hierarchy. Self-congratulation is in order wherever operations people gather.

TECHNOLOGY TODAY
AN AMERICAN BANKER WEEKLY FEATURE
Section Begins on Page 6

"Operations and technology are now recognized to be part of the heartbeat and fiber of everything a bank does," said Lois Martin, chairman of the ABA operations and automation division, in an interview just prior to the conference. She is also senior vice president of FBS Information Services, St. Paul, a subsidiary of First Bank System Inc.

"Operations is not just seen as a back-room function anymore," added Jerry McElhatton, vice chairman of the ABA operations division and managing director of First RepublicBank Corp., Dallas.

Ms. Martin, Mr. McElhatton, and other members of the ABA operations executive committee said they have gained respectability and are now routinely included in the upper decision-making echelons at their institutions. They also seem untroubled by the cost-cutting mentality that appears to be so rampant in the industry.

"Cost containment is not necessarily a major issue for the technology side of a bank. Our institutions draft business plans, and our job is to support those plans.

"In some instances, such as check processing, our goal is to be the low-cost producer because there is no great competitive advantage to be gained. On the other hand, we see branch automation as an opportunity, where significant investment is clearly justified," Ms. Martin said.

"There is more emphasis on business-case analysis," said Robert Seidell. He is chairman of the NOAC '88

Reporter's: Page 12 ➸

Deregulation Urged By Japanese Banker

By CLAY NAFF

TOKYO — Kazuo Ibuki, the new president of the Federation of Bankers' Associations of Japan, said that the ministry of finance should push ahead with its plan to deregulate interest rates on small deposits by yearend.

However, he acknowledged that such action is unlikely. A federation spokesman later concurred, saying that negotiations among government agencies on this question have bogged down, and that deregulation may not take place until late next year or the following year.

Japanese commercial banks are worried about losing depositors to better-paying financial institutions following the April 1 abolition of tax-free accounts for small savers.

Mr. Ibuki, who is also president of Mitsubishi Bank, told a group of Japanese reporters that commercial banks should be permitted to offer market-rate certificates of deposit of 2 million to 3 million yen as an interim step.

Currently, interest rates on bank deposits up to 10 million yen are controlled at minimal rates ranging from 2.26% for deposits of a year or less to 3.64% for the maximum-allowed three-year fixed deposit.

Money market certificates at somewhat higher market rates are available for 10 million yen or more. Specialized banks can offer various low-cost deben-

Japanese Banker: Page 11 ➸

Texas Finance Board Stalls Insurance Powers Plan

By RICHARD RINGER

The board of the Texas Finance Commission delayed a scheduled vote on a controversial proposal to give insurance powers to state-chartered banks.

The six-person board, made up of four bankers and two nonbankers appointed by the governor, decided instead last Friday to continue studying the proposal.

The board is tentatively scheduled to meet again on June 17, said Robert Huxel, director of governmental affairs for the Independent Insurance Agents of Texas. The group, which leads the opposition to the proposal, represents 2,500 insurance agencies with 15,000 employees.

The agenda for the tentatively scheduled meeting has not been issued, Mr. Huxel said.

The proposal, made last April by Texas Bank Commissioner Kenneth W. Littlefield, would authorize insurance powers through regulation, not by legislation.

Hubert Bell Jr., acting general counsel for the Texas Banking Department, said Texas law does not require specific legislative approval for banks to engage in some insurance activities.

The Texas Legislature did not convene this year. Its next regularly scheduled session begins in January 1989.

The proposal would enable state-chartered banks in Texas towns with fewer than 5,000 residents to act as insurance agents for any type of insurance product.

Federally chartered banks already have this authority. Moreover, a wildcard statute in the Texas law gives the "same rights and privileges" of federally chartered banks to state-chartered institutions, said Mr. Bell.

The proposal also would allow any state bank to sell insurance covering the collateral for any loan that the bank makes. Existing law, Mr. Bell said, empowers the board of the Texas Finance Commission to determine activities that are "incidental" to banking.

The proposal, if adopted, would provide an additional source of revenue for state-chartered banks. Texas banks have suffered serious losses in recent years because of the downturn in the energy industry and the subsequent collapse of real estate prices.

This year, as many as 11 state legislatures were expected to consider proposals giving insurance powers to banks. The authority for state banks to engage in the insurance business was the item most desired by banks, among the powers the legislatures were expected to consider this year, according to an *American Banker* roundup of state legislative initiatives, published in February. ■

Third World Debt

Secondary market prices for bank loans to lesser-developed countries in cents per dollar of face value

	Bid 5/26	Bid 5/12	Asked 5/26	Asked 5/12
Algeria	92.00	91.00	93.00	93.00
Argentina	28.25	29.00	29.25	30.00
Bolivia	13.00	13.00	14.00	14.00
Brazil	54.50	55.25	55.25	56.25
Chile	61.25	61.25	62.50	62.25
Colombia	66.00	66.00	68.00	68.00
Costa Rica	11.00	13.00	14.00	16.00
Domin. Rep.	20.00	18.00	22.00	21.00
Ecuador	27.50	29.00	29.00	31.00
Honduras	22.00	22.00	25.00	25.00
Ivory Coast	28.50	29.00	31.50	32.00
Jamaica	35.00	35.00	38.00	38.00
Mexico	53.50	54.00	54.25	55.00
Morocco	50.00	50.00	51.00	51.00
Nicaragua	02.00	03.00	04.00	04.00
Nigeria	28.00	28.50	30.00	30.50
Panama	24.00	23.00	26.00	26.00
Peru	05.75	05.25	07.00	06.50
Philippines	53.50	54.25	55.00	55.75
Poland	43.00	43.25	43.75	44.00
Romania	84.00	85.00	87.00	88.00
Senegal	40.00	40.00	45.00	45.00
Sudan	02.00	02.00	10.00	10.00
Turkey	98.00	98.50	99.00	100.00
Uruguay	60.00	59.75	61.00	61.00
Venezuela	56.75	56.50	57.50	57.00
Yugoslavia	45.50	45.50	46.50	47.00
Zaire	19.00	19.00	23.00	23.00

Source: Salomon Brothers Inc.

Correction

The total deposits of Far West Federal Bank, Portland, Ore., fell 3.12% over the six-month period ended Dec. 31, 1987, from $1,473.5 million on June 30 to $1,427.5 million. Based on incorrect June data received for the thrift, Far West was erroneously given as the thrift with the largest deposit decline in a summary table to the listing of the top 300 thrifts, which appeared on page 18 in the May 27 *American Banker*. ■

FINANCIAL TECHNOLOGY UPDATE

The NCR 5571 Self-Service Information/Statement Terminal allows customers to obtain their own account statements and information without the assistance of branch personnel. Customers requesting interim statements and information concerning loans and money markets, for example, can now be offered another convenient automated service.

Advanced processing for branch automation. The Financial TOWER System 2 (FTS 2) from NCR is a state-of-the-art transaction processing system for branch automation. FTS 2 can provide a total solution in advanced hardware, software and communications in an open architecture designed to accommodate tomorrow's emerging technologies. The system also incorporates an advanced platform selling environment with sophisticated networking capabilities designed to provide customers with superior service.

Increased revenue and reduced labor costs are just two possible benefits of the Return Item System (RIS) from NCR. This system allows financial institutions to further automate manual procedures in return item processing. Now a single workstation can be put to more than one use, from MICR proof to return item applications.

First Independent Bank of Vancouver, Washington was one of the first and largest banks in the country to implement NCR's new Banker 80-II System. Their reasons were threefold: a) the cost was similar to that of their service bureau, b) they preferred in-house control over their own applications and operations, and c) their existing staff could be trained to operate the system, eliminating the need to hire highly-skilled personnel.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

➤➤ Continued from Page 1

currently unprofitable because of overbranching, mounting labor costs, a shift to higher-cost deposits, and the post-1981 decline in interest rates, which has reduced the earnings credit for branch-gathered funds.

The respondents to the OW survey are decidedly less negative. They maintain that only 8% (mean percentage) to 9% (median percentage) of their branches were unprofitable in 1987.

Few Are Intractable

What's more, they argue that virtually all their currently unprofitable outlets can be restored to profitability by management action within one to two years. On average, only 2% to 4% of branches are considered intractably unprofitable and therefore candidates for closure.

In point of fact, the respondent banks are not in a branch-closing mood. Although some branches will undoubtedly be shuttered, on net, the surveyed institutions expect to have more branches in operation in the next couple of years than they now have — an average of about 6% more.

Why the discrepancy between the ABA numbers and those derived from this survey of large banks? Are the respondents guilty of a certain measure of unrealism? Quite possibly this might be the case.

Oliver, Wyman notes that the evaluation of branch performance at the surveyed banks tends not to be especially rigorous and therefore probably misrepresents the relative contribution of some branches versus others.

Only about half of the respondents measure the performance of branches individually. And of those that look at individual performance, more than three quarters evaluate that performance in relation to what are described as goals and targets (probably growth targets) rather than according to harder, more objective profit criteria — e.g., return on assets, deposits, or imputed equity.

Significantly, those banks that employ the more objective profit criteria report that the number of their unprofitable branches is some 50% greater than at banks that don't have hard branch profitability data.

Telltale Omissions

Asked to list the most common reasons for branch unprofitability, the respondents cite poor location and neighborhood demographics as the primary cause and excess overhead allocations as the second reason. Relatively few mention bad management, still fewer cite in-branch inefficiency, and rather shockingly, none mentions poor product pricing as a contributor to unprofitable operations.

Oliver, Wyman considers these responses to be a tad bizarre. In the view of Bill Wyman, its managing partner, location is undoubtedly the primary driver of branch profitability since it determines deposit volume per branch, which has a huge influence on unit costs. Good location also is an important determinant of superior mix — the ability to offer the more profitable products to the more profitable sets of customers.

But while the right location provides the potential for profitable operations, whether that potential is actually realized depends rather heavily on appropriate product marketing and origination, product pricing, and branch efficiency — variables that are either slighted or totally ignored by the respondents.

For example, OW has found that the level of efficiency differences (on a range of specific measures such as expense per transaction) among branches in the same system is routinely over two to one. That is, something that costs $1 per unit in branch A can cost more than $2 per unit in branch B for no discernible reason except that it hasn't been monitored and managed.

By identifying the best-performing branches in a given system and upgrading the poorer performers to the standards of the well-run outlets, the consulting firm has been able to realize significant economies — saving, for some client banks, as much as 20% to 25% of direct branch costs.

Similarly, although none of the respondents identified product pricing as a cause of branch unprofitability, OW believes that considerable gains can be achieved via a more rational approach to pricing. In one instance, the consultant had a client reprice its losing demand deposit accounts — account sizes in the range of between $1,000 and $2,000 — by simply raising the cutoff for the waiver of fees to the level where the earnings credit paid for the account. As a result, the bank was able to increase branch net income by as much as 22%.

Misplaced Emphasis

While downplaying some very important reasons for unsatisfactory branch performance, the respondents emphasize one factor whose significance is rather dubious. As noted, the second most quoted reason for lack of profitability is excessive corporate allocations. But OW ventures the opinion that corporate overhead allocations are the *least* important factor in retail profitability. Typically only 10% or less of retail noninterest expense, indirect overhead, in OW's view, is only minimally displaceable and marginally controllable.

The nature of the responses to this survey suggests one large generalization: Executive management doesn't yet have reliable information on branch systems, and the lack of adequate profitability data, says Stuart Williams, an OW partner, continues to obscure major opportunities to rationalize and improve retail banking.

Fortunately, the great majority of major banks are currently building management information systems. As these systems come on stream, bankers will be better able to identify which branches are unprofitable and why.

Salvageable Losers

Oliver, Wyman agrees with the ABA estimate that branches with deposit levels of less than around $20 million to $25 million tend to lose money, if profitability is appropriately measured. However, it argues that this need not be so.

If branches are designed for specific markets and are operated more efficiently than they are now operated, the minimum size for breakeven, even in today's interest rate environment, is estimated to be only between $10 million and $15 million. Therefore, concludes the New York consultant, the proportion of all branches that will eventually have to be closed is surprisingly low, almost certainly less than 10%.

It may be that the respondents to the OW study, while overoptimistic about the current health of many of their branch outlets, are not too far off the mark in their estimate of the number of required branch closings.

Many of today's money losers are probably salvageable — an opinion shared, incidentally, by the author of the ABA study, Booz-Allen & Hamilton, which argues that branch closings are, in any case, a last and most unsatisfactory expedient. However, lacking the necessary data, the respondent banks at present seem to greatly underestimate the magnitude of their task.■

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LETTERS TO THE EDITOR

Direct Deposit Plan May Hinder Benefit Recipients

To the Editor:

I would like to comment on the *American Banker's* May 20 article titled "Social Security, Treasury Simplify Direct Deposits" [page 15].

While the Social Security Administration's Presumed Direct Deposit program will probably provide the anticipated "sizable boost to direct deposits," I believe that it will be at the expense of many benefit recipients — specifically, those beneficiaries whose payment record contains an error in either their account number or type of account.

The Social Security Administration has never supplied receiving banks with "prenotes" which are required of all private-sector direct deposit originators.

The receiving bank is required to verify the integrity of the information contained in the prenotification (account number and account type) and to notify the originator in case of an error.

This procedure enhances the acceptability and salability of direct deposit by reducing the number of potential errors. Social Security has instead required a benefit recipient to sign an authorization form that then had to be countersigned by the receiving bank.

The receiving bank had the chance to verify and correct the deposit account number and account type.

An error rate of 10% to 20% in completing this form by customers is not unusual! The use of this form is now being eliminated along with the chance for verification at the receiving bank.

The receiving bank will now receive a payment on the 3d of the month with no advance notice, no advance verification or opportunity for correction, and complete liability if the post is to the wrong account in good faith effort to identify and accommodate a customer.

The net result is going to be an increased number of rejects and returns to the Social Security Administration. While I applaud and wholeheartedly support the effort to increase the number of direct deposits, I am discouraged that the Presumed Direct Deposit program does not provide the receiving banks with any opportunity for verification. While 80% to 90% of the participants in the program will have saved "a separate trip to their financial institutions to get special forms," the remainder may see their direct deposit being returned to the Social Security Administration as an unposted item.

James J. Mackell
Vice President
Deposit Services
Maine Savings Bank
Portland

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

6/2/88

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American Banker

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VOL. CLIII NO. 107 Thursday, June 2, 1988 153rd Year

Today

Fiserv Inc. has agreed to buy the data processing subsidiary of Glendale Federal Savings and Loan Association for $40.9 million. The deal, expected to close in June, will make FIserv a major player in the service bureau business in California. ____2

First Bank System Inc., Minneapolis, will pay a premium to gain early access to the Colorado market.____2

Telecredit Inc. will write off its $25 million investment in Light Signatures Inc., a subsidiary that produces a sophisticated anticounterfeiting technology. Existing products will still be sold and serviced, but research and marketing are being scaled back. ____2

Competition in the market for credit-card-backed securities has intensified, with J.C. Penney Co. becoming the third top retail card issuer to apply for SEC permission to sell securities backed by portions of its credit card receivables. ____2

Borrowing on the international capital markets surged to a record $118.2 billion in the first quarter of 1988, according to the Organization for Economic Cooperation and Development. ____3

Freddie Mac posted record first-quarter earnings of $93 million, up 50% over the $62 million recorded in the first quarter of 1987. ____ 12

Centerre Bancorp. petitioned a federal court to dismiss its lawsuit alleging that United Missouri Bancshares violated securities laws in its unsolicited offer to buy Centerre last January. ____ 15

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CONSUMER FINANCIAL SERVICES

The latest methods of gauging the quality of customer service are described in a 200-page book published by the Bank Marketing Association. "Measuring and Monitoring Service Quality" represents nearly a year of research on the ways financial institutions have made commitments to upgrading service performance. ____6

One of the few holdouts on credit cards will fall into the fold when the Wilmington Savings Fund Society begins offering and promoting Mastercard early this summer. ____7

Tunnel vision has its place in the marketing world, as close scrutiny of information culled from customers can help sell products, writes Barry I. Deutsch in Marketing Management.4

Worth Repeating

For now we've decided to keep our bank charter and beat the competitors at their own game.

Robert R. Douglass, a Chase Manhattan vice chairman. [Page 1]

Chase Backs Off Threat to Drop Bank Charter

By JED HOROWITZ

NEW YORK — Chase Manhattan Corp. has retreated from its threat to give up its banking charter and membership in the Federal Reserve System, senior banking officials said.

"Only last year we looked at turning in our bank charter," Robert R. Douglass, a Chase vice chairman, said Wednesday. "For now we've decided to keep our bank charter and beat the competitors at their own game."

Mr. Douglass thus confirmed remarks made recently by Chase President Thomas G. LaBrecque, who had publicly challenged the Fed to drop its regulatory shackles or watch banks drop their charters. Mr. LaBrecque discussed the issue in a speech at the Federal Reserve Bank of Chicago last month.

"We prefer to remain a bank, and . . . at least in the near term we will," Mr. LaBrecque said. Chase has been spared the radical step of dropping its charter, he said, by a general recognition that Glass-Steagall Act restrictions on bank's securities activities must fall.

Mr. LaBrecque also said his bank's top priority has switched from winning new powers to building its capital. "Even if we had decided already to give up our charter, we wouldn't go ahead and do so without building a stronger capital position first," he said.

Finally, he noted, Chase last year reorganized its core banking activities, which has resulted in improved corporate finance and investment banking income despite regulatory restrictions.

Chase's threat to drop its charter and Fed membership was widely viewed as mere saber rattling to force the Fed's hand. Analysts have noted that Chase is

Chase: Page 15 ➻

Fed Proposes Restrictive Rules To Curb Limited-Service Banks

Regulations to Affect 55 Grandfathered Institutions

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Moving to implement a law passed by Congress last summer, the Federal Reserve Board on Wednesday formally proposed rules restricting the growth and activities of the 55 limited-service institutions grandfathered under the legislation.

While the Federal Reserve Board voted unanimously to seek public comment on the proposals, some members complained that the restrictions were more onerous than required by Congress.

The proposals outline permissible methods for calculating a limited-service bank's asset growth, curbs on diversification, prohibitions on cross-marketing among affiliates, and caps on an affiliate's overdrafts. Comments will be accepted for 45 days.

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The Fed was required to specify rules affecting so-called nonbank banks by the Competitive Equality Banking Act, passed last August. The legislation

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Tighter Credit Union Rules Mulled

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Federal regulators are expected today to propose controversial rule changes that would mean tighter controls over some credit union mergers and other efforts by credit unions to expand.

The proposals, to be considered by the National Credit Union Administration at a board meeting in Grand Rapids, Mich., include one to bring a tougher review process to the chartering of "associational" credit unions that draw members from across the country. This proposal stems largely from concerns raised by the recent start-up of a credit union for the 28 million-member American Association of Retired Persons, which will draw business nationwide.

The NCUA is also expected today to propose eliminating previous plans to let well-run credit unions open their businesses to occupation groups of 300 or less without getting agency approval.

Other proposals, though, would facilitate some forms of expansion. Among the chief aims of the nine proposals is to bring more uniformity to decisions involving charters and mergers handled by regional offices of the NCUA.

But observers say that the proposals

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CONSUMER FINANCIAL SERVICES
AN AMERICAN BANKER WEEKLY FEATURE

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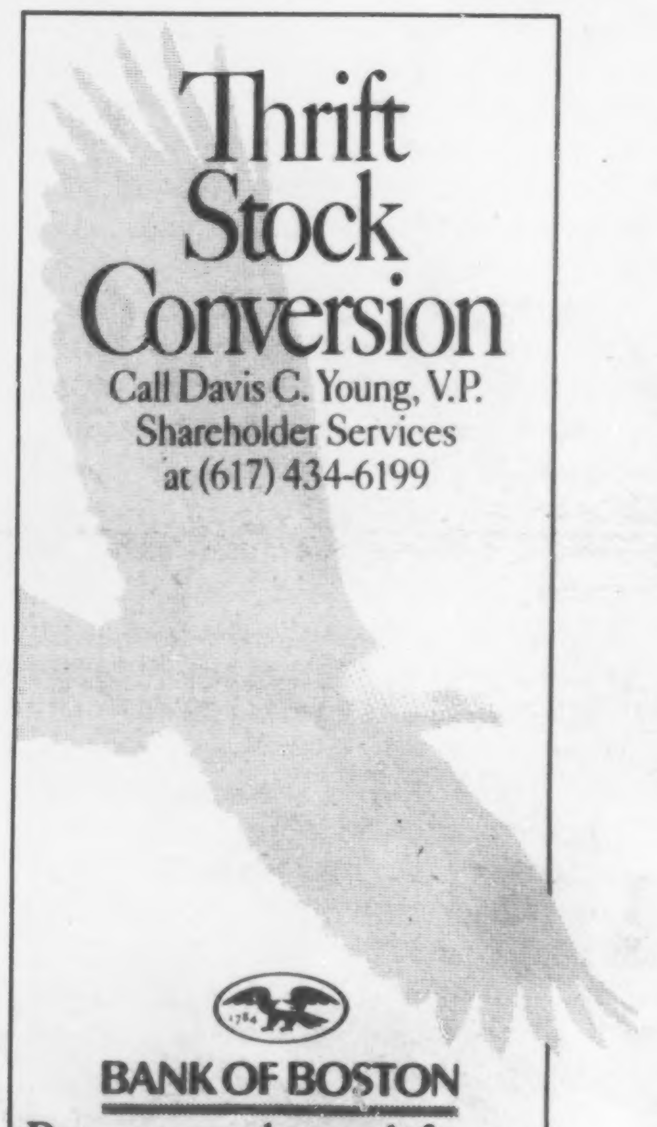

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June 2, 1988, American Banker

Tunnel Vision Offers Fresh Marketing Perspective

By BARRY I. DEUTSCH

The future of marketing research lies in its practitioners' dexterity with the world under the microscope, not the one beyond the rainbow.

— Barry I. Deutsch
Executive Vice President
BankAtlantic

I DON'T KNOW why tunnel vision has gotten such a bad reputation. If you think about it, more of mankind's progress has come from those who squint down the tubes of microscopes than from those who stand in broad meadows scanning the horizon and admiring the trees.

I came to that conclusion while preparing to complete an assignment given me by a program committee, which wanted me to discuss the future of marketing research. I concluded that the future of marketing research lies in its practitioners' dexterity with the world under the microscope, not the one beyond the rainbow.

Many of banking's pundits, including some of those who share this space on Thursdays, talk a great deal about two topics: the importance of customer service and the future consolidation of the financial services industry. In a very real sense the two issues are linked and the providers of marketing research can help with both.

Platform automation means many things to many people. To the operations analyst it means less time at the desk per customer, which somehow translates into needing fewer platform officers. They're wrong about that. To the keeper of the central file it means reduced paperwork and more efficient data entry. That's probably right.

On one level of marketing thought it means more efficient selling because of the ability to put information on a screen to aid conversation. That's important, valuable, and only ignored here because its not relevant to the point of this essay.

Although we're declaring information provided to the seller not relevant, let's discuss the information gathered about the buyer. It has vast potential.

The use of the computer permits us to know more about the would-be customer facing our platform officer and allows us an easy, convenient, unobtrusive method to record what we've learned.

The challenge is to collect, analyze, and report on relevant data. Age profiles, the geographic draw area of the branch system, deposit range brackets, and multiple service usage are all headings for reports that are invaluable to marketing planners. Any data expert can scoop all of that up and most will proceed to lose it among the bits and bytes. It takes an information expert to reassemble it and make it meaningful.

The interactive power available through platform automation is such that we can also collect and record information that we don't even need to keep forever, but that once collected and reviewed will give us more grist for the marketing decision mill.

Where else does the customer have funds on deposit — banks, thrifts, brokerage companies? What triggered this visit — an advertisement, a referral, a sign in the branch, a comment by a teller? What other financial services is this customer currently contemplating? Did he or she ask about loan rates, mortgage refinancing packages, the availability of automated teller machines? Or did the customer offer information on similar services and prices at other banks?

What does all of this have to do with customer service? I'm not entirely sure that we know what we mean when we talk about customer service. On one level it's easy to define. You teach the front-line people to stand up, say hello, call the customer by name, answer fast, answer right. But might there not be a whole different definition — one that has to do with listening carefully to the customer, responding intelligently, and offering useful information?

What if you could research your services against those of your most significant competitors? What if you found the areas of most favorable comparison? And what if you set up hot keys on your platform computers so that if a customer happens to mention that they bank at First Farmers and Granary, for example, you could hit a key and trigger a statement like, "Did you know that our certificate of deposit rates have been higher than First F and G's in 32 of the last 37 weeks? Shouldn't you bank with us?"

What if you could send out a personalized letter two days later saying something like: "When you visited our bank the other day you mentioned that you were considering the possibility of refinancing your mortgage. Based on a recent estimate of house values in your neighborhood, I have taken the liberty of working out a quick estimate of what the costs would be if you borrow from us. I'll phone you in a few days to see if you have any questions or if we can be of any further help to you."

What does all of this have to do with survival and consolidation?

It is generally accepted by experts in marketing that closeness to the customer is a key ingredient to success. My view is that the banks that can figure out a way to benefit from the unchallenged cost advantages of automation and at the same time not lose their inherent closeness with the customer are the ones most likely to succeed.

The community bank is ideally positioned to pull this off. They are less likely to go overboard in pursuit of the biggest iron and the most elaborate software. Branch management is often extremely influential in the organization; as a result the bank is more inclined to make the system work for the front line than to force customer-unfriendly changes in order to please the data processors.

If it works the way it's supposed to, those who get and keep customers more effectively than others are more likely to be more profitable, command more respect in the market and, therefore, call their own shots.

What does all of this have to do with market research? That is where we have to turn to get this done. It's easy to stand on the edge of the meadow and listen to the sound of a tree falling in an empty forest and think great thoughts and conceive of how it ought to be. And it's easier still to stay home and say why it won't work — the finance guys will say how expensive it will be, and the lawyers how illegal, and the auditors how risky.

But it takes a lover of information and an admirer of the power inherent in knowledge to stay at the microscope and find the universe where random facts are turned into marketing triumphs. That, dear program committee, should be the future of marketing research. ■

Mr. Deutsch is executive vice president of BankAtlantic, Fort Lauderdale, Fla., a federal savings bank.

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

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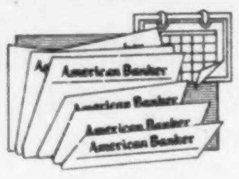
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- Former President Herbert Hoover warned that the low level of savings in the United States threatened the nation's living standards. In a letter to Sen. Henry Cabot Lodge, R-Mass., Mr. Hoover wrote that "important structural changes" in the federal government were necessary for efficiency and economy.

20 Years Ago

- John E. Horne, chairman of the Federal Home Loan Bank Board, said he would consider reducing liquidity requirements for federal savings and loan associations in an effort to stimulate the mortgage market.
- The Justice Department for the first time set out tough guidelines it would apply in judging mergers, but said the rules would not be applied as rigidly to banking as to nonregulated industries. An antitrust division spokesman said the guidelines were for "wholly unregulated industries clearly subject to a full application of the antitrust laws." The guidelines made clear, however, that mergers between banks in the same community would continue to meet resistance.
- The Justice Department filed separate antitrust suits against mergers proposed by the two largest banks in Mississippi. The department contended that acquisition of the $22.2 million-deposit City Bank and Trust Co., Natchez, by Deposit Guaranty National Bank, Jackson, the state's largest bank, with $339.3 million in deposits, and acquisition of the $26.5 million-deposit Bank of Greenwood by First National Bank, Jackson, a $288 million-deposit bank, would violate the Clayton Antitrust Act.

10 Years Ago

- The prime rate rose to 8½% at virtually all U.S. banks with deposits of $4 million or more. The change came after the $18.4 billion-deposit Continental Illinois National Bank and Trust Company of Chicago raised its prime.

5 Years Ago

- Merrill Lynch & Co. and Aetna Life and Casualty Co.'s Federated Investors Inc. subsidiary each applied to form New Jersey state-chartered banks not under the jurisdiction of the Federal Reserve System. The firms sought to take advantage of a loophole in banking law that defines a bank as an institution that accepts demand deposits and makes commercial loans.

1 Year Ago

- President Reagan announced he would nominate Alan Greenspan to replace Paul A. Volcker as chairman of the Federal Reserve Board. Mr. Volcker's decision to reject a third term at the Fed stunned finance markets, but the shock was cushioned by the decision to nominate Mr. Greenspan, a former White House economic adviser.
- Bankers Trust New York Corp., Chemical New York Corp., Manufacturers Hanover Corp., and J.P. Morgan & Co. said they would apply to open brokerage firms in Japan following the announcement by Japan's ministry of finance that 10 foreign institutions would be invited to do so. Banking officials said the invitations were tantamount to approval from the Japanese government. Each applicant took a nonbanking partner to comply with Japanese regulations prohibiting banks from controlling more than 50% of a securities company. Bankers Trust joined with Exxon Corp.; Morgan with Bechtel Investments Inc.; Chemical with Lord Howard de Walden, a private British investor; and Manufacturers with Chrysler Corp.
- The Federal Deposit Insurance Corp. announced that thrifts seeking to join the insurance fund would have to meet its 6% minimum capital requirement — or, more likely, a higher one — to convert.
- Computer Associates International Inc. and Uccel Corp. announced they would merge to form the nation's biggest independent software vendor.

— Domenica Trevor

Fed Proposes Restrictive Rules To Curb Limited-Service Banks

Continued from Page 1

outlawed nonbank banks but permitted those in existence as of March 5, 1987, to continue operating as long as they agreed to certain limitations.

Fed Chairman Alan Greenspan said the board had little flexibility in implementing the dictates of Congress. "The legislation may be wrong or inappropriate, but that's what it says," Mr. Greenspan said.

But the narrow interpretation by the Fed's staff distressed some of the board's governors.

"Clearly, Congress intended to be much more generic than you've got defined here," Federal Reserve Vice Chairman Manuel H. Johnson said at the board's open meeting.

Gilbert T. Schwartz, a former Fed lawyer who is now a partner with Skadden, Arps, Slate, Meagher & Flom, was encouraged by the governors' response.

"The vice chairman was right on target," he said. "There's very little need in terms of the statute's intent to take such a narrow view."

Limited-service banks, which accept demand deposits or make commercial loans — but do not do both — sprang up in the early 1980s as a way to circumvent laws restricting geographic expansion and bank ownership by commercial firms. Between 150 and 200 so-called nonbank banks were chartered, but many of these are industrial banks or trust companies not subject to the Competitive Equality Banking Act.

Congress capped the asset growth of grandfathered limited-service banks at 7% in any 12-month period, beginning Aug. 10, 1989.

The Fed is proposing two ways to calculate an institution's asset base, which would be used to determine permissible growth. An institution can choose to use its actual total assets on Aug. 10, 1988, or — to avoid reporting a figure that falls in the middle of a quarter — the limited-service bank can report its average total assets as of third-quarter 1988.

Congress also said limited-service banks may not expand their activities beyond those being conducted as of March 5, 1987. The Fed's plan divides activities into five categories: deposit taking, lending, trust services; clearing and payment services, and general nonbanking activites.

Not only are limited-service banks barred from branching out to new categories of activities, but the Fed devised subcategories to impose further limits on expansion. For example, if a limited-service bank was accepting demand deposits but not savings accounts as of the March 1987 deadline, then that institution may never offer its customers savings accounts.

Limited-service banks with credit card operations by the deadline can continue that service, but may not start a new type of consumer loan such as a home equity loan. Likewise, an institution involved in transaction services for consumers will not be allowed to expand by handling transaction services for business accounts.

All nonbanking activities such as data processing and investment advice are treated as separate activities under the proposal. They may therefore not be conducted by a limited-service bank unless begun before March 5, 1987.

The proposed rules also clamp down on cross-marketing. Basically, whatever cross-marketing limited-service bank affiliates were engaged in on March 5, 1987, is permissible. Anything else is not.

If a limited-service bank's car loans were being promoted by an affiliate on the deadline, then that could continue. However, that affiliate could not market the bank's deposit account or trust services.

The proposal aims to prohibit radio advertising if the companies were using only direct mail marketing as of the deadline. The Fed's Mr. Johnson was particularly irked by this provision, complaining that the Fed staff is being too meticulous and that medium of advertising does not matter. Staff members disagreed; they did explain that any cross-marketing being done by affiliates a year before the March 5, 1987, cutoff date would be acceptable.

Congress prohibited limited-service banks from incurring overdrafts with Federal Reserve Banks. Affiliates are also banned from having overdrafts at their parent limited-service banks. One exemption to this restriction is a secured overdraft by or on behalf of primary dealers affiliated with a limited-service bank. ■

Borrowing Up on International Markets

Continued from Page 3

fered rate — a new low.

Some corporate borrowers have been able to obtain single digit margins above Libor and in a few instances loans were priced with no spread at all above the interbank rate. The agency's report said that the light volume of financing with maturities of 10 years or more may reflect the reluctance of banks to accept such tight margins for long periods.

The strong demand for bank financing is expected to continue, however. "There are no signs of a letup in demand for funds on the syndicated credit market which, in the face of the difficulties experienced by the Eurobond market, has become the primary source of international long-term finance for corporate borrowers," the OECD said.

In the Eurobond market, the volume of new issues in the first quarter amounted to $54 billion, down slightly from the first quarter of 1987 but more than double the amount in the fourth quarter of last year. Among market sectors, equity-rated bonds — which all but disappeared after the crash — have bounced back strongly this year with $6.4 billion in new issues coming to market.

Equity-related bonds, those tied in some way to a company's stock price, have been issued primarily by Japanese corporations and have come back into favor as the Tokyo stock market has risen strongly.

The future of the Eurobond market remains clouded, however, the report said.

Although the market has rebounded strongly in 1988, "events have shown that large shifts away from Eurobonds in a general way may suddenly take place when a major currency such as the dollar comes under intense pressures," the OECD said.

Several positive factors, however, have helped general conditions in the Eurobond to improve since last year, the report said. The credit quality of borrowers has improved, and a strengthening swap market has created arbitrage opportunities for many borrowers. In addition, better pricing and liquidity for new issues has helped to restore investor confidence.

"If progress on this score can be sustained," the OECD said, "the stage would be set for a return of the market to its primordial function as a reliable source of long-term funding and an attractive outlet for international portfolio investment." ■

The Surviving Nonbank Banks

Limited-service banks that can remain open, with restrictions, under the Competitive Equality Banking Act (assets in thousands of dollars)

Holding Company	Subsidiary	Subsidiary Assets[1]
Advest Group, Inc., Hartford	Advest Bank, Hartford	$420,524
Aetna Life and Casualty, Hartford	Liberty Bank & Trust, Gibbsboro, NJ	35,044
American Express Co., New York	Boston Safe Deposit and Trust Co. Advisory Bank & Trust, Minneapolis American Express Centurion Bank, Newark, Del.	12,747,000 117,101 1,617,634
Archer-Daniels-Midland Co., Decatur, Ill.	Hickory Point Bank and Trust, Decatur	593,386
Bear Stearns Cos., New York	Custodial Trust Co., Trenton, NJ	182,173
Bessemer Group Inc., New York	Bessemer Trust Co., New York Bessemer Trust Co., Woodbridge, N.J.	38,738 37,763
Capital Holding Co., Louisville	First Deposit National Bank, Tilton, N.H.	985,088
Chrysler Corp., Highland Park, Mich.	Automotive Financial Services Inc., Highland Park	No report
Citadel Holding Corp., Glendale, Calif.	Fidelity National Trust Co., Sherman Oaks, Calif.	398
CityFed Financial Corp., Bedminster, N.J.	City Trust Services, Elizabeth, N.J.	14,714
Co-operative Bancorp, Acton, Mass.	Co-operative Bank of Concord, Mass. Quincy Co-operative Bank, Mass.	269,067 268,357
Commercial Credit Co., Baltimore	City Loan Bank, Lima, Ohio Commercial Credit Bank of Dallas, Addison, Tex. Commercial Credit Bank, Baltimore Commercial Credit Savings Bank, Pittsburgh First National Bank of Wilmington, Newark, Del.	646,178 No Report 194,024 No Report 355,022
Continental Corp., New York	International Central Bank & Trust Corp., Irvine, Calif.	183,311
Drexel Burnham Lambert Group, New York	Commercial Trust Co., Hato Rey, P.R. Harbor Trust Co., Hoboken, N.J.	7,813
Dreyfus Corp., New York	Dreyfus Consumer Bank, East Orange, N.J.[2]	61,349
Eaton Vance Corp., Boston	Investors Bank & Trust Co., Boston	53,387
Fidata Corp., New York	Fidata Trust Co. Massachusetts, New York Fidata Trust Co., New York	N/A N/A
First American Financial Co., Santa Ana, Calif.	First American Trust Co., Santa Ana	28,210
First Boston, Inc., New York	Universal Trust Co., Puerto Rico	38,140
First Franklin Corp., Toccoa, Ga.	Liberty Bank & Trust, Toccoa	8,908
FMR Corp., Boston	Fidelity Bank and Trust Co., Salem, Mass. Fidelity Management Trust Co., Boston	3,931 30,400
Franklin Resources Inc., San Mateo, Calif.	Pacific Union Bank & Trust Co., Menlo Park, Calif.	38,360
General Electric Co., Stamford, Conn.	Monogram Bank, Blue Ash, Ohio	33,183
Goldman, Sachs & Co., New York	Broad Street Bank and Trust. Co., Boston[3]	3,162
Greyhound Financial Corp., Phoenix	Greyhound Commercial Bank, Washington[3]	
Gulf & Western Inc., New York	Associates National Bank, Concord, Calif.	123,569
Home Group Inc., New York	Premium Bank, Oceanside, Calif.	15,807
ITT Financial Corp., St. Louis	Lyndon Guaranty Bank of New York, Rochester Lyndon Guaranty Bank of Ohio, Columbus	10,202 6,790
J.C. Penney Co., Inc., New York	J.C. Penney National Bank, Harrington, Del.	309,832
John Hancock Subsidiaries, Inc., Boston	First Signature Bank & Trust Co., Boston	59,484
Leucadia National Corp., New York	American Investment Bank, NA, Salt Lake City	136,360
Lomas & Nettleton Financial Corp., Dallas	MBank USA (Lomas Bank USA), Wilmington, Del.	1,220,366
Marsh & McLennan Cos., New York	Putnam Fiduciary Trust Co., and The Putnam Cos., Boston	2,825
MASSBANK Corp., Reading, Mass.	MASSBANK for Savings, Reading	318,365
McMahan's Valley Stores, Carlsbad, Calif.	Western Family Bank, Carlsbad	22,844
Merrill Lynch & Co., New York	Merrill Lynch Bank & Trust Co., Plainsboro, N.J.	No report
Montgomery Ward & Co., Chicago	Clayton Bank & Trust Co., Clayton, Del.	36,677
Prescott Holdings Inc., Cleveland	Prescott Merchants Bank, Washington[3]	Not Open
Prudential Insurance Co. of America, Newark, N.J.	Prudential Bank & Trust Co., Atlanta	102,645
Sargent Investors Inc., Cranston, R.I.	Domestic Safe Deposit Co., Cranston	65,380
Sears, Roebuck and Co., Chicago	Greenwood Trust Co., New Castle, Del. Hurley State Bank, Hurley, S.D.	3,582,824 60,494
Semperverde Holding Co., Flourtown, Pa.	Firstrust Savings Bank, Flourtown	1,039,933
Society Corp., Cleveland	SBC Corp., Washington, D.C.[3]	Not Open
State Savings Bank, Columbus, Ohio	Century Bank, Cincinnati, Ohio	121,000
Sun Life Assurance Co. of Canada, Wellesley Hills, Mass.	New London Trust Co., New London, N.H.	80,402
Textron Inc., Providence, R.I.	AVCO National Bank, Irvine, Calif.	13,550
Travelers Corp., Hartford, Conn.	Massachusetts Co., Boston	206,078
TSO Financial Corp., Horsham, Pa.	Colonial National Bank USA, Horsham	1,179,191

[1] Assets as of Dec. 31, 1987

[2] Assets as of June 30, 1987.

[3] Indicates subsidiaries that were not open as of March 5, 1987, but have appealed for grandfather status. These institutions would not qualify under June 1 proposal by Fed.

Source: Federal Reserve Board.

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American Banker
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VOL. CLIII NO. 108 Friday, June 3, 1988 153rd Year

Today

Boatmen's increased offer to acquire Centerre Bancorp. may have further jeopardized the merger agreement between Centerre and Mercantile Bancorp. ____2

Credit Suisse has introduced potential clients to the rules of the stock market in a marketing game.____2

A six-month certificate of deposit with FDIC protection has been introduced by the Dreyfus Consumer Bank, East Orange, N.J. The CD can be transferred without penalty into a variety of Dreyfus mutual funds. __2

The Fed approved the application by Canadian Imperial Bank of Commerce, Toronto, to acquire the New York affiliate of Wood Gundy Corp., a Canadian-based securities firm.__2

Seafirst has agreed to pay a reported $500,000 a year for up to 30 years to have its name on a still-to-be-constructed multipurpose arena in Seattle. ____3

Long-term benefit plans are being increased for top executives at the nation's largest financial institutions, according to a recent survey conducted by Peat Marwick Main & Co. __ 14

The memoirs of Arthur T. Roth reveal a mastery of retail marketing at Franklin National Bank. ____ 20

Executive Changes____ 14
In the News ____3

THRIFTS & MORTGAGES

Franklin Savings has pioneered in issuing liabilities that pay a floating rate tied to inflation. ____6

Bank Board Chairman M. Danny Wall has forecast calm weather ahead for the turbulent thrift industry, but Bank Board member Roger Martin may not share this sunny view.____6

Ten Detroit-area financial institutions agreed to a request from Mayor Coleman A. Young to commit a total of $40 million for mortgage and home improvement loans in this depressed industrial city. ____7

Inexact methods of measuring the U.S. personal saving rate may be giving deceptively low results, according to John T. Morgan. ____8

The nation's aging population and the 1986 Tax Reform Act may lead to the strong growth of rollover individual retirement accounts in the years ahead.____8

Proposed regulations could make it easier for insurers and mortgage lenders to establish referral relationships, writes Stuart A. Feldstein in the Observer column.____4

Worth Repeating

The seasonal demand is upon us, but come late summer we'll be out looking under rocks for mortgage borrowers.

Grace Wickersham, chief economist, Glendale Federal Savings. [Page 1]

Citicorp's Tactics Stir Mortgage Market

By PHIL ROOSEVELT

NEW YORK — Robert D. Horner, the chairman of Citicorp Mortgage Inc., took the podium at a recent mortgage banking conference and asked the many Citicorp employees present to stand.

"Take a look at them," he told the audience. "The thing I want you to notice is that none of them have tails or horns, contrary to popular opinion around the halls today. . . . And they don't eat their young either."

Citicorp may not be evil incarnate, but it is indeed the object of growing scorn in the mortgage industry. Already the nation's largest mortgage lender, Citicorp wants to get even bigger — and its method of doing so is causing a full-blown industry uproar.

The method is MortgagePower, a marketing link to the customers of real estate brokers. Critics say that MortgagePower is unsavory and unfair, involving indirect "kickbacks" from Citicorp to participating brokers. Yet, armed with informal government approval, Citicorp has begun deploying the program in 38 states, mostly since 1986.

The long-simmering issue heated up in recent months as rising interest rates left lenders competing for fewer and fewer mortgage customers. And it reached a boil on May 16, when the U.S. Department of Housing and Urban Development proposed a regulation that would formally sanction MortgagePower and allow other lenders to copy its most controversial feature.

The Mortgage Bankers Association of America, fearing what some members call "Son of MortgagePower" programs, already has taken a stand against the key portion of the proposal. So has the powerful U.S. League of Savings Institutions. Meanwhile, the National Council of Savings Institutions, citing potential disagreement among its members, has assembled a 10-member task force to scrutinize the issue.

Ultimately, executives and analysts say, the proposal could transform the way mortgages are originated, plac

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THRIFTS & MORTGAGES
AN AMERICAN BANKER WEEKLY FEATURE

Section Begins on Page 6

Union Aims Boycott At Bank of Boston

By MICHAEL WEINSTEIN
New England Bureau

BOSTON — A labor union is asking consumers to boycott the Bank of Boston because of its links with a company embroiled in a labor dispute. The union is attacking the bank because one of its board members also sits on the board of the International Paper Co.

About 1,200 workers at International Paper's plant in Jay, Maine, are on strike, and there are labor troubles at International Paper facilities elsewhere in the country.

The boycott is spearheaded by Ray Rogers, a controversial figure in the labor movement. A decade ago, Mr. Rog-

Union: Page 19 ➻

Home Lenders Battle for Business

By LINDA ELLIS

NEW YORK — Competition for mortgage originations has become fierce as lenders worry that the expected rise in interest rates will cut demand.

Savings institutions, battling with mortgage companies for market share, are lowering requirements for down payments, cutting closing costs, increasing advertising budgets, and sending loan officers into the community armed with a hard-sell message.

"We believe, based on a survey of our members, that 30-year fixed-rate mortgages will rise to about 11.25% by yearend," said Lyle E. Gramley, chief economist for the Mortgage Bankers Assocation. "If they do, we're expecting that mortgage lending activity will fall by about 25%, to $340 billion" as consumers postpone buying homes or refinancing.

Earlier this week, the average for the benchmark 30-year fixed-rate was 10.57%. Some analysts expect this mortgage to rise to 12% by yearend. Mortgages with adjustable rates have not risen as fast as those with fixed rates in recent months.

Both predictions compare with rates of 9.9% in March and 10.2% in early May. Interest rates were edging up before the major banks decided on May 12 to raise the prime rate to 9% from 8.5%. That move confirmed the trend.

"Even without rates moving up, this is a tough mortgage market," said Peter E. Knight, vice president of mortgage finance at the National Council of

Competition: Page 19 ➻

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June 3, 1988, American Banker

New Proposals Open Doors for Insurer-Lender Referral Deals

By STUART A. FELDSTEIN

THE DEPARTMENT of Housing and Urban Development is moving toward a more liberal view of the Real Estate Settlement Procedures Act of 1974. This worries some mortgage lenders, but others are taking advantage of the likely change by securing new sources of referral-type business and income.

Home owners' insurance now may become the next ancillary business to which many lenders will turn — and in the process earn major new profits.

HUD's newest proposal would allow arrangements in which third parties, such as realty brokers and mortgage brokers, charge the consumer a fee for helping bring the lender and borrower together.

In response to this proposal, mortgage players are considering whether to emulate Citicorp and its Mortgage Power program, the one national program that really relies on realty firms to refer business and allows them to charge the consumer for doing so.

If the act allows payments for some referral services that surround a mortgage, then Mortgage Power is only one manifestation of many new opportunities. When a realty broker refers a customer to a lender, it boosts the lender's production volume. But when a lender refers its customer to a home owners' insurance company, it can make each customer more profitable.

Metropolitan Life Insurance Co. already has made headway in originating home owners' policies to its Century 21 subsidiary home buyers. Sears, Roebuck and Co. and its Allstate unit are now experimenting with sales of insurance to home buyers at their affiliated realty firm, Coldwell Banker. Both of these companies also are huge first-mortgage originators.

Insurer-Lender Teams

Meanwhile, two other insurers — American Security Group and American Loyalty Insurance Co. — have teamed up to offer home owners' policies through agreements with mortgage lenders of all stripes. Eight major lenders are already participating. The most advanced of them — Commonwealth Mortgage of Houston — says it believes its commission income in this program will soon reach $1 million per year. The profit margins are very fat indeed.

In this venture, the lender asks applicants if he may pass along information about them to an insurer. The insurer then makes the home owners' policy sales call. In return for the "information service," the lender receives a commission on closed policy sales.

Commission amounts depend on the degree to which the lender offers the information completely in all his offices, on other miscellaneous services that the lender may or may not perform, and, of course, on the size of the policy. Although the commission varies, an executive at American Security suggests that this payment may be enough to boost the lender's typical profit on a year of servicing on a typical loan by an additional 15% to 20%.

The commission is paid on new policies and also on annual renewals. The renewal rate on home owners' policies is extremely high. Thus, programs like this one provide the lender with new production income and also build assets by providing a future stream of likely renewal commissions.

As long as the consumer knows that he is merely agreeing to hear a sales pitch from an insurer, without obligation, our firm sees nothing ethically wrong here. For the borrower, it's a convenience. And, if the lender is going to take the time to explain the program and produce the needed information, he deserves to be paid. Sales leads are big business (as companies such as Dun & Bradstreet demonstrate in spades), and there is no reason that financial institutions should be barred from participating.

Aside from the Real Estate Settlement Procedures Act, other regulations may be involved. One is the prohibition against commercial banks and their subsidiaries participating in selling any insurance other than credit insurance on loans issued by the bank. There may or may not be some room within this regulation for commercial banks to participate. Lenders with questions should consult their legal staffs or those of interested insurance partners.

Regardless of the regulations, however, one thing is crystal clear: The insurance business in recent years has been very profitable for financial institutions, even under the commercial bank limitations.

In a new SMR study called "Beyond Banking," our firm obtained and evaluated 1987 profit data for both insurance underwriting and nonbank insurance agency subsidiaries of 285 leading U.S. bank holding companies. These units sell only credit-related insurance. Of the 285 holding companies, 78 had insurance agency subsidiaries, and they had a combined after-tax return on sales of 17.76% — an impressive figure. Meanwhile, 104 holding companies owned insurance underwriting subsidiaries. Those units earned a whopping combined 26.56% return on sales after taxes.

We suspect that margins on commission income from home owners' policies would be even higher. And, intriguingly, if one can provide sales information services for cross-selling home owners' policies, there are probably many other new opportunities for lenders as well — with insurance partners and others, too. ■

When a realty broker refers a customer to a lender, it boosts the lender's production volume. But when a lender refers its customer to a home owners' insurance company, it can make each customer more profitable.

— Stuart A. Feldstein
President, SMR Research Corp.

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LETTERS TO THE EDITOR

Credit Unions' Threat to Banks Is Exaggerated

To the Editor:

The May 10 article "Credit Unions Make Inroads into Bank, S&L Markets" [page 2], by James R. Kraus, provided welcome coverage of the growth of the credit union movement and the enthusiasm of credit union members for this cooperative model of financial service provision. However, I thought that the article was misleading in both its title and its emphasis on the largest credit unions.

In particular, the article failed to adequately describe the small scale of the credit union industry overall and the small size of most credit unions. It alsoneglected to discuss the role of community development credit unions in serving low-income members and communities.

I believe that a better understanding of the credit union industry is important for bankers to understand that, in most cases, credit unions not only are not competitors, but serve different markets and can be partners in providing banking services.

Credit unions derive from a long tradition of financial cooperatives which have grown up to help working people pool their funds to enable the purchase of homes and the safekeeping and growth of savings. Building societies were another example of such cooperatives, and they formed the basis of the separate savings and loan industry.

As recent deregulation has blurred the distinction between commercial banks and savings and loans, as banks and savings and loan associations have closed branches in many modest-income communities, and as deregulation has led to increased fees and charges for financial service products, there has been a renewed interest in credit unions as a source of affordable financial services for low- and moderate-income Americans.

In spite of this renewed interest, most credit unions remain small in size. While a few credit unions have millions in assets, full staffs, and offer a full range of financial services, most credit unions remain small in size, have the active participation of their members in decision-making, are heavily dependent upon volunteer staff members, and offer simple and inexpensive loan and savings products.

As your article points out, the combined assets of all the credit unions in the country fall well below those of Citicorp alone, and most credit unions themselves are small. In fact, 20% of all credit unions had assets of under $250,000 in 1985, while only 6% had assets of over $25 million, and only 16 credit unions in the entire country had assets over $500 million.

Community development credit unions, a small subset of credit unions, are chartered specifically to serve the needs of low-income members and communities. Of the 17,255 credit unions, only about 400 are community development credit unions.

Woodstock Institute is currently working with two community development credit unions which serve low-income Chicago neighborhoods. The first, the Austin-West Garfield Federal Credit Union, was recently opened on the city's west side. It was chartered to serve a neighborhood where banks and savings and loans had effectively pulled out.

Like many other community development credit unions, it is not competing with banks and savings and loans, but with expensive check-cashing services and finance companies. The North Side Federal Community Credit Union, which serves Chicago's Uptown neighborhood, has been operating for almost 15 years.

Over half of its savings account balances are less than $500, and the majority of its loan requests are for loans of less than $1,000. Both of these credit unions make the small loans and take the small deposits which are not always welcomed by commercial banks and savings and loans.

Recent Woodstock Institute work has shown that banks can be encouraged to view credit unions as welcome participants in meeting community banking needs, rather than as competitors for the same markets.

The newly opened Austin-West Garfield Federal Credit Union has already

Letters: Page 15 ➞

100 Largest Banks in Japan

By Deposits on Sept. 30, 1987

Compiled by the Institute for Financial Affairs, Inc., Tokyo

Rank 9/87	Name of Bank	Head Office	Deposits in Yen (Millions)	Deposits in Dollars (Thousands)	Assets in Yen (Millions)	Assets in Dollars (Thousands)	Net Income Apr-Sept 1987 in Yen (Millions)	Net Income Apr-Sept 1987 in Dollasr (Thousands)	No. of Employees	No. of Branches
1	Dai-Ichi Kangyo Bank, Ltd.	Tokyo	33,833,259	229,300,298	42,892,984	290,701,349	58,517	396,591	20,097	372
2	Sumitomo Bank, Ltd.	Osaka	30,902,452	209,437,154	38,475,390	260,761,708	47,006	318,577	17,259	371
3	Fuji Bank, Ltd.	Tokyo	29,837,795	202,221,586	38,066,111	257,987,875	62,322	422,379	15,034	299
4	Mitsubishi Bank, Ltd.	Tokyo	28,285,661	191,702,209	37,164,839	251,879,627	62,118	420,996	14,849	280
5	Sanwa Bank, Ltd.	Osaska	27,593,108	187,008,526	34,667,988	234,957,560	50,301	340,908	14,938	287
6	Industrial Bank of Japan, Ltd.	Tokyo	25,729,878	174,380,739	29,682,344	201,168,038	38,499	260,922	4,723	32
7	Norin Chukin Bank, Ltd.	Tokyo	25,040,400	169,707,896	27,473,400	186,197,221	n.a.	n.a.	2,916	40
8	Mitsubishi Trust & Banking Corp.	Tokyo	20,795,816	140,940,807	23,968,419	162,442,691	31,556	213,866	5,189	64
9	Sumitomo Trust & Banking Co., Ltd.	Osaka	19,961,119	135,283,761	22,505,172	152,525,734	30,554	207,076	4,990	58
10	Tokai Bank, Ltd.	Nagoya	19,898,079	134,856,516	24,839,934	168,349,265	24,875	168,587	12,767	277
11	Mitsui Trust & Banking Co., Ltd.	Tokyo	18,724,816	126,904,886	21,166,066	143,450,125	25,053	169,793	4,920	61
12	Mitsui Bank, Ltd.	Tokyo	18,321,304	124,170,139	23,188,145	157,154,490	30,241	204,954	10,579	230
13	Long Term Credit Bank of Japan	Tokyo	17,162,819	116,318,665	20,335,302	137,819,736	25,473	172,640	3,267	27
14	Yasuda Trust & Banking Co., Ltd.	Tokyo	16,092,317	109,063,484	18,859,587	127,818,279	20,128	136,415	4,359	61
15	Taiyo Kobe Bank, Ltd.	Kobe	16,075,406	108,948,872	20,292,158	137,527,333	20,303	137,601	13,737	363
16	Daiwa Bank, Ltd.	Osaka	16,052,977	108,796,862	18,479,470	125,242,087	17,108	115,947	9,250	200
17	Toyo Trust & Banking Co., Ltd.	Tokyo	14,098,976	95,553,887	15,787,053	106,994,598	18,306	124,066	4,412	64
18	Bank of Tokyo, Ltd.	Tokyo	13,846,041	93,839,654	17,495,828	118,575,588	23,158	156,950	8,075	84
19	Nippon Credit Bank, Ltd.	Tokyo	11,365,971	77,031,318	13,603,494	92,195,825	15,391	104,310	2,214	24
20	Shoko Chukin Bank	Tokyo	10,988,500	74,473,060	11,554,500	78,309,048	n.a.	n.a.	6,408	92
21	Kyowa Bank, Ltd.	Tokyo	10,210,043	69,197,174	12,743,065	86,364,385	17,924	121,477	8,727	237
22	Chuo Trust & Banking Co., Ltd.	Tokyo	9,312,040	63,111,081	10,220,960	69,271,162	6,564	44,487	3,453	54
23	Zenshinren Bank	Tokyo	9,104,161	61,702,209	9,971,871	67,582,996	n.a.	n.a.	1,020	17
24	Saitama Bank, Ltd.	Urawa	8,957,525	60,708,404	10,934,524	74,107,245	11,239	76,171	8,362	200
25	Bank of Yokohama, Ltd.	Yokohama	7,722,490	52,338,123	9,413,238	63,796,937	9,033	61,220	6,915	200
26	Hokkaido Takushoku Bank, Ltd.	Sapporo	7,560,589	51,240,861	9,402,707	63,725,564	7,767	52,640	6,736	208
27	Chiba, Ltd.	Chiba	4,632,430	31,395,662	5,757,481	39,020,542	8,188	55,493	5,050	164
28	Hokuriku Bank, Ltd.	Toyama	4,443,557	30,115,601	5,426,057	36,774,361	7,303	49,495	5,233	184
29	Shizuoka Bank, Ltd.	Shizuoka	4,296,806	29,121,017	4,946,704	33,525,612	7,970	54,016	5,556	192
30	Joyo Bank, Ltd.	Mito	4,240,570	28,739,885	4,932,761	33,431,115	7,011	47,516	5,128	153
31	Ashikaga Bank, Ltd.	Utsunomiya	4,062,446	27,532,674	4,601,791	31,188,011	7,258	49,190	4,342	142
32	Bank of Hiroshima, Ltd.	Hiroshima	3,561,581	24,138,129	4,040,399	27,383,253	4,650	31,515	4,434	183
33	Bank of Fukuoka, Ltd.	Fukuoka	3,555,961	24,100,041	4,150,062	28,126,479	6,866	46,533	4,726	197
34	Hachijuni Bank, Ltd.	Nagano	3,331,461	22,578,523	3,789,088	25,680,027	5,227	35,425	4,195	139
35	Gunma Bank, Ltd.	Maebashi	2,967,670	20,112,979	3,353,401	22,727,218	4,698	31,840	4,044	133
36	Nippon Trust & Banking Co., Ltd.	Tokyo	2,965,752	20,099,980	3,567,922	24,181,105	2,692	18,245	2,012	38
37	Hyogo Sogo Bank, Ltd.	Kobe	2,812,856	19,063,748	3,072,037	20,820,312	2,618	17,743	3,293	138
38	Yamaguchi Bank, Ltd.	Shimonoseki	2,464,512	16,702,894	2,820,463	19,115,303	4,753	32,213	3,623	153
39	Chugoku Bank, Ltd.	Okayama	2,375,219	16,097,723	2,738,601	18,560,495	5,196	35,215	3,500	162
40	Nishi-Nippon Bank, Ltd	Fukuoka	2,374,341	16,091,772	2,780,051	18,841,416	2,705	18,333	3,751	194
41	77 Bank, Ltd.	Sendai	2,368,474	16,052,009	2,678,617	18,153,961	4,570	30,973	3,471	132
42	Hokkaido Bank, Ltd.	Sapporo	2,289,089	15,513,988	2,732,896	18,521,830	4,399	29,814	2,971	133
43	Bank of Kyoto, Ltd.	Kyoto	2,263,668	15,341,701	2,530,548	17,150,444	3,616	24,507	2,912	118
44	Tokyo Sogo Bank, Ltd.	Tokyo	2,216,225	15,020,163	2,479,080	16,801,627	2,723	18,455	3,270	85
45	Juroku Bank, Ltd.	Gifu	2,172,657	14,724,886	2,489,778	16,874,131	3,023	20,488	2,985	127
46	Nanto Bank, Ltd.	Nara	2,143,071	14,524,371	2,448,052	16,591,339	3,632	24,615	3,033	120
47	Hyakujushi Bank, Ltd.	Takamatsu	2,103,304	14,254,856	2,544,153	17,242,650	2,898	19,641	2,835	121
48	Daishi Bank, Ltd.	Niigata	2,097,498	14,215,507	2,402,905	16,285,361	2,893	19,607	3,310	135
49	Iyo Bank, Ltd.	Matsuyama	2,071,287	14,037,865	2,381,584	16,140,861	2,882	19,532	2,902	140
50	Shiga Bank, Ltd.	Otsu	2,057,380	13,943,612	2,266,591	15,361,511	2,292	15,534	2,747	123
51	Suruga Bank, Ltd.	Numazu	1,791,155	12,139,309	1,961,976	13,297,025	2,432	16,483	2,749	126
52	Kiyo Bank, Ltd.	Wakayama	1,738,915	11,785,259	1,960,961	13,290,146	2,438	16,523	2,679	98
53	Hyakugo Bank, Ltd.	Tsu	1,717,839	11,642,420	1,976,916	13,398,279	2,973	20,149	2,968	128
54	Kinki Sogo Bank, Ltd.	Osaka	1,662,349	11,266,344	1,847,674	12,522,359	2,347	15,906	2,782	95
55	Hokkoku Bank, Ltd.	Kanazawa	1,598,931	10,836,537	1,852,613	12,555,832	3,203	21,708	2,744	131
56	Higo Bank, Ltd.	Kumamoto	1,570,989	10,647,164	1,799,830	12,198,102	3,841	26,032	2,641	116
57	Fukuoka Sogo Bank, Ltd.	Fukuoka	1,560,185	10,573,941	1,759,146	11,922,372	3,450	23,382	2,383	131
58	Nagoya Sogo Bank, Ltd.	Nagoya	1,538,069	10,424,053	1,677,526	11,369,204	2,260	15,317	2,710	114
59	Ogaki Kyoritsu Bank, Ltd.	Ogaki	1,501,724	10,177,730	1,758,130	11,915,486	2,713	18,387	2,619	108
60	Jonan Sinkin Bank	Tokyo	1,489,253	10,093,209	1,690,062	11,454,165	n.a.	n.a.	2,914	75
61	Kofuku Sogo Bank, Ltd.	Osaka	1,409,515	9,552,796	1,598,403	10,832,958	1,583	10,729	2,919	110
62	San-in Godo Bank, Ltd.	Matsue	1,376,390	9,328,295	1,579,062	10,701,877	2,426	16,442	2,227	129
63	Fukui Bank, Ltd.	Fukui	1,355,065	9,183,768	1,559,341	10,568,221	2,497	16,923	2,524	134
64	Shikoku Bank, Ltd.	Kochi	1,338,615	9,072,281	1,532,381	10,385,503	1,708	11,576	2,525	123
65	Kagoshima Bank, Ltd.	Kagoshima	1,338,070	9,068,587	1,594,161	10,804,209	2,533	17,167	2,551	131
66	Toho Bank, Ltd.	Fukushima	1,335,353	9,050,173	1,530,592	10,373,379	2,009	13,616	2,558	112
67	Fukutoku Sogo Bank, Ltd.	Osaka	1,333,081	9,034,775	1,469,980	9,962,589	1,985	13,453	2,330	104
68	Kyoto Sinkin Bank	Kyoto	1,326,993	8,993,514	1,479,869	10,029,610	n.a.	n.a.	2,373	81
69	Musashino Bank, Ltd.	Omiya	1,285,690	8,713,589	1,415,993	9,596,699	1,540	10,437	2,157	77
70	Tokyo Tomin Bank, Ltd.	Tokyo	1,283,944	8,701,755	1,475,988	10,003,307	1,971	13,358	2,432	76
71	Hokuetsu Bank, Ltd.	Nagaoka	1,244,108	8,431,772	1,405,353	9,524,588	1,270	8,607	2,031	93
72	Bank of Osaka, Ltd.	Osaka	1,227,430	8,318,739	1,438,221	9,747,347	1,467	9,942	1,900	74
73	Hiroshima Sogo Bank, Ltd.	Hiroshima	1,211,511	8,210,851	1,375,458	9,321,979	2,859	19,376	2,199	98
74	Awa Bank, Ltd.	Tokushima	1,201,218	8,141,091	1,379,948	9,352,409	1,565	10,607	1,969	91
75	Chuo Sogo Bank, Ltd.	Nagaoka	1,198,678	8,123,877	1,327,655	8,998,001	2,456	16,645	2,586	102
76	Oita Bank, Ltd.	Oita	1,197,791	8,117,865	1,369,324	9,280,407	1,372	9,299	2,191	117
77	Chiba Sogo Bank, Ltd.	Chiba	1,154,488	7,824,385	1,291,571	8,753,446	2,778	18,828	2,101	97
78	Chukyo Sogo Bank, Ltd.	Nagoya	1,143,926	7,752,802	1,237,258	8,385,347	1,359	9,210	2,187	97
79	Yamanashi Chuo Bank, Ltd.	Kofu	1,117,701	7,575,066	1,278,332	8,663,721	2,574	17,445	2,079	76
80	Kyoto Chuo Sinkin Bank	Kyoto	1,107,999	7,509,312	1,270,135	8,608,167	n.a.	n.a.	2,480	77
81	Gifu Sinkin Bank	Gifu	1,093,608	7,411,779	1,239,924	8,403,416	2,020	13,690	2,280	72
82	Eighteenth Bank, Ltd.	Nagasaki	1,089,112	7,381,308	1,248,073	8,458,645	2,112	14,314	1,950	112
83	Taisei Sogo Bank, Ltd.	Maebashi	1,088,072	7,374,260	1,186,462	8,041,084	865	5,862	2,171	82
84	Okazaki Sinkin Bank	Okazaki	1,079,722	7,317,669	1,209,769	8,199,044	n.a.	n.a.	2,406	69
85	Daisan Sogo Bank, Ltd.	Matsuzaka	1,068,694	7,242,928	1,187,445	8,047,747	1,458	9,881	2,051	97
86	Chiba Kogyo Bank, Ltd.	Chiba	1,049,429	7,112,362	1,185,198	8,032,518	1,711	11,596	1,803	74
87	Bank of Iwate, Ltd.	Morioka	1,033,154	7,002,060	1,227,734	8,320,800	1,377	9,332	2,003	108
88	Hokuyo Sogo Bank, Ltd.	Sapporo	1,030,268	6,982,501	1,141,367	7,735,459	1,285	8,709	2,170	103
89	Shinwa Bank, Ltd.	Sasebo	1,020,466	6,916,069	1,146,281	7,768,763	1,327	8,994	2,017	116
90	Akita Bank, Ltd.	Akita	1,019,571	6,910,003	1,186,338	8,040,244	1,944	13,175	1,912	97
91	Aomori Bank, Ltd.	Aomori	997,264	6,758,821	1,154,002	7,821,091	1,332	9,027	2,121	106
92	Ehime Sogo Bank, Ltd.	Matsuyama	985,819	6,681,254	1,133,602	7,682,833	1,431	9,698	1,734	82
93	Bank of Ryukyus, Ltd.	Nara	933,605	6,327,381	1,076,246	7,294,110	1,663	11,271	1,924	75
94	Amagasaki Naniwa Sinkin Bank	Amagasaki	910,738	6,172,403	1,018,897	6,905,435	2,362	16,008	2,002	75
95	Yachiyo Sinkin Bank	Tokyo	887,668	6,016,049	1,009,520	6,841,884	3,113	21,098	2,000	52
96	Tokiwa Sogo Bank, Ltd.	Tokyo	880,592	5,968,092	967,249	6,555,398	823	5,578	1,865	69
97	Michinoku Bank, Ltd.	Aomori	879,384	5,959,905	975,538	6,611,576	1,093	7,408	2,074	102
98	Miyazaki Bank, Ltd.	Miyazaki	877,311	5,945,856	1,046,216	7,090,586	1,323	8,966	1,815	102
99	Senshu Bank, Ltd.	Kishiwada	875,930	5,936,496	985,462	6,678,834	680	4,609	1,394	55
100	Yamagata Bank, Ltd.	Yamagata	865,815	5,867,943	1,023,753	6,938,346	1,696	11,494	1,939	87

FOOTNOTES: Deposits include CDs, outstanding amounts of bank debentures issued by Industrial Bank of Japan, Ltd., Long Term Credit Bank of Japan, Ltd., Nippon Credit Bank, Ltd., Bank of Tokyo, Ltd., Norinchukin Bank and Shokochukin Bank; money in trust, loan trust, pension trust and employee's property formation benefit trust in 7 trust banks; money in trust, pension trust, employee's property formation benefit trust in Daiwa Bank, Ltd.; money in trust in Bank of Ryukyus, Ltd. and installment; deposits in sogo banks and shinkin banks.

Dollar figures are based on a conversion rate of Y147.55 to the dollar, which represents the average of T.T. Selling rates at 14 major foreign exchange banks in Japan at the end of September 1987.

Net Income represents Interim Net Income for Apr.-Sep. '87, lst Half of 1987 business year.

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Today

The New York Fed has peppered Banca Commerciale Italiana with questions about its relationship with a conglomerate owned by the Italian government. In connection with the Milan bank's bid to buy 51% of Irving Bank Corp., the Fed also is seeking information on its loans to Third World countries and its plan for funding the Irving buy. ______2

Manufacturers Hanover, which has been in Japan since 1949, is altering its Tokyo operations as lending business takes a back seat to securitization. ______2

Banks in areas with a heavy drug trade would have to report transactions exceeding $3,000, instead of the existing $10,000 limit, under a proposal being considered by the House Banking Committee. ______3

Richard D. Parsons, 40, has been elected president of the Dime Savings Bank of New York, a thrift with $11 billion in assets. George Kelly, secretary of the Savings Banks Association of New York State, said Mr. Parsons will become the first black president of a major savings bank in the state. ______8

The weekly listing of financial services stocks features regional industry groups and price indexes. __ 16

Executive Changes______8
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CORPORATE FINANCE

Chase Manhattan was forced to revamp its plan for a Philippine debt conversion after it failed to attract enough commitments for a mutual fund. Instead, the bank established a limited partnership, slicing its initial target to $50 million from $75 million. ______2

A survey of Canadian financial officers reveals conflicting philosophies about bank service. According to the Greenwich Associates study, some corporate officers believe banks that take full advantage of investment banking powers would provide better coverage and service. The other segment fears that a focus on investment banking would cause banks to forsake traditional services. ______6

Borrowers are slowly warming to a loan-pricing technique that not only puts a cap on their interest expense but also leaves them free to benefit from declining interest rates. The instrument, called a participating swap, is being used by some of the nation's largest banks. ______6

Worth Repeating

The drug problem in America has truly grown to onerous proportions. And the Banking Committee is committed to aiding law enforcement officials.

Fernand J. St Germain, D.-R.I., on a proposal to require banks in areas with heavy drug trade to report smaller transactions. [Page 3]

Queue Forms for FSLIC's Biggest Payout

By JIM McTAGUE
Washington Bureau

WASHINGTON — Depositors of two failed California S&Ls will line up today for their share of a whopping $1.35 billion cash payout by the Federal Savings and Loan Insurance Corp.

Of the $1.35 billion, $1.14 billion will be paid to depositors of American Diversified Savings Bank. That marks the biggest payout since the Federal Deposit Insurance Corp. returned $465 million to depositors of Penn Square Bank, the one-office Oklahoma City bank whose 1982 collapse virtually toppled Continental Illionis National Bank and Trust Co., Chicago.

The FSLIC will also pay out $209 million to cover depositors of the other thrift, North America Savings and Loan Association. Both S&Ls are one-office operations located in the same building in the affluent Los Angeles suburb of Costa Mesa.

Largest Payoffs To Depositors

Institution	Payoff
American Diversified **Costa Mesa, Calif.**	$1.14 Billion
Penn Square Bank **Oklahoma City**	$465 Million
Empire Savings & Loan **Mesquite, Tex.**	$300 Million

The agency said it expects to recover $419 million when it sells the assets of the two S&Ls.

The actions will wipe out 42% of the FSLIC's cash. After paying $1.35 billion to insured depositors, the insurance fund will have about $1.9 billion on hand, the agency said. At the end of 1987, the FSLIC's balance sheet was in the red by $13.7 billion because of the projected costs of closing some 400 problem thrifts, according to the General Accounting Office.

Regulators decided to settle with the depositors after failing for several years to find investors to take over the institutions or their high-interest-rate accounts. The closings were announced Monday.

The institutions relied on brokered deposits to fund high-risk investments, and they never developed the type of retail deposit base that would have appealed to potential buyers, the regulators said. The amount of uninsured deposits in the institutions was not

Queue: Page 22 ➞

COMMENT

Mismatching Revisited

By SANFORD ROSE

There is a right way and a wrong way to mismatch maturities. But, alas, many banks don't appear to know the difference.

The right way is to mismatch in such a fashion that the resulting increase in earnings is not offset by a commensurate rise in the rate used to capitalize such earnings. That way, management is happy and so is the shareholder.

Unfortunately, the average mismatching bank is not now very kindly treated by the marketplace. The evidence from a regression analysis reveals a statistically significant inverse relationship between mismatching behavior and the stock price. The bigger the mismatch, the greater the hit to the stock price.

Because the yield curve has been sloping upward in recent years, and because rates have not risen as much as the slope of the yield curve would have predicted, banks that borrowed at short maturities and lent at longer ones have greatly increased their profits. But this

Comment: Page 4 ➞

Top Bankers Wary Of Loans Backing Leveraged Buyouts

By ROBERT TRIGAUX

CHICAGO — Chief executives from the world's 100 largest banks opened the annual meeting of the International Monetary Conference here with a barrage of calls for enhanced international economic cooperation.

The bankers also sounded a warning that the hot new business of leveraged buyout financing must not become a noose around the industry's neck.

Global imbalances are the "largest and most stubborn in economic history," said Commerzbank chairman Walter Seipp, president of the conference. Mr. Seipp and other speakers noted

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Continued from Page 1

earnings growth, say the data, has availed the shareholder naught.

The marketplace thinks that such earnings are of poor to miserable quality. Sooner or later, it reasons, the expectations of much higher rates embedded in the upward-sloping yield curve will be realized.

Then today's contented and complacent short funder will become discontented and perhaps desperate. Anxious to shore up rapidly eroding profits, the ambitious short funder may shift from interest rate gambles to more expansive credit gambles, as did Bank of America and Continental Illinois.

Penalizing the Profitable

So the marketplace will not pay for earnings achieved by uncritically adopting liability-sensitive positions. In fact, while the marketplace tends to penalize all mismatching banks, in 1987 it was harder on those that were liability sensitive than on those that were asset sensitive. That is, it discounted the stock prices of short funders more heavily than those of long funders, despite the fact that the interest rate position of the former produced earnings gains while the posture assumed by the latter resulted in losses.

Is it possible for banks to help their shareholders by mismatching maturities? If the mismatch is done correctly, there is every reason to believe that the marketplace's reaction will be benign. **A correct mismatch is one that takes advantage of the liquidity premium in the term structure of interest rates.**

The principles underlying the liquidity-premium approach to mismatching behavior have been reviewed repeatedly in this column. But since banks don't appear to have caught on, a reprise of these principles is not amiss.

The liquidity premium arises because investors in some markets want to place funds shorter than borrowers care to borrow. Hence a risk premium must be offered to lure investors into buying longer-term securities. The existence of this premium imparts an upward bias to the yield curve.

According to the pure-expectations hypothesis of interest rate determination, if market participants expect no change in rates, the yield curve would be flat. However, if there is a liquidity premium, then the curve would slope upward.

In other words, any given long rate would not simply be an average of today's short rate and the expected future short rate. It would be higher than that average by the amount of the liquidity premium.

Biased Forwards

Assume that in a particular market the three-month rate is 5.5% while the six-month rate is 6%. Then the implied forward three-month rate (the three-month rate expected three months hence) is 6.5%. If a bank borrows in such a market at three months to fund a six-month asset, then its mismatch will succeed only if the implied forward rate (6.5%) overstates the eventual rise in spot rates.

That is, if three-month rates either fall or rise by less than 100 basis points, the bank makes money. If rates rise by more than 100 basis points, the bank loses money.

If there is a liquidity premium in this market, on average, the implied forward rate will indeed overstate the likely rise in spot rates. Since the six-month rate is higher than it otherwise would be because of the premium, the implied three-month forward must also be higher.

And because implied forwards overestimate the likely movement in spot rates, banks can usually make money short funding their asset maturities. That is, they won't make money all the time, but their mismatches will succeed often enough to make the play worth the candle.

Unfortunately, liquidity premiums are rather hard to find (see this column, Feb. 2). There is no evidence whatsoever of the existence of a premium in the CD market, the Eurodollar market, or the commercial paper market. Thus, in the great majority of markets in which banks typically operate, there is no special incentive to borrow short and lend longer.

But there is very definitely a liquidity premium in Treasuries. So the best chance for a bank to receive liquidity-premium-enhanced returns is to link assets and liabilities directly to Treasury rates. If a bank finances a six-month asset whose yield is tied to a comparable-maturity Treasury with a three-month liability similarly tied, it is likely to be able to refinance that asset three months hence at a lower cost than today's three-month implied forward rate would suggest.

Pricing Off Treasuries

The upshot is that loan officers should make every effort to price money-market loans off a Treasury rate. The current misguided policy, however, is to quote rates based on Libor, CDs, or fed funds. Either asset-liability personnel do not understand that they cannot "gap" such assets on a consistently profitable basis or else, if they do understand, they have failed to communicate this fact to the lending officers.

Suppose that a bank succeeds in tying both its lending and borrowing rates to Treasury yields — a difficult task, even assuming that the bank is aware of the need. Over what time horizon should it maintain the mismatch?

The evidence suggests that the liquidity premium reaches a maximum somewhere between six months and a year. That being the case, it makes precious little sense to mismatch between the short run — under one year — and the long run. Such a mismatch does not increase the size of the liquidity-premium-enhanced return. It merely causes the bank to assume additional yield-curve risk.

Otherwise stated, when the bank mismatches appropriately in the under-one-year period, the expected value of the position is positive — because of the premium — and the variance of returns is acceptably low. When it mismatches between the short and long runs, the expected value of the position is likewise positive, but the variance of returns becomes unacceptably great.

Two Returns

Since there is a consistent profit to be earned from moderate short funding across a confined segment of the Treasury yield curve, one would expect the marketplace to reward an institution that engages in this form of mismatching. It can be argued that such an institution earns two types of return — one derived from the liquidity premium per se and the other from the fact that it is taking some modicum of rate risk.

The liquidity-premium return is almost riskless and will remain so until the government decides to arbitrage away the premium by issuing enough short T-bills to satisfy the apparently excess investor demand for these instruments. But this is an unlikely occurrence. The return from mismatching is, however, subject to some risk.

Because the bank earns two conceptually separable returns, only one of which is really chancy, the market capitalization rate should not rise in precise tandem with the growth in earnings. In other words, intelligent short funding should end up enhancing shareholder value.

If, as the data suggest, short-funding behavior has not yet benefited the shareholder, it is probably because the great majority of short funders presently operate in the wrong markets and in the wrong part of the yield curve. ■

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LETTERS TO THE EDITOR

Lenders Rely Too Heavily On Outside Appraisers

To the Editor:

James Grant's May 18 Required Reading article ["Appraisals for Sale Undermine Real Estate Values," page 4] generally misses the point by blaming appraisals for the current wave of real estate defaults lenders are suffering.

I submit the fault lies with lenders who choose to rely on appraisals rather than educate themselves or hire a sophisticated lending staff. As a workout consultant, I've seen many poor-quality appraisals with no evidence of confirming research by the lender.

Someone familiar and experienced in the real estate industry and in the subject property's market can easily recognize a fraudulent or overstated appraised value.

Lenders would help themselves considerably by closely examining and confirming a commercial property's actual cash flow before debt service (net operating income) which, after all, is ultimately the source of the lenders' repayment.

Granted, there are unqualified and even dishonest appraisers around, but knowledgeable lenders can easily avoid falling into the trap a faulty appraisal opens for them.

Michael McKaig
Consultant to United Savings Bank
Real Estate Projects Group
San Francisco

Education Will Be Key Banking Issue in '90s

To the Editor:

As the number of banking and financial services jobs increases and the number of young people entering the labor market decreases, it is imperative that a larger percentage of those young people have at least the basic skills. The evidence cited in your article and elsewhere suggests that high school graduates are less skilled.

This is definitely a major issue facing bankers in the next decade, and I am pleased to see the *American Banker* giving it the attention it deserves ("The Class of 2000: Will They Be Ready?" March 22, page 11).

It was especially interesting to note the many programs and activities other banks around the country are sponsoring to promote and improve education in their communities. I am sharing this information with our community relations manager.

He coordinates C&S' support to education and is personally involved in a program that provides nontraditional educational opportunities for high school dropouts.

J. Veronica Biggins
Executive Vice President
Citizens and Southern
Georgia Corp.

CORPORATE FINANCE

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

It's very hard for customers to be the first one to do it.

— Security Pacific's David Weinstein, on participating in interest rate swaps

Credit Lines

Citicorp Wins Texas Customer

Citicorp took advantage of the disarray in Texas banking to win a new customer, BSN Corp., a Dallas-based sporting goods company. The New York giant replaces Texas Commerce Bank of Houston as BSN's lead bank.

"We wanted to get out of the banking atmosphere in Texas," said Michael J. Blumenfeld, BSN's president. "Every bit of banking business has become a horror story in terms of time and expense. We wanted to get out of Texas and stay out until the atmosphere changes."

BSN is the type of middle-market company that many banks are seeking as a customer. With 1987 revenues of $100 million, the company has been growing quickly and has been profitable since it went public in 1981. If many Texas companies take similar action, attempts by Texas banks to recover are bound to suffer.

Citicorp will provide BSN with a short-term $35 million credit facility. That will convert to a long-term facility if the planned $42 million sale of its garment division to the Prospect Group is not completed.

BSN plans to use Citicorp's investment banking services for acquisitions and financing. The company also hopes to increase its import and export activities using Citicorp's worldwide presence. "The international flavor of Citi was a very strong point for us," Mr. Blumenfeld said.

The New York bank, which had no relationship with BSN before this agreement, beat out five other competitors, none from Texas.

Citicorp "came back with the most aggressive response in terms of time of completion, pricing, and so forth," Mr. Blumenfeld said. "The time consideration had a lot to do with it. In Texas, in some cases, it can take two to three months to finalize a small transaction.

"They did what they said they were going to do," he added. "In Texas that is terribly unusual."

Four 'Lucky' Banks Added

The bank group backing a $3.1 billion credit for American Stores Co.'s acquisition of Lucky Stores Inc. has been expanded.

The added banks — Citibank, Security Pacific National Bank, Wells Fargo Bank, and First Interstate Bank — have relationships with Lucky or were involved in a $1.8 billion leveraged buyout loan to help the retailer fight off American in May.

American, the Salt Lake City-based food and drug retailer, expanded its acquisition loan from $2.5 billion to $3.1 billion and asked its four coagent banks to contribute $100 million each to a pool to make room for more banks.

Bankers said American Stores could not invite the Lucky banks into the deal when the takeover battle was in full swing because of confidentiality issues.

The four coagents on the American loan — Chemical Bank, Bank of America, Toronto Dominion Bank, and Commerzbank — each reduced their shares from about $430 million to $330 million. A banker in the group said this worked out well because the coagents already held more of the credit than they planned to keep.

Each of the coagent banks will be permitted to sell five participations with full rights and responsibilities to investors at $25 million per package. Earlier in the deal, some bankers had speculated that American would not allow its banks to sell by assignment.

Eighteen banks were invited into the initial syndication with shares between $50 million and $125 million. Banks in the upper tier are permitted to sell two assignments each.

Canadian Corporate Quandary: Defining the Role of Bank Services

By PHILIP T. SUDO

NEW YORK

CORPORATE finance executives in Canada are sharply divided on whether Canadian banks should venture into investment banking, according to a survey released today by Greenwich Associates.

Canada's deregulation policies have allowed banks to engage in a mix of commerce and banking that the Glass-Steagall Act still prohibits in the United States. A survey of 700 Canadian corporate executives there shows that some companies worry that banks will lose interest in traditional banking services.

A third of those surveyed believe banks should minimize their emphasis on investment banking and concentrate on better commercial banking services. Another 60% feel it is unimportant for commercial banks to provide a full range of underwriting and investment advisory services.

But 24% believe that concentrating exclusively on commercial banking is the least effective strategy a bank can pursue. And more than 50% feel no strong need to separate their principal commercial and investment banking relationships.

The Greenwich results indicate that corporate executives adhere to two distinct philosophies of bank service. Some feel that universal banks, taking full advantage of their new powers, would provide better coverage and service. Others fear that a strong focus on investment banking — and its more lucrative fees — will lead banks to forsake their traditional services.

The primary reason banks have become more important to them in the past 12 months, said 28% of Canadian executives, is the banks' capital markets or investment banking capabilities. But the most popular

Canadians: Page 7 ➛

Investment Banking Strategies

The view of Canadian chief financial officers

Strategy	Best	Second Best	Least Attractive
Minimize emphasis on investment dealing and concentrate on commercial banking services	33%	10%	24%
Acquire investment dealers to gain immediate access to the best personnel and market experience	17	14	24
Build investment dealing capabilities internally at a more gradual pace	16	13	9
Develop full service investment dealing capabilities	16	10	20
Develop limited investment dealing capabilities only in areas where commercial banks have existing experience	8	31	7
None/no answer/uncertain	10	22	15

Source: Greenwich Associates

Cap/Swap Mix Helps Manage Interest Cost

By JOHN P. FORDE

NEW YORK

BORROWERS are slowly warming to a loan pricing technique that not only caps their interest expense, but also leaves them free to benefit from declining interest rates.

The instrument, called a participating swap, is being used by some of the nation's largest banks, says David Weinstein, vice president of Security Pacific Merchant Bank here.

"We get a lot of requests for it, but it has a low hit rate," Mr. Weinstein said. "About one in ten actually gets done. It's very hard for customers to be the first one to do it."

The participating swap is one of the latest techniques that borrowers can use to manage interest costs.

Other instruments include caps, which place a ceiling on interest rates, and collars, which place upper and lower limits on the floating rate of a loan. The collar allows the interest rate to fluctuate in a range between a "floor" and a "ceiling" rate.

But each of these instruments has its own limitations. A borrower who expected interest rates to stay at present levels for the life of the loan, for example, might buy an interest rate cap in order to ensure that the rate will not rise above acceptable levels. The cap, however, would be an added cost to the borrower.

In a participating swap, a percentage of the debt bears a floating rate with an agreed-upon cap, and the remainder of the loan carries a fixed rate. A key element in the transaction is that the cap is purchased without the borrower having to pay an upfront fee.

The lender makes up for this fee by pricing the fixed interest rate portion above what the borrower would get for a straight interest rate swap. In the example in the chart, this is the half of the loan, which earns interest at 10%.

The floating portion of the loan bears interest at a rate tied to, for example, the London interbank offered rate for deposits with a maturity similar to that of the credit. Because of the cap, this rate never rises above 10% in the example cited here.

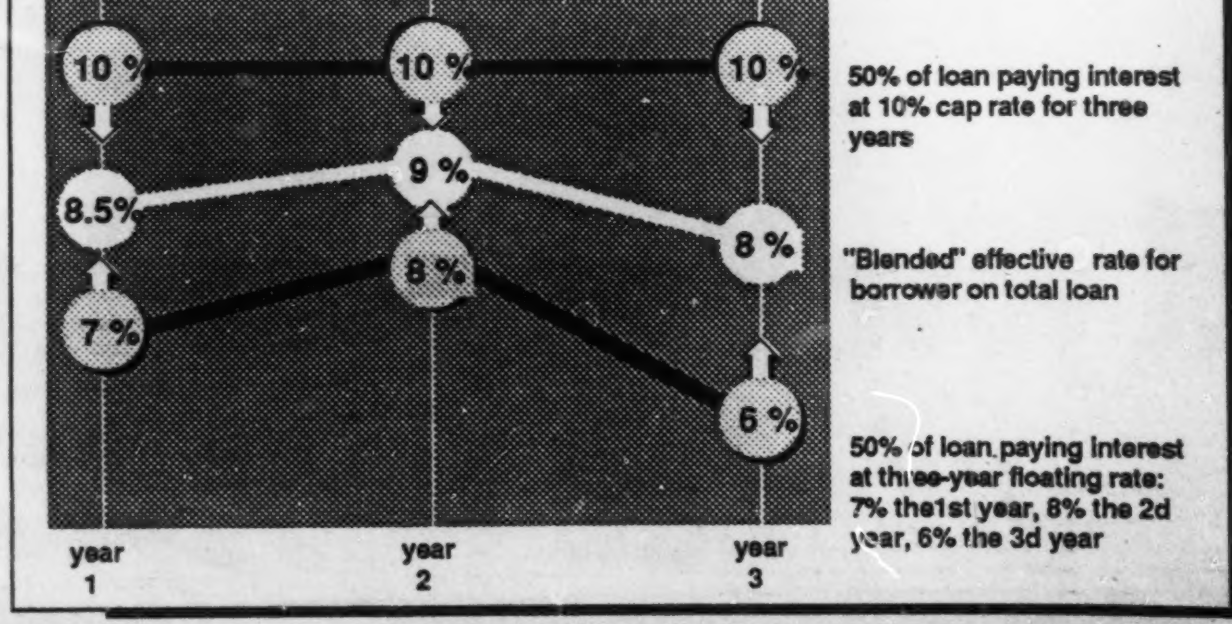
This structure accomplishes a number of objectives for both the borrower and the lender. On the borrower's side, the agreement caps the maximum interest rate to which the loan can rise at 10%. Also, it allows the borrower, through the 50% floating-rate part of its loan, to enjoy half the benefit of dips in interest rates.

For the lender, the above-market portion of the rate is considered the price the borrower has to pay for the 10% interest rate cap on the entire loan.

Also, the technique does not require the bank to set aside an extraordinary amount of capital to offset the risk of the product. Security Pacific, for example, capitalizes the instrument as two separate transactions, an interest rate cap and a swap. ■

How a Participating Agreement Works

Determining the effective rate for a loan with tiered interest rates



Empire Equity Aids Buyouts

Middle-Market Transactions Attract Buffalo Thrift Unit

By DAVID NEUSTADT

NEW YORK

AS one of the few thrifts active in leveraged buyouts, Empire of America has developed a middle-market strategy.

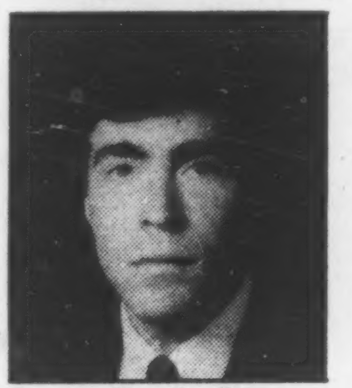
Through its two-year-old subsidiary, Empire Equity Investments Inc., the company provides mezzanine and equity investments in leveraged buyouts. It focuses on transactions between $10 million and $100 million, according to Bruce Bonhoff, administrative vice president of Empire Equity.

The unit does not limit itself geographically, with only one of every 25 investments near its Buffalo base.

Although the parent company has decided to withdraw from commercial lending, the decision will not affect Empire Equity, said Mr. Bonhoff. Empire of America, the fifth largest thrift in corporate lending in 1987, is pulling out of the business because it is not satisfied with the spreads.

Empire Equity puts between $3 million and $5 million into a deal in subordinated debt, preferred stock, or common stock. The unit makes fast decisions, an important element in winning buyout business, according to Mr. Bonhoff, who recently was given increased responsibility for operations.

The only businesses off limits to the unit are high-technology industries. The most important criteria are strong management and positive cash flow.


Bruce Bonhoff

"We don't do turnarounds," Mr. Bonhoff said.

"Before the crash, we did very little business because the multiples were so high," he said. "Since then, they have come down to a slightly more acceptable level."

Last year, Empire Equity contributed $15.6 million in income to its parent, up from $10 million in 1986 and $2.9 million in 1985. With a staff of five, its expenses are not substantial.

Mr. Bonhoff joined Empire in 1984 after seven years at Manufacturers and Traders Trust Co. in Buffalo. He graduated from the State University of New York College at Fredonia and earned an MBA in finance from Canisius College, Buffalo. ■

3 Banks Lend Support to Macmillan

By SUZANNE E. MILLER

NEW YORK

THREE banks have agreed to lend Macmillan Inc. $1.2 billion to finance the publisher's struggle to remain independent from its unwanted suitor, the Robert M. Bass Group, Fort Worth.

On Saturday, the group boosted its bid to $73 from $64 for each of the company's 28 million shares outstanding. That raises the total bid to about $1.9 billion from $1.6 billion. The Bass group now owns about 9.1% of the stock.

Citibank, Morgan Guaranty Trust Co., and Toronto Dominion Bank have scheduled a meeting for June 14-15 and plan to invite 45 lenders into the syndication. Manufacturers Hanover Trust Co. and Bankers Trust Co., traditional lenders to Macmillan, are not participating in the loan, bankers said.

The credit package will be structured in two parts with the bulk of the money in a reducing revolving credit. The remainder will be in an asset sale bridge loan. Bankers said they are still working on details of the loan sale.

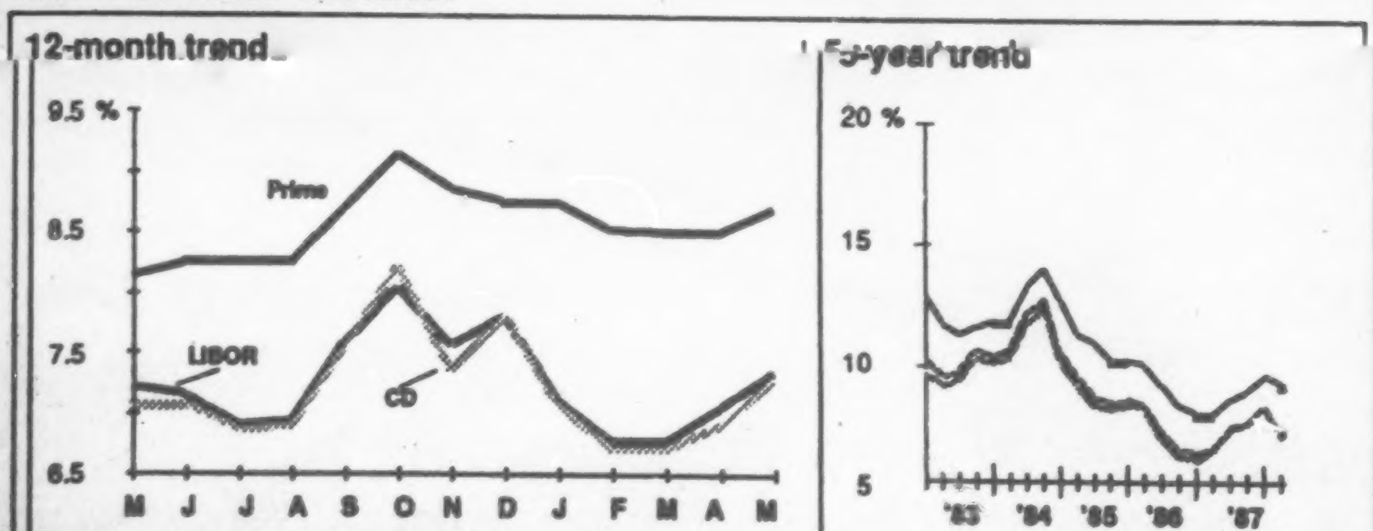
One banker noted that Macmillan "would like to have some say," either directly or indirectly, over which banks join its lender group.

Bankers noted that the company has allowed some secondary loan sales activity in the past, although the publishing and information company historically is not an active borrower.

As part of its move to remain independent, the publisher announced last week that it would restructure by spinning off assets and creating another company. This may have seemed sudden to many market participants, but bankers said Macmillan has been working on the $1.2 billion loan for at least four months.

If the restructuring move is successful, the publishing company will be divided into two separate entities: Macmillan Publishing and Macmillan Information Co. ■

Interest Rate Monitor



Monthly Averages

	This Month 5/88	Last Month 4/88	Year Ago 5/87
Prime	8.70	8.50	8.14
CD (90 Day)	7.29	6.89	7.05
LIBOR (90 Day)	7.34	7.05	7.21
Prime-CD	1.41	1.61	1.09
Prime-LIBOR	1.36	1.45	0.94
LIBOR-CD	0.05	0.16	0.16

Note:
The charts and table shown here report three rates of concern to most bankers. The large chart shows average monthly rates for Prime, CD, and LIBOR for the past year.

The smaller chart provides quarterly averages for five years.

The table shows last month's figures and the differences between the rates.

Source: Loan Pricing Corporation

Canadians Ponder Bank Services Mix

Continued from Page 6

reasons cited were related to traditional banking: improved service in operations (36%) and a demonstrated willingness and creativity in providing credit (34%).

A majority of those surveyed agreed — 36% strongly — that U.S. commercial banks should not be allowed to offer full investment banking services in Canada unless Canadian banks are exempted from Glass-Steagall in the U.S. Nevertheless, Canadian firms frequently turn to American banks for takeover defense, international divestitures, commercial paper deals in the U.S., and advice on U.S. mergers and acquisitions.

Canadian banks had feared that with deregulation, foreign firms would invade the domestic market. Although Canada is one of the world's 10 largest economies, its domestic capital markets remain relatively small.

But Greenwich notes that foreign firms have yet to invade Canada for three reasons: some regulatory hurdles remain; the world's largest institutions are focusing their international efforts on New York, London, and Tokyo; and foreign firms have been able to compete for business without a large presence in the country.

The survey found that Canadian firms look for financial services on a transaction-by-transaction basis. Sixty-eight percent of corporations surveyed said they are transaction oriented and 32% relationship oriented. That is almost the mirror opposite of U.S. corporations, of which 62% emphasize relationships and 38% transactions.

The mean number of banks used by Canadian corporations is five — this is a country where a handful of leading banks dominate the financial scene. Large firms paid nearly $500,000 in noninterest fees to their commercial banks over the past 12 months, for services such as account handling, cash management, and assurance of credit availability.

For investment banking services, the typical corporation averages 3.3 relationships. The key factors they cite when considering a secondary firm for capital markets or corporate finance activities are creative and innovative ideas (57%), a solid understanding of the company's financing needs (46%), capable product specialists (36%), careful documentation and explanation (29%), and the ability to make prompt commitments (27%).

Over the past 12 months, the average firm paid fees and commissions of $2.9 million for capital markets and corporate finance activities — more than twice the previous year's level, according to the survey. ■

Tell City Application Approved

ST. LOUIS — The Federal Reserve Bank of St. Louis has approved the application of Citizens National Bank Corp., Tell City, Ind., to become a bank holding company. ■

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Today

Bank Board Chairman M. Danny Wall hopes private investors can be attracted to the Southwest plan for rescuing Texas thrifts, but he said the cleanup will proceed even without them. — 2

Commercial banks earned $5 billion in the first quarter, up $1.8 billion from the previous quarter but down $300 million from the comparable period last year, the FDIC said. Excluding the massive loss of First Republic-Bank Corp., the industry would have earned a record $6.5 billion. — 2

Midwest regional bank stocks are on the way to becoming the darlings of the industry after two years of laggard performances, according to several recent reports by analysts. — 3

Americans of all incomes are pessimistic about their ability to achieve long-term financial goals, according to a survey released by the International Association for Financial Planning. 24

Consumer groups pushing for legislation to force banks to cash government checks are expressing concern over a possible compromise that would require the checks to be deposited electronically. — 24

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COMMENT

Branch profitability is much more than just the level of total deposits, writes Kenneth H. Thomas. — 4

Analyst David C. Cates looks at the rise and fall of international banks from a historical perspective, including the Medici Bank of Florence, which flourished and fell in the 15th century. 7

TECHNOLOGY

Union Bank of Switzerland's commitment to sophisticated telecommunications has helped it develop a strong international operation, which now accounts for half its assets. The bank pours approximately $70 billion into telecommunications each year, building and maintaining its own networks. — 10

Goldome Savings Bank, Buffalo, has chosen a satellite communications service to connect its mortgage banking offices in New York and Seattle. The high-speed voice and data transmission link will be provided by Safecom, Woodcliff Lake, N.J. — 10

Although critics of the Open Systems Foundation have been vocal, its backers insist the organization aims to serve all vendors and users of computer hardware and software. The supporters deny a bias toward IBM and say AT&T has been invited to join the foundation. — 12

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Worth Repeating

One hundred million people will now try to figure out how to beat their banks at float.

Consultant John Shain on the Expedited Funds Availability Act taking effect Sept. 1. [Page 14]

Panel Approves Bill Allowing All Banks into Massachusetts

By MICHAEL WEINSTEIN
New England Bureau

BOSTON — The banking committee of the Massachusetts legislature passed a bill that would open Massachusetts to banking companies nationwide effective Jan. 1, 1990.

Interstate Banking

The bill, which will include consumer protection and community reinvestment provisions, still has to be passed by the full Massachusetts House and Senate and signed by the governor.

The legislature often follows the lead of its committees. But there is still some opposition to the bill. The state's two biggest banking companies, the Bank of Boston Corp. and the Bank of New England Corp., oppose nationwide banking.

Paula W. Gold, secretary for consumer affairs and business regulation who oversees the banking department for the governor, supports a nationwide banking bill that includes provisions for consumer protection, community development programs, and local management presence.

A further element of uncertainty in Massachusetts politics is the presidential campaign of Gov. Michael S. Dukakis, which could influence a number of issues.

The bill does not include a provision to lower the tax rates on Massachusetts banks, which had been supported by

Massachusetts: Page 2 ➸

From Language to Laws, Global Bankers Wrestle with the Shape of the Industry

By ROBERT TRIGAUX

CHICAGO — Toru Kusukawa is jealous of his fellow global bankers. The deputy president of Fuji Bank Ltd., one of the world's largest financial institutions, said he believes Japanese banks suffer a major disadvantage in competing overseas because virtually no one uses the Japanese language to conduct international business.

"American and English bankers who can use their mother tongue to conduct international business have a great advantage. I must say I envy them," he says.

It's not easy managing a $50 billion, $100 billion, or $200 billion bank these days, as the top executives of more than 100 of the world's largest financial institutions readily admit during this week's lavish gathering of the annual International Monetary Conference.

At a meeting celebrated equally for its agenda of social entertainment as well as its big bank camaraderie, concern of language barriers may not dominate the debates on hostile takeovers and unequal regulatory treatment. But it does reflect the range of management problems besetting today's bank executives.

On Tuesday, the bankers met in private to argue the future composition of

International: Page 23 ➸

S&L Execs See Political Ploy In FSLIC Payout

Timing Tied to Bill Banning Exit from Insurance Fund

By ROBERT LUKE and JIM McTAGUE

Some California thrift executives believe politics played a role in federal regulators' move this week to liquidate two California thrifts at a whopping cost of $1.35 billion.

Liquidating American Diversified Savings Bank and North America Savings and Loan Association, both of Costa Mesa, will wipe out 42% of the Federal Savings and Loan Insurance Corp.'s cash.

"You have to look at the political timing of the action," said one thrift executive, who asked not to be identified. "Why not [move] in August, when Congress is out of session? The answer has to do with the moratorium."

Specifically, Congress is considering legislation to extend a one-year ban on thrifts switching to the Federal Deposit Insurance Corp. from the Federal Savings and Loan Insurance Corp., which assesses a higher premium. The moratorium is scheduled to expire on Aug. 10.

Federal Home Loan Bank Board Chairman M. Danny Wall, a former staff director of the Senate Banking Committee, supports the moratorium, which is vigorously opposed by thrift industry groups.

"I suspect that Danny Wall is scaring Congress to act," the thrift executive said, noting that the FSLIC is rapidly running out of funds.

The General Accounting Office, an arm of Congress, has estimated that at yearend 1987, the FSLIC's balance

S&L: Page 22 ➸

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The Value of a Branch Is Measured in More than Deposit Ranges

By KENNETH H. THOMAS

SANFORD ROSE'S Feb. 17 column entitled "There's Still Hope For the Branch" presents a fairly balanced view of a vitally important retail banking topic, namely, the future of the branch.

The editorial did not dwell on the controversial finding by one consulting firm that around half of all branches are unprofitable and by implication should be closed. Rather, the comments focused on various strategies suggested by another consulting firm to enhance branch performance. Based upon that firm's experience with one regional bank with over 200 branches, those strategies reportedly could result in a remarkable turnaround: The proportion of branches exhibiting negative returns could fall from 48% to 10% or 11%, and the proportion earning less than the corporate hurdle rate could drop from 62% to 21%.

This case study emphasizes the importance of distinguishing between branches that are truly profitable and those that are not. A truly unprofitable (i.e., negative net present value) branch that is a chronic underperformer may have to be closed, sold, swapped, or otherwise disposed of. This branch disinvestment alternative is usually reserved for those problem or serious problem branches where locational (i.e., the site, immediate area, and market area) factors have been identified as the primary causative agents.

Obviously, there is a whole set of nonlocational determinants of branch performance including the familiar marketing mix "P" variables of pricing, product, promotion, personnel, and other management and operating policies. It appears that the performance-enhancing strategies recommended in the cited case study were primarily of the nonlocational variety such as changes in pricing, personnel, and corporate policies.

A hasty recommendation that the subject bank dispose of 48% to 62% of its branches, which was not made in this instance, would clearly have been totally inappropriate and unjustified. Rather, it seems from that case study that the proportion of truly unprofitable branches that might have to be divested would be between 10% and 21%.

The '80/20 Rule'

Our consulting experience since 1975 as specialists in branch evaluation and location research exclusively for financial institutions has confirmed our version of the familiar "80/20" rule: Approximately 20% of a financial institution's branches cause 80% of its branch problems. The first or lowest 10% are categorized as problem or serious problem offices often requiring branch divestiture; the second 10% are problem, near problem, or potential problem offices sometimes necessitating such extreme action.

We feel that the conservative approach to branch planning dictates use of our 80/20 rule to trim the fat from the retail branch network as appropriate. The case study cited in the editorial would appear to support this rule. However, going upwards to 40% means cutting into the meat, and at or over 50% would mean cutting into the bone.

We would recommend that serious consideration be given to any such plans to drastically reconfigure a retail branch network. Such radical and irreversible surgery on a branch network might be appropriate if management has decided to change the bank's branching objectives or its entire retail orientation. Otherwise, a typical retail bank or thrift closing 40%-60% of its offices would certainly represent an unusual set of circumstances.

The previously referenced study concluded that a bank or thrift branch needs $20 million-$25 million in deposits today just to break even (see "Study Finds Half of Nation's Branches Unprofitable,' *American Banker*, October 10, 1987, page 3). It was noted that the proportion of all U.S. bank and thrift branches that were or were destined to be unprofitable was at least 40% but as high as 60%, since that percentage of branches had $20 million or less in deposits in 1986.

We agree that there is a generally positive relationship between branch profitability and local retail core deposits. However, this is not a perfect relationship, and bankers must be careful not to equate branch profitability and total branch deposits.

Break-even deposit levels differ among banks and among branches within any bank because of different fixed and variable expense structures. For example, we have seen some branches with deposits in excess of $25 million that are unprofitable because of their cost structures.

Profitability Differs from Deposits

Conversely, it has been our experience that many branches in the $10 million-$20 million range are profitable, and any wholesale recommendation to close branches simply because they are in this deposit range would be a mistake.

In fact, we have seen some small branches with deposits of less than $10 million that are profitable because of low overhead and outstanding loan portfolios. Why would we even have loan production offices with technically no deposits if these facilities were not profitable? Different offices can serve different delivery system objectives and still be profitable.

For these and other reasons it is difficult to generalize on a universal break-even level or even range for all offices in all areas. For those wishing to make decisions with deposit break-even analysis, the conservative approach to branch planning suggests use of relatively low ranges of local retail core deposits.

For example, at the beginning of this decade an assumption of a $6 million-$10 million range for seasoned offices would have been appropriate. Increases in fixed and variable costs, among other things, since then would obviously imply a higher range. An assumed range of $10 million-$12.5 million in local retail core break-even deposits, precisely one-half of the previously-cited study's finding of $20 million-$25 million, would be more representative of the conservative approach to branch planning in today's environment.

Because branch profitability is much more than just the level of total deposits, we prefer use of discounted cash flow techniques (e.g., net present value) over deposit break-even analysis in branch investment and disinvestment capital budgeting decisions.

Many financial institutions, especially the larger ones, have formal branch profitability measurement systems. It has been our experience that most of those who do not have such systems attempt to use some type of informal measurement procedure to try to monitor absolute and relative branch growth, activity, and cost levels. It would indeed be surprising to learn that management and their formal or informal branch profitability measurement procedures have been so far off to allow 40% to 60% of all branches to continue operating if they were in fact

Comment: Page 6 ➻

Mr. Thomas is president of K.H. Thomas Associates, with offices in Miami and Philadelphia.

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LETTERS TO THE EDITOR

Nation's Credit Unions Not Merely an Idle Threat

To the Editor:

In response to the comments of Elspeth Revere, president, Woodstock Institute, Chicago, in her letter printed in your June 3 edition ["Credit Unions' Threat to Banks Is Exaggerated," page 4], I would like to remind her that cancer starts out as an insignificant growth but, if not checked, takes over.

I am reminded of the similarity between credit unions and savings and loan associations of 50 years ago, when banks wrote them off as too small to matter and, in fact, even helped them operate. Look at the Federal Savings and Loan Insurance Corp. and the savings and loan industry today.

John A. MacNaughton
President
National Bank of Coxsackie
Coxsackie, N.Y.

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

Providing Standby Credit Is Costly to Foreign Banks

To the Editor:

We refer to John Holden's article in the May 10 issue of the *American Banker* concerning Deutsche Bank's backup of the Waveland Associates Project standby liquidity facility made available by Mellon Bank, Pittsburgh ["West German Bank Provides Backup for Letter of Credit on Chicago Issue," page 23].

We thought you, as an important publication in the financial community, would like to know that for standby letters of credit, German banks are required to allocate to capital an amount equal to 50% of the regulatory capital-to-assets ratio for commercial loans. These guidelines increase the cost of issuing standby letters of credit relative to U.S. banks, which have no such restriction.

While risk-based capital standards for off-balance-sheet items are currently being considered by U.S. and foreign regulators alike, we believe that the rules affecting German banks are more, not less, stringent than those affecting U.S. banks.

Robert E. Schlegel, Vice President
Douglas S. Byers, Assistant VP
Deutsche Bank AG
New York

Where Congressmen Cash Their Paychecks

To the Editor:

The *American Banker's* page 2 article on May 10 ("Credit Unions Make Inroads into Bank, S&L Markets") was very comprehensive and well done. There was one glaring omission, however, and that was an explanation of why the credit unions continue to escape the federal income taxes that are a major fact of life for banks and thrifts.

Virtually every member of Congress and nearly all of their staff members (and staffs of the committees) are members of the Wright Patman Credit Union, which has its offices in the Capitol Building. That's where the congressmen and their employees cash their paychecks, as well as get their car loans, etc.

Clearly, nearly everyone in Congress has a vested interest in the continued well-being of the Wright Patman Credit Union, so it seems highly unlikely that credit unions will be on the same playing field as the rest of us, at least in the foreseeable future. Talk about conflicts of interest!

James G. Schneider
Chairman
Kankakee Federal
Savings and Loan Association
Kankakee, Ill.

From the Middle Ages to Money Centers

The following is adapted from a keynote address by David C. Cates, delivered April 14 before the Institute of International Bankers, Washington. Mr. Cates is president of Cates Consulting Analysts Inc., New York.

□

THE STUDY OF HISTORY is also our window on the future. This is not because some iron determinism — if we could just discern its laws — shapes our destiny. Rather, the patterns, trends, cycles and sheer disorder of the human record are suggestive of what might lie around the next bend.

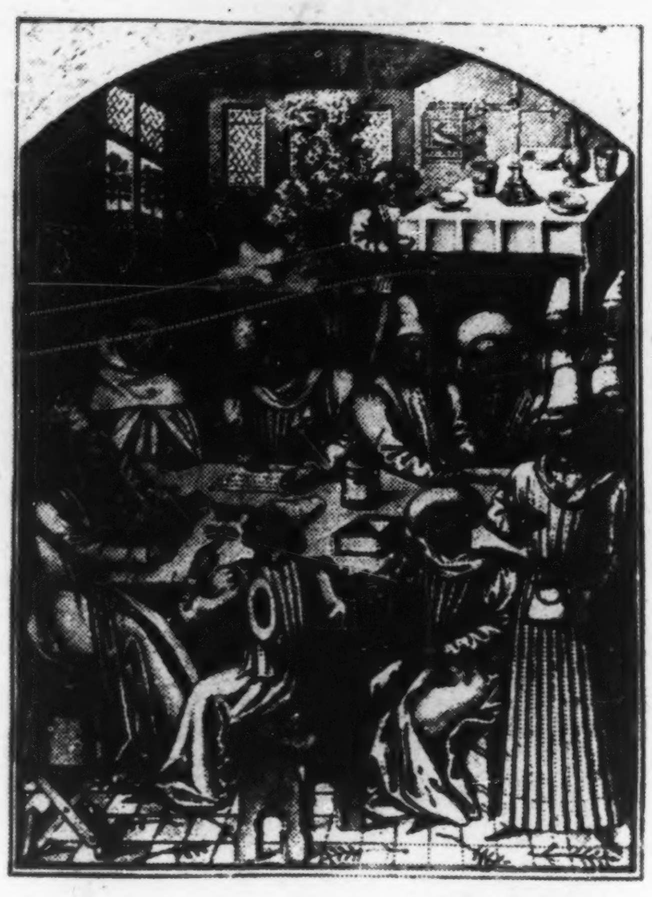
A sense of history, then, enriches our thinking by giving us complex models of plausible outcomes, which we can adjust to the different context of the present. Mere study of the present, where most of us spend our energy, is sterile and misleading. Worse yet, it encourages a dangerous self-importance, as though our management of "now" is all there is.

I will divide my remarks about the rise and fall of international banks into four parts. First, I will recount the surprisingly modern story of the multinational Medici Bank of Florence that flourished and fell during the 15th century. Second, I will describe the war-driven rise of Amsterdam and London as financial centers in the 17th and 18th centuries, a unique evolution that established the models for later systems.

Third, I will raise the question why some larger banks have declined, occasionally to the very threshold of failure. The richest laboratory for such an exploration, I regret to say, is this country from 1974 to the present. Why, in the midst of plenty that has drawn hundreds of foreign banks to exploit banking opportunity here, should there be a steady string of domestic banking disasters beginning with Franklin National, moving on to include First Pennsylvania, Continental, Seafirst, Interfirst, and too many others?

Last, I will raise some conjectures about the future of international banking. What is to be the world role of U.S. banks in an era when this country has rapidly become the world's largest debtor nation?

How does this shift affect the outlook for our money center banks? Will this outlook be further shaped by a decline in the perceived value of deposit insurance? What does all this mean for foreign banks in this country? Finally, what are some of the management challenges that many foreign banks have yet to address?



Bettmann Archive

The de Medici family became prominent throughout Europe in the 14th century as merchants and manufacturers specializing in wool and silk. This business became the basis for a merchant bank, which flourished in the next century.

Like other Italian merchants, the Medicis traded along very ancient north-south routes that ran through the old cities where they ultimately established bank branches: Venice, Milan, Rome, Avignon, Geneva, Lyons, Bruges, and London.

In that era, these cities were rare, tiny islands of trade and manufacture within a society still based predominantly upon feudal obligations. This was a society of self-sufficient agricultural estates, mutual military assistance, and a church oriented to the complex loyalties and values of the feudal system.

The mainstream culture did not leave merchants and bankers with a lot of prestige or bargaining power among the princes of the larger society. Fortunately, the cities from which bankers operated had won enough political freedom to render them reasonably safe havens for commerce.

The economic basis for this uneasy freedom lay in the landowner's need to import and export bulk products such as wine, wool, olive oil, cloth, or timber, depending on the region; to buy luxury goods such as silk and spices; and to spend, invest, and borrow cash. An increasing use of cash, as the scale of warfare advanced, was to pay for armaments and mercenaries.

Deposit banking — a practice begun in Venice two centuries earlier — flourished under Cosimo de Medici, who directed and built the Medici Bank from 1428 until his death in 1464. There were five sources of funds to support the lending and trading positions of the bank.

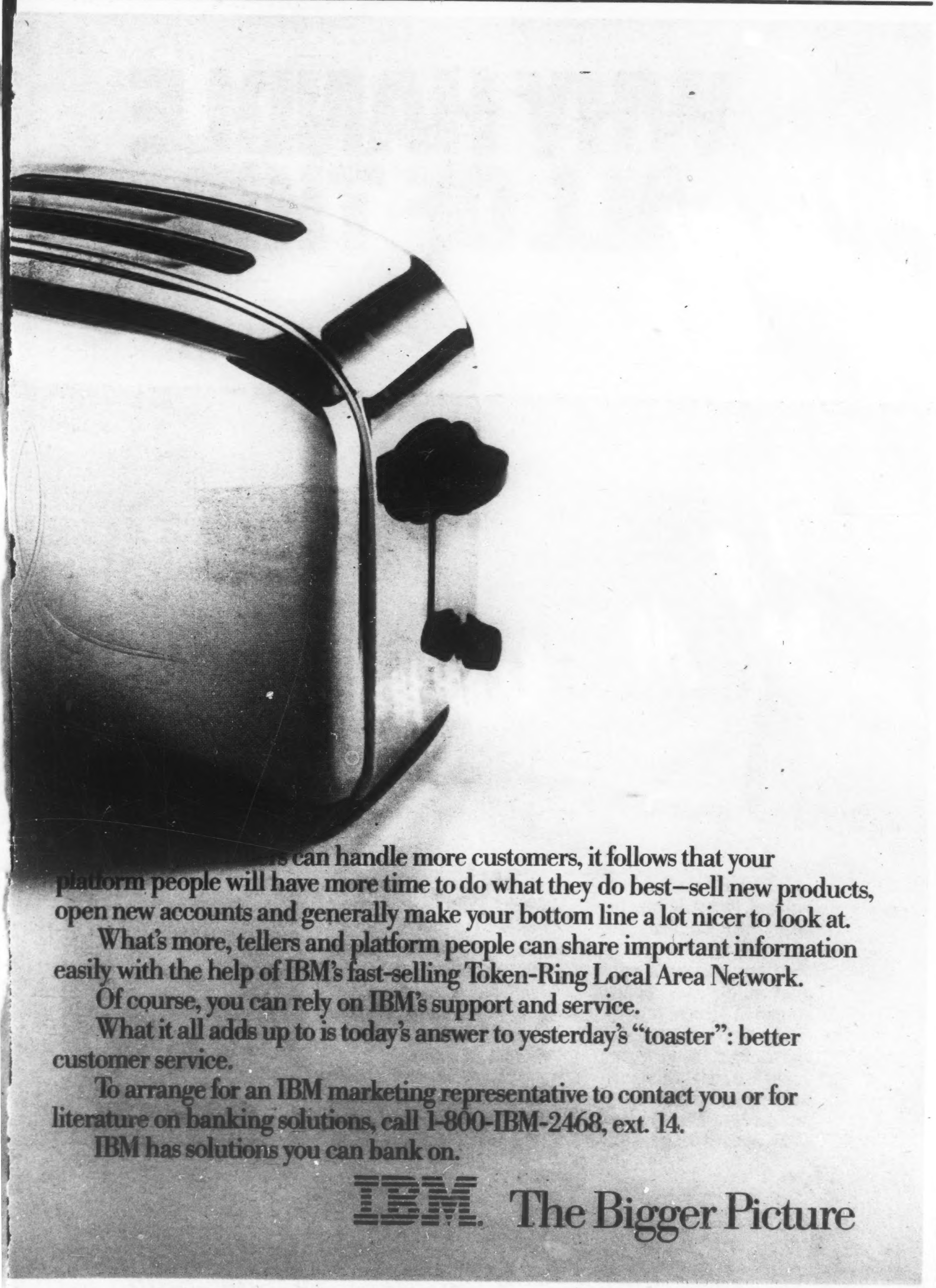
First, there was the capital contribution of the partners. Second, there was the further investment of partner wealth in the deposit instruments of the bank, on which interest was paid at rates ranging from 8% to 12% during the century.

Third, wealthy Italian landowners — despite the criticism of church authorities who thought they should be mending and improving their estates — deposited funds with the Medicis at interest, thus helping indirectly to finance foreign trade. Fourth, merchants and correspondent banks maintained accounts against which to settle transactions or to justify letters of credit.

To illustrate, the bills of a lesser-known merchant would be more acceptable in London, say, if the Medicis were his agent. Finally, princely courtiers and mercenaries used the bank as a haven for their wealth:

"It was not without cause that politicians were eager to place some of their funds with international bankers. They wanted an investment that was safe

Required Reading: Page 8 →



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Continued from Page 7

from confiscation should they fall into disgrace or flee the country. Real estate could not be concealed, but accounts with an international banking house could be whisked out of the country with a stroke of the pen."

(From Raymond deRoover, "The Medici Bank, Its Organization, Management, Operations and Decline." New York University Press, pages 54-55.)

Ledgers Long Since Vanished

We do not know the leverage ratio of the Medici Bank because there is no surviving balance sheet of any Medici affiliate or of the consolidated whole. The Florence records were destroyed in the sack of Medici property during the revolt of 1494, the bank's final year.

But we do know that a single loan to Charles the Bold of Burgundy, made from Bruges in 1471, was equal to two times capital when it was first written, and was renegotiated in 1478 to more than three times capital before his successor defaulted. The overall leverage of the bank, therefore, was probably substantial, if a single asset could be such a high multiple of capital.

In addition to its deposits, the bank traded merchandise and commodities as agent for others and for its own account. To illustrate, there are detailed records of the costs of a joint venture to import 100 barrels of almonds by galley from Valencia to Bruges in 1441.

Since these had not been presold, they were somewhat haphazardly jobbed and retailed during that spring and summer. Eleven barrels had to dry out in an attic. (Could this be the origin of our taste for salty nuts?)

The bank's chief asset-generating function, however, was its dealing in bills of exchange, the dominant credit instrument of the era. A bill of exchange, typically issued to finance cross-border trade, was written in one place and currency, to be collected in a different place and currency.

Bills were also traded in the money markets of the major cities. Time intervals increased both the credit and exchange risk. Shipping customarily consumed three months between Italy and London, two months between Italy and Bruges, and one month between Bruges and London — or Paris/Bruges or Paris/London. To be sure, news travelled faster than freight, but the communications gap was still daunting.

A key question: How could a 15th-century banking business, depending then as now upon the reasonably predictable calculation of interest, be conducted within a system of church regulations that strenuously forbade usury — namely, any obligatory payment of interest? In the church view, usury was an invasion of property rights, since "more is asked than was given."

Nor was it an irreligious age in which sophisticated city dwellers attend church only at Christmas and Easter, ignoring its rules at other times. The Medici bankers were as devout as the rest of Christendom. To illustrate, a famous painting by Hans Memling shows the Medici Bruges manager, Tommasso Portinari, stark naked on the occasion of the Last Judgment, earnestly praying as his life is weighed. Nearby his similarly clad wife pleads on his behalf, as a cast of thousands await their turn.

Scriptural Loopholes

The answer — different for lending than for deposit-taking — lay in certain tiny cracks in the regulatory structure. Church law forbade fixed and certain interest, but did not bar the discounted "adventure of principal" if the potential for loss stood between the loan and its collection.

Thus bills of exchange were discounted, the origin of our current practice of discounting. The amount of discount served to mask compensation for credit and exchange risks, all carefully computed and negotiated.

Deposit interest was a different story. Interest could be paid and recognized as such, but only if understood to be a discretionary "gift' rather than a contractual obligation. It was the reputation of the bank, not a legally enforceable guarantee, that stood behind the implied promise to pay.

When Philippe de Commines, a Flemish diplomat to the French court, tried to collect back interest from the failing Lyons branch in 1478, he was rebuffed. He kept writing his friend Lorenzo, then head of the bank, for years without success.

The Medici Bank also had a funds-transfer function. For example, as fiscal agent for the Vatican, the bank handled all papal collections and disbursements in Europe and England.

The disbursements were for military subsidies, among other things. The collections, much more important, arose from the widespread sale of offices and indulgences, a significant source of papal revenue.

For all clients, the Medicis made paper entries from one branch to another in favor of correspondent banks, merchants, and other Medici affiliates. Because of the network of branches and correspondents operating in every country of Europe, these paper entries were a useful substitute for scarce coin and its shipment — a risky and costly endeavor.

> Deposit banking flourished under Cosimo de Medici, who directed and built the Medici Bank from 1428 until his death in 1464.

Underlying all this international activity was the fact that medieval Europe through the 15th century was, in fact, an economic "common market," before the rise of sovereign nations made international finance more difficult.

Cosimo organized the bank's branch system on a decentralized basis, unlike other Italian banks of the time. Partnership agreements governed the operations of each Medici branch, which together formed a system of controlled affiliates.

These documents show that the Medicis contributed roughly 60% of the capital, with the balance coming from loyal lieutenants — perhaps including a former branch manager — but always including the current branch manager. Under Cosimo's management these detailed agreements explicitly forbade the manager to lend to princes, a rule broken shortly after his death.

The affiliate system had the advantage of giving the local manager a stake

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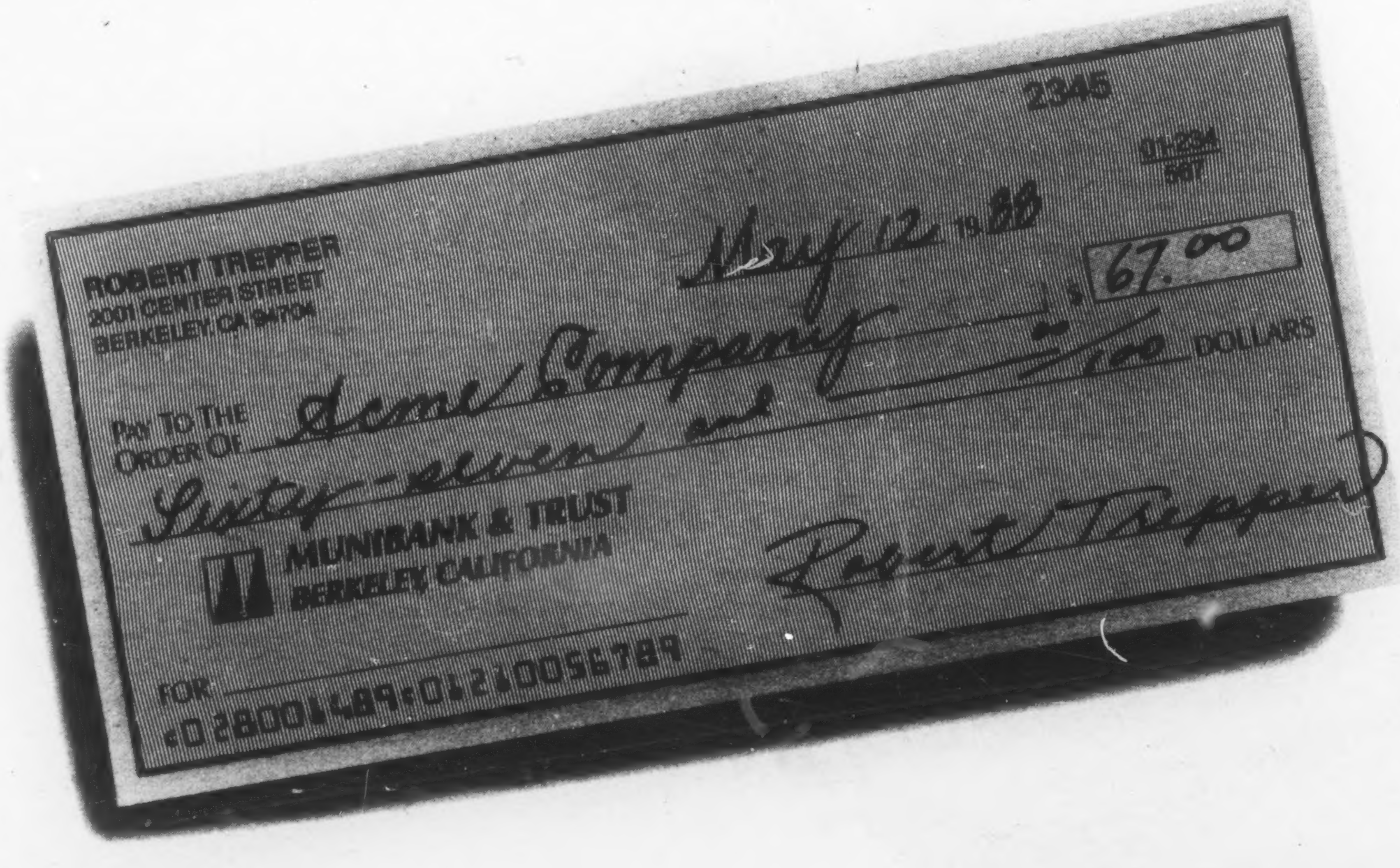

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in a piece of the business too remote to be managed directly from Florence. The system had another advantage as well. It limited the legal liability of the total enterprise.

Thus in 1451, when a Florentine merchant sued the Bruges branch for defects in a shipment of wool originating from the London branch, the municipal court upheld the Bruges manager's argument that the two were separately organized businesses, despite their common control by a single family.

The decline of the bank began in the mid-1460s. There were four causes. First, successor management after Cosimo's death in 1464 proved lax and directionless.

Too much authority was soon given to local, poorly controlled managers. Cosimo's son Piero was ill and bedridden, surviving his father only by two years. He is on record, however, as urging retrenchment.

Piero was succeeded by Lorenzo the Magnificent, ruler of Florence, statesman, patron of the arts, and companion of humanists. Lacking interest in business, he relied on his adviser, Francesco Sassetti, a former branch manager in Lyons and Florence, to run the whole enterprise and to generate the substantial partnership returns Lorenzo needed for household expenses. Thus the bank probably became more leveraged at the very time that its business problems intensified.

Second, trade fell off from the 1460s through the rest of the century. One mark of this falloff was that gold rose steadily in relation to silver, the medium of commerce. Since bills of exchange were usually denominated in silver, and deposits usually in gold, the adverse shift in the monetary ratio probably caught the Medicis in a classic bind between the relative values of assets and liabilities.

We also know that the wool and cloth trade was hurt by the disruptions of a civil war in England, and by the deliberate English recruitment of Flemish weavers and other artisans. This shift toward self-sufficiency cut the bank's trading volume in a key commodity.

A third problem was that Lorenzo's money needs led Sassetti to relax the former ban on sovereign lending. In the renewal of the partnership agreement with Bruges in 1471, for example, Portinari was, for the first time, permitted to finance his patron and client, Charles the Bold, Duke of Burgundy and ruler of the Low Countries.

A few years earlier, the London branch had caved in to the insistent financial demands of Edward IV, who proved unable to reconcile a bitter civil war. Charles was killed in 1477. Lacking a male heir, his small duchy was annexed in the next year by his son-in-law, Maximilian of Austria, who then insisted on further loans. The defaults on all these loans led directly to the failures of both the Bruges and London affiliates.

An early example of a debt-for-equity swap — a familiar topic of discussion today among those who ponder the reduction of Third World debt — occurred in 1478 when the Bruges affiliate tried to settle its loan to Maximilian. In return for principal reduction, the Medicis gained the right to collect harbor tolls at Gravelines, a Channel port near Calais. The steady decline of the wool trade with England, however, did not bode well for the value of this property.

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The final problem, which closed the Medici Bank for good, was simply the rising tide of political risk throughout Europe. The rapidly advancing scale of warfare had begun to destabilize the pluralistic system of feudal loyalties in favor of a few powerful nations, themselves in mortal contest.

These tectonic agonies would not end until Napoleon's defeat at Waterloo in 1815. One consequence of these national wars was that finance, truly international in the 15th century, became nationalized, with sharply different systems of public credit and levels of interest rates.

Should it surprise us that the world's first multinational, multibank holding company should come and go during the course of a single century? I don't think so. The social environment was simply too hostile to permit long life to merchant banking firms.

The death of kings took center stage as a spectator sport, and cathedrals, not bank headquarters, merited "landmark" designation. Though one or two Italian banks can trace their corporate lineage to the 1500s, no others can. The earliest still-surviving commercial bank is the Royal Bank of Scotland, founded in 1695; the earliest still-surviving Dutch bank is the Hoop Bank, founded in 1760.

Still another mark of the alien ideology of the time was the decision of Pope Innocent VIII in 1488 to legalize — and organize — the persecution of witches. This system, which established inquisitors and informers, would be copied intact by the Protestant religions. Across the next 200 years, several hundred thousand fatalities would occur.

Center Shifts to Amsterdam, London

The ever-more-costly wars of the next three centuries quickly weakened smaller players like Florence, Venice, and Burgundy, in favor of a few emerging nations: France, Spain and England. Yet nothing was settled, and incessant wars of attrition continued at ever higher cost. In this environment, the new art of public finance became as important a factor in victory as military and diplomatic skill.

This was how tiny Holland could succeed in its 80-year rebellion against Spain, which had inherited the Low Countries from Maximilian. True, Holland had advantages.

For one thing, Spain faced formidable supply-chain problems in subduing the distant Netherlands. Second, Spain was suffering elsewhere from what Paul Kennedy calls "imperial overstretch', a frontier of commitments that finally reduced it to an exhausted sec-

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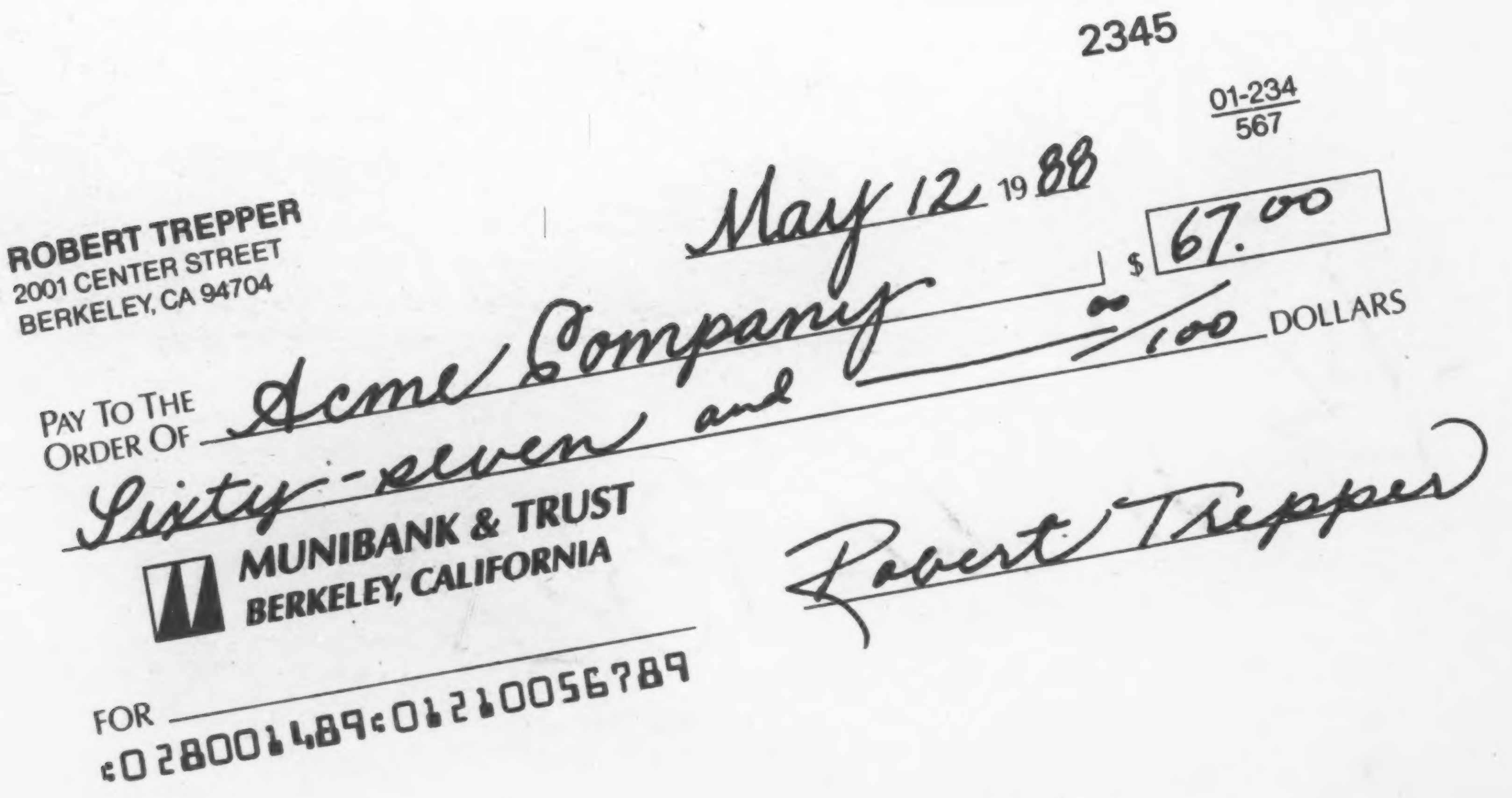

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➞ Continued from Page 9

ond-class power by 1650. Third, the Dutch, then preeminent traders to the Far East, controlled the world's best merchant marine and navy.

At least as important, however, was the triumph of Amsterdam as an international money center, serving the nation as an engine of war finance. The growth of the Amsterdam money market, much larger than any predecessor, was funded in part by the liquid wealth of prosperous Low Country traders and manufacturers, and in part by "flight capital" from the rest of Europe.

The surplus of savings was so huge, in fact, that Dutch war bonds could be floated at rates as low as 4%, and commercial loans at less than 2%. The Amsterdam market even helped to finance Spain, albeit at rates of interest as high as 40%. (The average Spanish rate paid to bankers was 12% to 14%.)

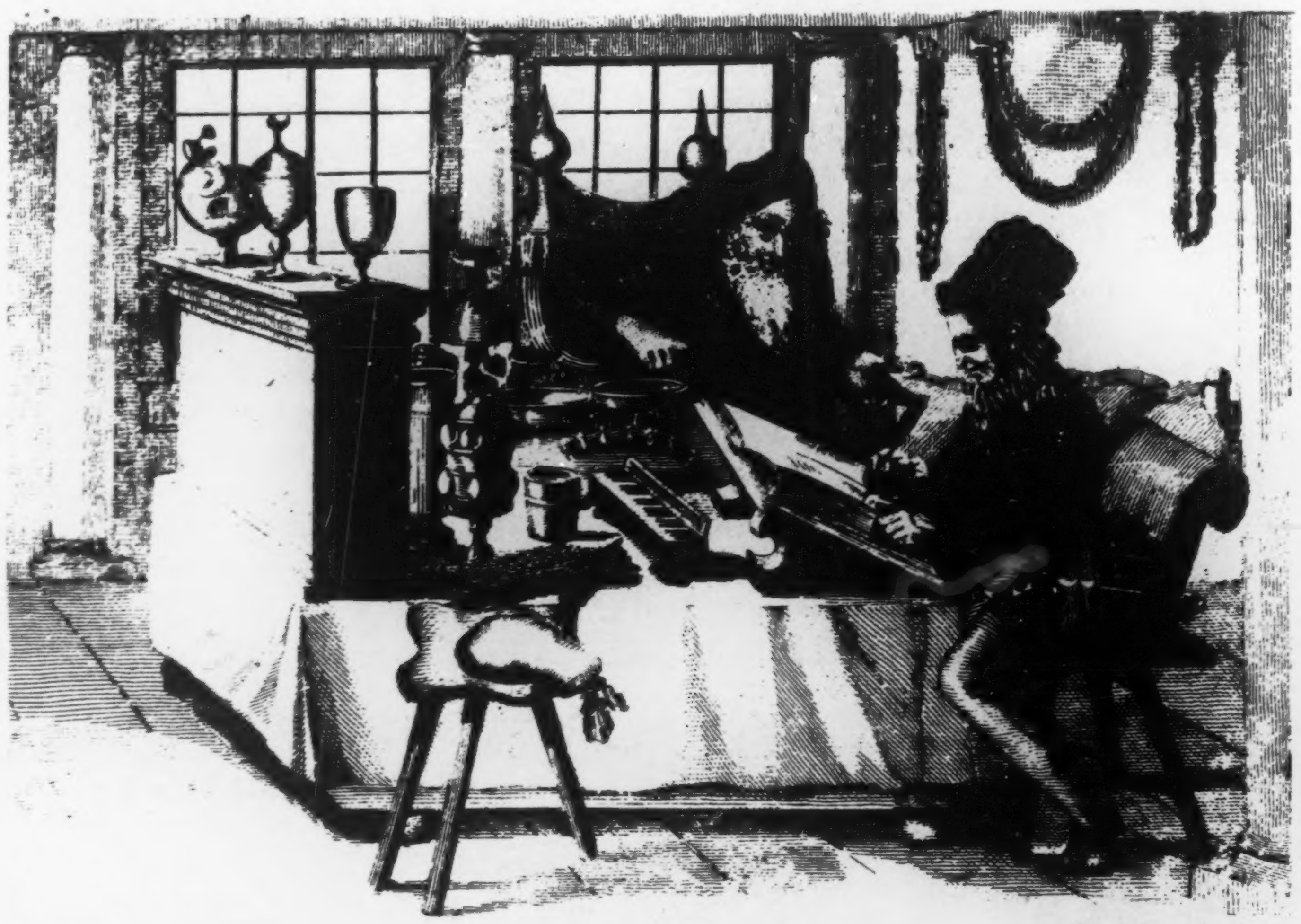
Merchants Pulled the Strings

It helped, too, that the government was largely controlled by merchants whose understanding of the importance of credit, budgets, and the timely repayment of debt was bred in the bone. Another consequence of merchant government was that state overhead remained low, a condition that eased the burden of debt service.

By contrast, the great wealth of Spain was never enough to meet its huge commitments. The gold and silver from America was so heavily pledged to Genoese and German bankers (later ruined by the ultimate Spanish default) that Spain itself was reduced to a copper currency.

The real problem was that Spain lacked a system of public finance immune from the royal tendencies to grant tax-sheltered monopolies, to tax everyone else unpredictably and arbitrarily, to suspend interest and principal payments at will, and even to declare bankruptcy, as Spain did for the first time in 1557.

Worse yet, in an absolute monarchy where the nation is, by definition, an extension of the kings's household, there is far more incentive for the wealthy to purchase offices and monopolies from the crown — and to transfer wealth abroad — than to accumulate liquid wealth at home available for impersonal investment.



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These bad habits meant that Spain depended heavily on external lenders, at much higher cost than Holland had to pay. On top of this, the Inquisition, then in full flower, managed to drive away most of the nation's merchant class, the very source of renewable wealth that Holland enjoyed in abundance.

In the next century, London began to rival Amsterdam as the world's financial power, and finally erected the capital markets edifice — building on Italian and Dutch models — that the rest of the world would copy in the following century. For a start, English finance benefited from a powerful merchant class that helped Parliament dismiss James II, the last of the Stuarts, in 1688.

This step forever deprived the English monarchy of fiscal authority, henceforth vested in Parliament. It helped too that William III, the Dutch prince who succeeded James, brought Dutch principles of public finance to London.

The relative trustworthiness of the capital market in London — like Amsterdam — attracted both domestic and foreign savings seeking impersonal investment opportunity. Finally, strong overseas trade and the first stirrings of the factory system of production created the domestic liquid wealth needed to bear an affordable tax burden and to finance and service war bonds. It was this rapid creation of wealth, in fact, that let England emerge financially unscarred after 1815, ready to fund domestic and foreign investments for the next century.

France, though the largest continental power, suffered from many of the same problems that blocked Spanish finance. These were a divinely ordained monarchy, with the power to suppress opposition; a hated and corrupt apparatus of taxation; a trade-damaging system of internal customs collection; financial incentives that encouraged the wealthy to purchase offices and monopolies rather than to create a flow of liquid savings; and the flight of capital to more secure money markets, notably Amsterdam and London.

Unlike Spain, however, France enjoyed a degree of domestic savings invested in war bonds, although the rates paid were always higher than in London. The 1789 revolution, however, damaged public credit until the early 1800s.

As the costs of war rose during the century, the English financial advantage became ever more critical. This is made clear in the accompanying table, adapted from Paul Kennedy's study.

Three points stand out. First, England was at war for 65 out of 127 years in the period 1688-1815. Second, the annual cost of war rose steadily from five million pounds in the late 1600s to 75 million pounds a century later.

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Third, England was able — through taxes and loans — to self-finance its war debt, even after 1780 when Holland became a French ally and withdrew financial support from England.

Finally, English war bonds were issued during the century at rates ranging from 3% in 1751 to highs of 9% in 1711 and 7% in 1782. The average yield on the 3% consols of 1751 was about 4% during the remainder of the century.

The relative resiliency of the French and English systems of public credit in the early 18th century is revealed by the conduct of both governments on the occasion of simultaneous outbreaks of "paper money madness" — one in Paris, the other in London, both beginning around 1718 (quite by coincidence) and culminating in 1720.

In Paris, John Law, an exiled Scot, brilliant professional gambler, and amateur economic theorist, persuaded the credulous Duke of Orleans (regent of France following the death of Louis XIV) to do two things: first, to establish a central bank to issue its own notes, and second, charter the Mississippi Company that would reap riches by trading with Spanish America.

The trouble with the first idea was that the regent liked it so much he ordered the issuance of far too much paper against totally inadequate coin reserves. A panic followed when the royal bank refused to honor its notes with coin.

Matters did not improve when the crown then authorized informers to collect silver and gold from households. This was followed by a 50% devaluation of the paper. No wonder there was a cross-border flight of gold and silver, and a subsequent distrust of paper money and banks.

Scottish banking was the principal model upon which English country banks and, later, the American banking system were based.

The trouble with Law's second idea was that the American trading opportunity was grossly misrepresented to French investors, so that the huge and very fashionable speculation soon proved worthless, with widespread financial ruin aggravating the currency crisis.

In England, another fraud — the South Sea Company, chartered by Parliament — led to a similar frenzy of speculation and ruin. The damage, however, was contained by the prompt action of Parliament.

Restitution was demanded and collected from the personal estates of South Sea directors, a liquidating dividend was paid to all shareholders, the company's debts were honored in full, and its receivables from the public were cancelled. These Parliamentary actions calmed the public, preserved the currency, and restored public credit.

"Enterprise, like Icarus, had soared too high, and melted the wax of her wings; like Icarus, she had fallen into a sea, and learned, while floundering in the waves, that her proper element was the solid ground. She has never since attempted so high a flight."

(From Charles Mackay, "Extraordinary Popular Delusions and the Madness of Crowds." London, 1852, p. 88.)

It is worth noting that the development of English commercial banks in this era was stunted by the note-issuing monopoly granted by Parliament to the Bank of England in 1694. This monopoly was in return for the willingness of investors in this private bank to subscribe war bonds.

Meanwhile, Scottish banking flowered in the 18th century, beginning with the first commercial bank charter in 1695. Scottish bankers soon developed a competitive, market-driven, innovative, and self-regulatory system — with very few failures — that financed industrial growth in the north more efficiently than England could manage. Scottish banking, in fact, was the principal model upon which English country banks and, later, the American banking system were based.

Financing of British War Costs

1688-1815

Years	Elapsed years	Total cost (mil. of pounds)	Cost per year (mil. of pounds)	War loans as % of total cost
1688-97	9	49	5	34
1702-13	11	94	9	31
1759-48	9	96	11	31
1756-63	7	161	25	37
1776-83	7	236	34	40
1793-1815	22	1,658	75	27

Source: Paul Kennedy, "The Rise and Fall of the Great Powers: Economic Change and Military Conflict 1500 to 2000." Random House, New York, 1988.

Why Banks Fall

In the preceding section, I have emphasized the rise of capital markets, rather than banking systems or individual banks. They are not quite the same, of course.

London, for example, became a worldwide hub of finance without the benefit of large commercial banks. In general, however, savings, investment, and the institutional structure that connects the two all occur together.

Do they fall together? We can begin to answer this question by first isolating the factors that encourage the development of financial systems. I see five such factors.

First, there must exist a base of successful trading and manufacture to generate a surplus of wealth, in a form that turns into cash fairly often. Second, there has to be a financial market, an institutional structure of banks, dealers, brokers, and arrangers that mediate liquid wealth into rational and reliable investment.

Third, there has to be a deeply established public belief that the game is not too rigged, that dishonesty is accountable, and — most important — that government is constitutionally restrained, especially in its power to tax. To the extent, in fact, that an economically rational elite is not in charge, savings will flee the market, just as Spanish and French savings fled to Amsterdam.

Fourth, there needs to exist a commercially favorable public infrastructure to include reasonable degrees of equitable and predictable (not necessarily low) taxation, a fair and accessible system of justice, universal education, affordable insurance on all manner of commercial risks, a postal system, a coast guard, roads and bridges, and the like.

Dissent Must Be Tolerated

Finally, there must be a widespread public ethos in favor of commercial goals and values, coupled with reciprocal values that stress the responsible exercise of business power. This economic ideology, I hasten to add, can only be effective when it is disciplined within a wider intellectual climate that promotes the arts and sciences, and tolerates dissenters as well. The economic importance of such a climate, of course, is that it nourishes the spirit of inquiry and experimentation which is at the bottom of the creation of wealth.

To the extent nations have met these five tests, they have produced large, influential, and world-class banks. When nations falter, however, there is no iron determinism that says their banks must decline as well.

The linkage, in other words, between national performance and bank performance is not a close one. Britain and its banks provide an example.

Though the nation itself has been in relative economic decline since 1946, its largest bank, National Westminster, has emerged as a worldwide presence whose stature, soundness, and profitability make it a force to reckon with. A contrast of a different sort is presented by the histories of Standard Chartered Bank and Hong Kong Shanghai Bank. Both were British-chartered in the 1860s to serve colonial financial needs.

The one was to be based in London, then the center of Empire, while the other was to be headquartered in the Far East, close to the colonial marketplace itself. The relative fortunes of these two banks in recent decades seem to illustrate the importance of domicile in fostering the prosperity and momentum upon which banks thrive.

It also illustrates the importance of locating a bank's decision-making as close as possible to where the needs of its customers are determined. For colonial clients in 1900, London was that place; in 1988 it is not.

The contrast between Hong Kong and Standard Chartered may also say something about management. But since I am not a close observer of these two banks I can't document this difference.

What I do understand, from many years of direct observation, is the management factor in U.S. banking. This experience has taught me over and over again that management — the ability to guide and control a business — is the real key to the success or failure of banks.

And our banks have had more than their share of both. We seem to produce a fair number of excellent banks whose practices are studied and copied far and wide, not only in this country but abroad. We have also witnessed too many failures and near failures, beginning in 1974. This has not happened because of economic hard times (which only make things worse), but because of a peculiar pathology that seems to destabilize a small fraction of U.S. bank management, leading occasionally to crisis.

To describe this lurking disease (to which most of our bankers, I believe, are immune), I will practice some amateur sociology upon you. We are dealing, after all, with a recurring pattern of executive behavior, not merely with aberrant personalities.

Such an analysis, furthermore, allows us to think about remedies more plausible than aptitude tests or group psychotherapy for bank chairmen. Besides, it's fun to indulge our American pastime of characterizing distinctive cultural and organizational styles. Since we do it about English, Japanese, and Swiss bankers (among others), why should Americans get off without the same treatment?

I want to begin with the observation that our banks — large and small — exited the cautious 1950s with highly authoritarian command structures that would make the military blush. There were four reasons for the paternalistic despotism of bank chief executives in that era.

First, the prevailing banker goal during the three decades following the trauma of widespread bank failure in 1933 was to build impregnable fortresses of soundness and to say "no" to virtually all other ideas. One consequence of this negative thinking was to discourage initiative from within, and to concentrate power in the hands on the "old man who saved the bank." The social contract in banks of that era,

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➼ Continued from Page 17

in other words, traded job security for subservience.

Second, the prestige and the self-importance of such leaders was fed — beyond that of other corporate chiefs, even of larger businesses — by their unique knowledge and control of the communities they dominated. In a time when "relationship banking" was a privilege, not a commodity, long before borrowers learned to confuse bankers by ignoring them, the chairman of almost any bank was a larger-than-life figure, to be feared as well as courted.

Formidable Personalities

Names like Edward Eagle Brown (First National Bank of Chicago), William S. Gray (Hanover Bank of New York, my first employer), and Edward Byron Smith (the Northern Trust Company of Chicago) are just a few reminders of the tyrannical personalities of yesteryear. At the same time, men like these created a lasting image of the executive function in American banks. In the wrong hands, as I shall soon point out, this model can prove destructive.

Third, we have to look even further back in history to find the roots of our innocent belief in heroes. I'm afraid we are prone to this belief, egalitarian rhetoric to the contrary.

A simple insight is presented by the history of American place names, across 250 years of settlement. The first colonists of New England — frightened, brave, and collective — named their communities after "home": Plymouth, Hartford, Framingham, Worcester.

Over the next two centuries, the emerging individualism of Americans created a hybrid place name: Thomasville, Barryville, Galesburg, Pittsburgh. The founder's name was attached to an old-country suffix.

After the Civil War, the cult of individualism intensified to the point where the European suffix was dropped altogether! To illustrate, in the American Southwest (mostly settled after 1865), place names became a characteristically bald tribute to the ego of some long-forgotten founder: Gallup, N.M.; Roswell, N.M., Winslow, Ariz.; Cameron, Ariz.; Prescott, Ariz.

By contrast, Spanish names for the same or adjoining places were characteristically religious: Tes Marias, Vera Cruz, San Antonio. American Indian place names typically summarized topographical features with no reference to personality.

Here are some examples drawn from Navaho: Cottonwoods in a Circle, Ariz.; Water Springs from a Cleft, N.M.; Parallels Stretch Across — a reference to the bridge at Gallup, N.M. This principle of impersonal naming, curiously enough, comes full circle, for it most resembles early English names: Oxford, Sussex, Worcester, Plymouth.

The fourth and final cause that I see behind the traditional authoritarianism of U.S. banks is rooted in the fact that dynasty is the sequel to individualism. The successful 19th-century founder of an American mill, a town, or a bank created a family asset that could be strengthened through intermarriage and passed on free of taxation.

Though a few banks originated as partnerships or syndicates (Morgan, Bank of New York, Brown Brothers), most American banks were founded and managed by families. This is documented in a remarkable 1962 study prepared for that scourge of banking, Rep. Wright Patman, D-Tex.

Dynasties Revealed

The study forced the unprecedented disclosure of the largest 20 stockholders of each of the nation's largest 200 banks. It showed the continuing and pervasive control of large American banks by local families: the Harris and Smith families in Chicago, the Kempers in Kansas City, the Frenzels in Indianapolis, Fishers in Detroit, Rockefellers in New York, and so forth.

Since these dynasties were invariably influential in their communities, it is not hard to understand the power wielded by the bank chief, whether a family member or a proxy for the family, both inside and outside the bank. Because of the family roots, moreover, it is easy to understand how management principles could develop without a system of checks and balances on the exercise of power.

> The squat man with cigar ashes on his vest no longer stands a chance, regardless of merit.

For these four reasons, then, the power of the U.S. bank chief executive officer was shaped by images and expectations that led to authoritarian management as a norm. This may have been appropriate to a Depression and post-Depression era when the reflex of the chief was to say "no."

That generation was finally discredited during the expansionist 1960s. Who needed musty fossils to guard fortresses that the world no longer cared to besiege? The new generation wanted to say "yes."

What the fossils bequeathed to their successors, however, was a command structure that gave far too much power to one man. What were the influences that would now begin to shape the "yes" generation of bankers?

In part, there was a careerist inducement to build some fun back into banking. The danger was past, and the John F. Kennedy administration was actively encouraging a much freer spirit toward bank growth, competitiveness, and accommodation. Those who heard the message were in the national mainstream. Snow White would not only be revived but wedded by the Prince of Entrepreneurship.

Second, the institutional stock market began to discover bank stocks in the early 1960s, establishing for the first time a relentless dialogue between investors and management that came to have a profound effect upon the latter. As a bank stock analyst during the entire decade, I was able to see at first hand how managements reacted to the siren songs we sang about earnings-per-share growth and price-to-earnings ratios.

Many remained coldly oblivious — Morgan Guaranty and National Bank of Detroit, for example — maintaining that their business was to run a bank, which analysts could take or leave. By 1970, however, most of the largest 100 banks had come to recognize the many benefits of a high stock price, to meet corporate and personal goals, and were

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beginning to fashion an active initiative toward analysts.

Prestige within community and industry circles became a strong factor reinforcing this new fashion. Bankers and their directors wanted to be seen as shedding the cobwebs of a Depression management style.

Lure of the Limelight

They wanted to be admired as business leaders, not as bankers who said "no." What better mark of distinction in this new environment than to enjoy a high price-earnings ratio and to be able to flash a recent research report written by Merrill Lynch or Goldman Sachs?

A trend-setting event shaping this evolution of attitude was the so-called investor relations dinner held by Citicorp in October 1971. Its purpose (illusory, as it turned out) was to break the shackles that bound Citicorp stock to the rest of the bank stock market.

For Citicorp stock to take wing, Walter Wriston personally reasoned, bank stock analysts must be deliberately excluded from the invitation list, in favor of equity research directors, stock portfolio managers, market economists, and others who might appreciate the message that Citicorp was really another Xerox.

The important promise of the evening was Mr. Wriston's personal commitment to pursue an earnings-per-share growth target of 15% annually. In the next few days the stock surged relative to other bank stocks.

The precedent set by Citicorp's dramatic evening further unsettled the weaker heads out there in the banking industry. Analysts began to hear similar promises being made, as though this was the only way to get attention.

Worse yet, too many managers started to believe in these commitments, undertaking whatever policies were necessary to meet such earnings-per-share growth goals. One of these policies was management by objective, a nice-sounding idea (why shouldn't one have goals at work?), but one easily abused to produce whatever loan volume would generate the required earnings growth. In these cases, bank strategy became the slave of rapid EPS growth, with no quarterly interruptions permitted.

Too many "essential" banks have been weakened by excesses and misdirection over the years.

To be fair, we should recognize the counterargument that a ruthless competitive environment requires a bank to shave spreads, do deals, introduce new products, build market share, and promote a high stock price. My answer, perhaps yours as well, is that the first duty of a business called a bank is to justify the trust of its funds providers. A bank's second duty is to secure its long-term survival. The duty to build quarterly earnings-per-share for the benefit of the institutional stock investor should rank below these two prime goals.

The allure of stock price was not the only siren song to tempt the new generation of bankers. The other Lorelei was the emerging need of the business press — *Fortune, Forbes, Business Week,* among others — to create readership by featuring personal profiles of executives in articles and photographs.

The executives themselves, of course, become instant celebrities, at least at home. Since many of these stories are promoted and guided by company-paid public relations advisers, the new trend meant that the publicity policy of many a business (including banks) would emphasize the celebrity nature of its CEO. Here is a man who, if asked, is available and fit for talk shows, interviews, photo opportunities, and other media events.

Vanity, Thy Name is Publicity

All this leads to vanity, of course, which is itself dangerous. It contributes as well to two other damaging consequences.

One of these is the trivialization of the leadership selection process. As in national politics, there is a selection bias in favor of the executive who is trim, photogenic, and popular with analysts and press. The squat man with cigar ashes on his vest no longer stands a chance, regardless of merit.

The other damaging consequence of celebrity is executive isolation. The new celebrity is too often cut off from corrective and constructive dialogue with directors and subordinates. Fame, however spurious, creates remoteness.

Finally, the combination of vanity and isolation is a dangerous mixture when coupled with corporate goals driven by earnings-per-share growth and stock price performance. In a management climate corrupted by these factors, there is no room at all for a loyal opposition, whether on the board of directors or among the senior subordinates.

Such a bank is unconsciously patterned after a divine-right monarchy, not a merchant republic. The competitive odds, I think, still favor the latter, as in the 17th century.

Bob Abboud describes in detail how this evil alchemy worked at First Chicago, corrupting the incorruptible toward the funding crisis of 1974-75 that earned him his chairmanship. A tyrant himself, he had the presence to say "no" to growth in favor of survival.

Each large American bank in crisis since 1974 has had its own particular management history, which I will not recount here, but in all of them were present the incendiary ingredients I have tried to summarize here.

As far as I can tell, European, British, Japanese, and other international banks are managed according to very different principles. For whatever historic or cultural reasons (I will not trouble you with my guesses), you seem to have a deep and universal reliance on collegial management.

What do I mean by this? For one thing, it means that such banks require a high degree of consensus in order to change course, enter a new market, commit to a large credit, and so forth. It also implies a high degree of organizational and career continuity, rarely interrupted by senior resignations or firings, or staff reorganizations.

It means an inward orientation of the top management, who externally remain somewhat anonymous. Finally, as Steven Davis points out from his interviews with "excellent" banks, the collegial style at its best tolerates the pres-

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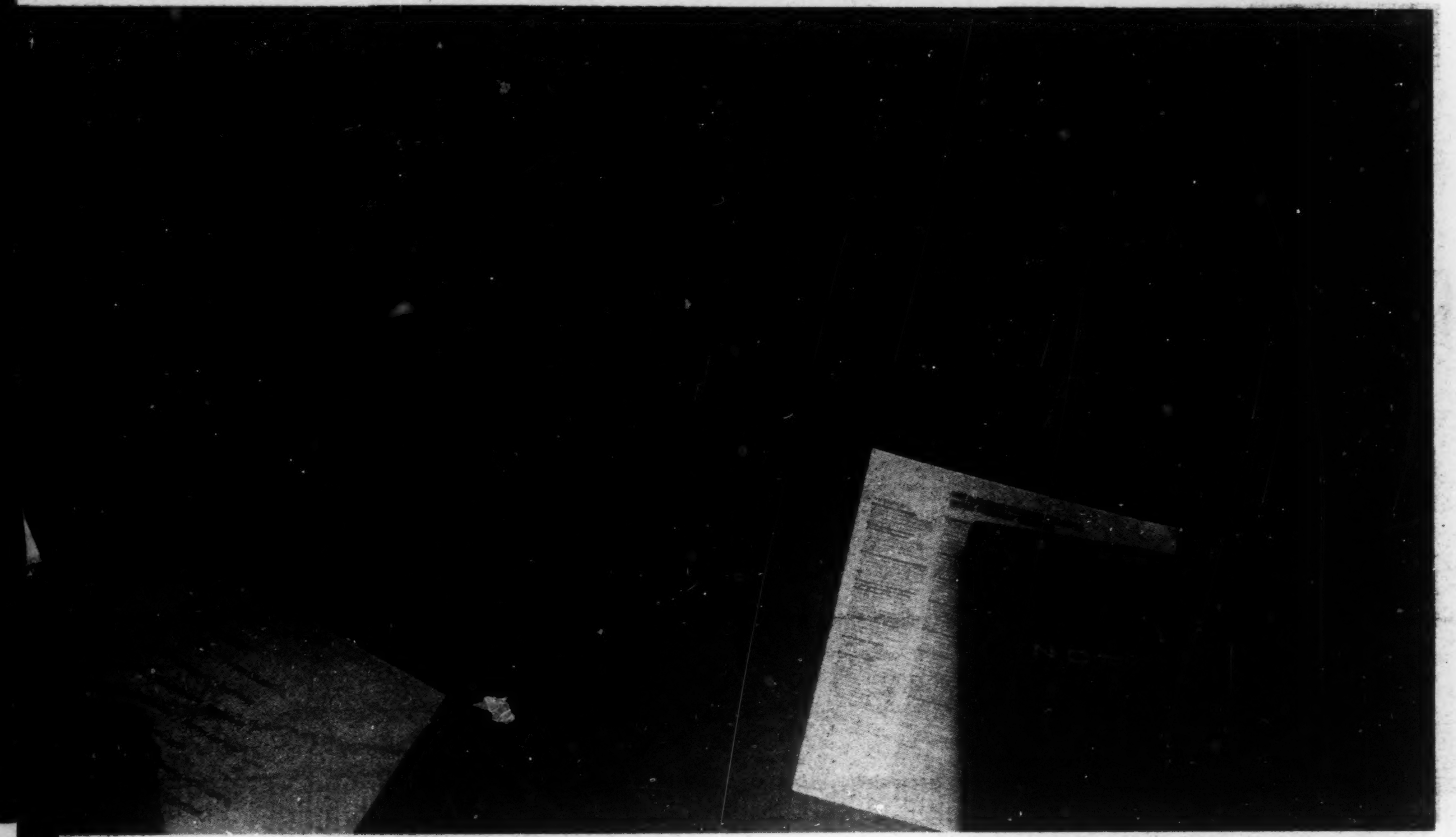

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➻ Continued from Page 19

ence of a loyal opposition. A senior or junior officer who presents a reasoned case for a different course of action is not penalized for "defying the will of the chief" (as too often happens here).

More Than Just Another Business

If banking were just another business, like shopping centers or commercial laundries, the foregoing discussion would be nothing but sociological trivia. The trouble is that there is a public interest at stake. This is true even in the absence of Federal deposit insurance.

Large banks — whether Swiss, Swedish, or American — are keepers of their nations' savings, the stewards (usually) of payments systems, occasional stabilizers of capital markets, and symbols of national responsibility. Measured against these awesome functions, deposit insurance is redundant. Yet some chief executives here seem to have taken for granted the Federal safety net and use the too-big-to-fail theory to underwrite irresponsible bets.

It's as though government subsidy has altered the balance that should desirably exist between greed and fear, the capitalist emotions. Central banking and deposit insurance, with the best intentions, have diffused the fear, but left the other unchecked. This proves, at least to me, that the soundness of banks is ultimately dependent not upon government but upon the character, professionalism, self-discipline, and economic ideology of the managers of banks.

I'd like to conclude by raising five questions. What does debtor-nation status, now a reality for the U.S., mean for U.S. banks? What is the outlook for our money center banks?

What might happen to the perceived value of federal deposit insurance, with what consequences? What opportunities are present here for non-U.S. banks? Finally, what challenges do foreign banks face that may threaten their present comfort?

Debtor-Nation Status

Britain was the world's chief creditor nation during the 19th century. The U.S. succeeded Britain for most of the 20th century, and Japan has since emerged as the world's largest creditor while our country has plunged into international deficit. My reading of the work of economists persuades me that the U.S. will remain in deficit indefinitely, despite improvement in our balance of trade.

What does this mean for banks? Judging from history, creditor status conveys three advantages upon the internationally competitive banks of a nation.

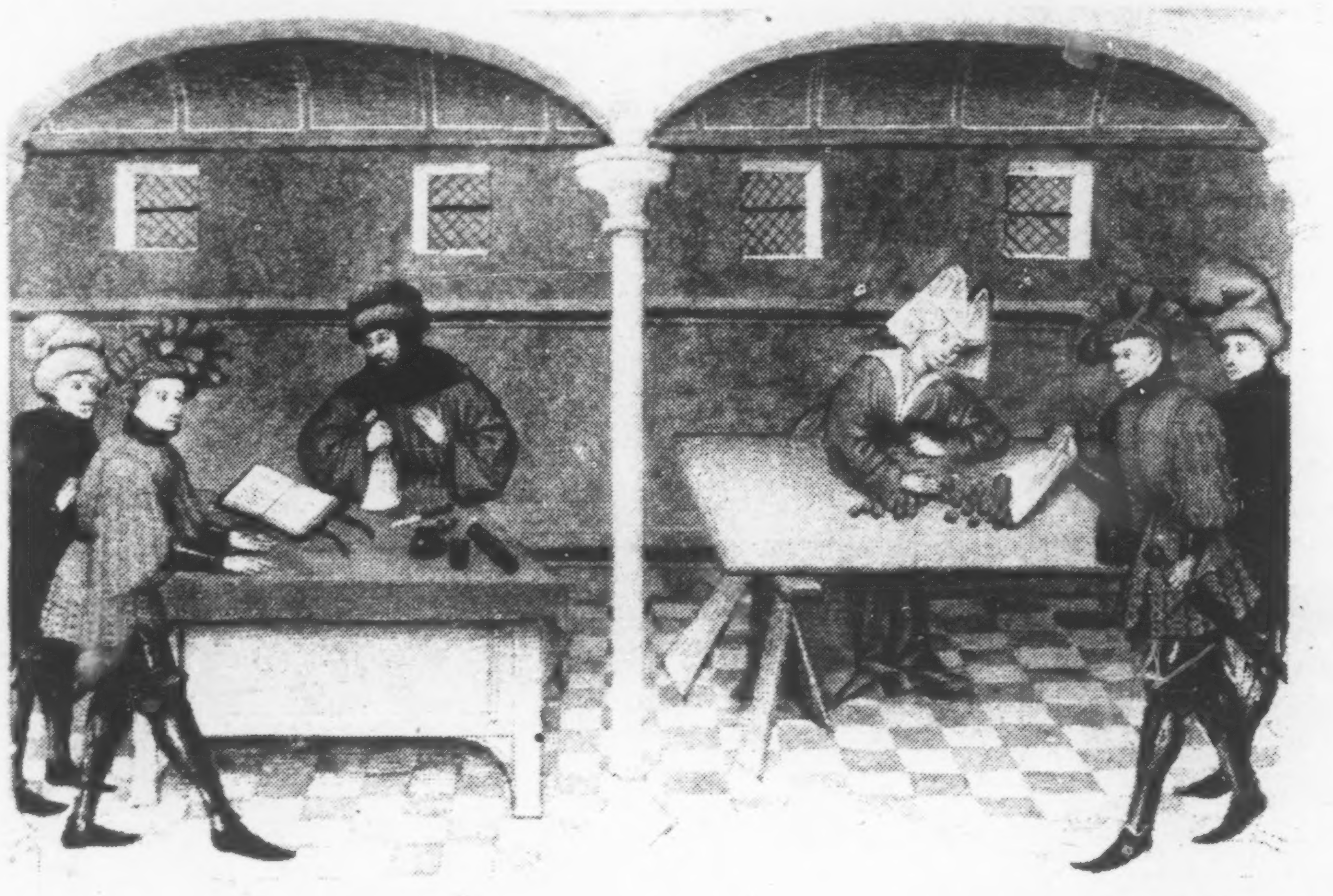
First, it means relatively low-cost funds and capital. The savings surplus is so huge that it is satisfied by relatively low yields. Meanwhile, long-term investment opportunities attract a further surplus that competes to lower the cost of business capital.

This was true in Britain in the 1840s, as accumulated wealth from textile manufacture sought investment in railroads. The same seems to be true today in Japan. Savings interest rates, government bond and corporate stock dividend yields are so low as to point to very favorable costs of capital.

Second, the volatility of funding and capital costs may very well be less in a creditor nation than in a debtor nation, since the latter is more economically and financially dependent upon others.

Third, banks in a creditor nation benefit from their intimacy with the businesses that are making big direct and portfolio investments abroad. These ties create opportunities that debtor nation banks tend to miss. Such banks, like good restaurants near major intersections, enjoy a strong and natural traffic.

By contrast, debtor nation banks (according to this view) suffer from a relatively high cost of internal capital (however slight the difference), a relatively deficient flow of savings, perhaps a greater volatility of funding cost (with all that this means for sure-footedness), and a relative absence of customer opportunity. Thus France and the U.S., for example, had slightly higher levels of interest rates than prevailed in London.



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The U.S. did become the world's creditor after World War I, but the prevailing sense of international isolation ("no entangling alliances") suggested few of the financial opportunities that Britain had seized early in the previous century. To remind you of that magnificent passion, let me quote from the song of the directors of the Fidelity Fiduciary Bank in the movie "Mary Poppins", as of 1900: railways through Africa; dams across the Nile; fleets of ocean greyhounds; majestic, self-amortizing canals; plantations of ripening tea.

By contrast, American banks and merchant bankers were too busy, for most of the era, surviving the Depression and financing World War II to take advantage of the international opportunity this nation enjoyed. To be sure, Citibank, Chase, and Bank of Boston built local banks here and there (my cousin audited Citibank's branches in Japan in the 1930s). And Morgan Guaranty decided as early as 1962 to become a major international presence.

The second chance for most other large U.S. banks came rather late in the game. During the 1960s, the flood of dollars owned abroad created an offshore market that the New York banks helped to develop and lead. By the end of the decade, dozens of American banks (from New York, San Francisco, Chicago, Dallas, Detroit, Philadelphia, Charlotte, among others) had "opened in London."

For most of these banks, the post-1960s internationalization was too shallow to be sustainable. In recent years, of course, the offshore bridgeheads have been largely dismantled: D-day turned into Dunkirk.

Is this because the original internationalization of U.S. banks in the 1960s was a kind of "imperial overstretch," a collective strategic error? Or is it because the tide of worldwide capital flows began to turn against this country, or some combination of both?

Part of the answer lies in recalling the difference between National Westminster and Standard Chartered, two banks chartered by a nation eclipsed by the rise of the U.S. One emerges as a worldwide giant, the other struggles to maintain its independence.

This analogy suggests that our nation contains some survivor international banks, but also suggests that we may have a surplus of such banks. If so, it will be because our new financial disadvantage relative to creditor nations (Japan, Switzerland, Germany, the U.K.) will gradually deprive our international banks of the reliable, recurring profitability necessary to maintain all of them as independent entities.

How are the excess banks to diminish? There are four paths, I think, few of them plausible. One is to acknowledge defeat gracefully and shrink from worldwide to regional status, much as Bank of America has done.

This path is easier to follow if you have always been the largest banking presence in California. It is much harder if you are a New York City giant whose local core of funding and lending is relatively insignificant. Your local justification doesn't exist!

The second path is to seek one's own dismemberment — the sale of this affiliate, that department — in the hope that you can gain a soft landing as a piece of your former self.

A third path is to seek an acquirer for the whole bank, an unlikely prospect (I think) unless the pieces are first put up for sale. The fourth alternative is to deny reality by continuing a too-aggressive strategy in the face of declining stature and creditworthiness.

This course of action, at worst, may result in failure and nationalization (as Continental was nationalized). One thing is clear, at least to me: The competitive position of money center banks appears generally to have become so weak today that perhaps half the group will cease to exist as independent entities within a few years.

Who will acquire all or part of our surplus of international banks? My answer is twofold: foreign banks and American superregionals. A small example of the first path is the 1986 purchase of Schroder Bank by Industrial Bank of Japan. There is as yet no example of the second.

The Federal Deposit Insurance Corp. was never designed to stretch its coverage of bank failure beyond the insured amount (now $100,000 of deposits). Yet in 1984 a precedent was established, in the case of Continental, by which the FDIC now stands behind all the obligations of essential banks.

At best, the FDIC may seek to finance new ownership of an otherwise doomed bank (First City National of Houston). At worst, a large bank in crisis for which there is no buyer will be nationalized.

What is meant by a bank too big to fail? In one sense, it is a bank whose domestic and cross-border continuity is essential, in order to prevent business breakdown and to defend the worldwide image of American banking as an international resource lying behind our "key currency" status.

In another sense, a bank too big to fail is simply any bank whose affairs are simply too complex to be liquidated. Since the largest 200 banks in this country clearly fall in this category, the credit of the FDIC is quite over-committed.

It would be reassuring to be able to argue that the national commitment to banking continuity is such that the FDIC is irrelevant since all large-bank obligations (to the extent necessary) would be automatically honored by the U.S. Treasury. The trouble is that there are only a few press releases — no statutes — outlining the federal commitment. Further, Congress, upon which any contingency plan must depend, will predictably shy away from legislation until some crisis is truly at hand, with unpredictable consequences.

My point is that the rational holder of claims against large U.S. banks will increasingly look to the creditworthiness of those banks themselves as a bulwark of safety, and will depreciate the role of government as an immediately reliable shield. As this happens, the transition is apt to be painful.

Too many "essential" banks have been weakened by their excesses and misdirection over the years. The signs of this are readily at hand: not only have many of our money center banks been steadily downgraded since 1982 by Moody's, Standard & Poor's and other rating agencies, but — worse yet — the secondary market in money center bank holding company subordinated notes shows yields of 60 to 80 basis points over comparable-maturity Treasuries.

At these spreads, the market is consigning the banks' securities to "junk" status. This is hardly a corner of strength from which to battle the new challenges arising from our debtor status.

It seems to me, from my limited study of leading Japanese, English, Swiss, and other offshore banks, that many of you enjoy a tremendous opportunity in this country. For one thing, you are largely core-funded in your domicile nations.

For another, you often seem to be protected by oligopolistic pricing prac-

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NOTICE

The annual report of the **ART MATTERS FOUNDATION, INC.** for the calendar year ended December 31, 1987 is available at its principal office located at c/o Hecht & Company, P.C., 1500 Broadway, 29th floor, New York, NY 10036, (212) 391-4900 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Laura Donnelly.

NOTICE

The annual report of **CAPITAL CITIES/ABC FOUNDATION, INC.** for the fiscal year ended November 30, 1987 is available at its principal office located at 24 East 51st Street, New York, NY 10022, (212) 421-9595 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Thomas S. Murphy.

NOTICE

The annual report of **THE NORMAN H. HALPER FOUNDATION, INC.** for the fiscal year ended April 30, 1988 is available at its principal office located at 1450 Broadway, New York, NY 10018, (212) 398-0060 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Norman H. Halper.

THE MIDWEST

Rust Belt Recovery, Mergers Refuel Bank Stocks

➸ Continued from Page 3

The revival of the Rust Belt economy is due in large part to the benefits of the declining dollar and the boost it provides to the Midwest's agricultural and manufacturing base. The strong domestic economy also helps.

With the recovery now intact, banks are enjoying growing loan demand and much improved credit quality. For example, the 19 Illinois banks tracked by Mr. LaManna at William Blair had a 7.3% median gain in earnings per share for the first quarter of this year. The median level of nonperforming loans at the quarter's end for those banks was 0.72%, down from 0.76% at yearend 1987 and significantly better than the industry average.

Among the banks followed by Mr. McGinnis at the Milwaukee Co., interest margins declined slightly in this year's first quarter to 4.59% from 4.65% during all of last year. But Mr. McGinnis believes the decline resulted from a new accounting standard, FASB-91, that took effect at the beginning of the year.

FASB-91 requires that fees on loans be realized as income over the term of a loan. Under the previous accounting method, loan fees could be realized as interest income in the year of the loan's origination.

"Although net interest margins appear to have declined in the first quarter, we believe that, net of the accounting change, there was an increase," Mr. McGinnis wrote in a report dated May 24. "This increase is the result of the improving fundamentals of the midwestern economy."

Midwest bank stock prices have also been rising because the continuing trend toward mergers and acquisitions has built a takeover premium into many of them. In his May 20 report, Mr. LaManna wrote, "This year's superior performance of Illinois bank stocks relative to the market and other NASDAQ-traded banks nationwide is at least partially attributable to their investment appeal as takeover candidates."

While bank mergers and acquisitions in the Midwest have slackened a bit since the October stock market crash, the consolidation phase continues. And Mr. Stieven believes the phase could continue for five more years.

The Milwaukee Co. tracks the performance of five Wisconsin bank holding companies and three more that are headquartered outside the state. Last year, over 22% of the Wisconsin banking assets followed by the firm were the target of industry consolidation.

Mr. McGinnis believes that banks are making acquisitions as a takeover defense. That is, if a bank is large enough, it may be able to decrease its potential to become a takeover target.

Too Many White Knights

But don't expect a lot of hostile takeovers, Mr. McGinnis said. Hostile attempts are prone to fail because "in the banking industry there are just too many potential white knights." Moreover, hostile attempts can distract employees and customers of the banks, and that "acts as a significant deterrent to hostile takeover attempts in the industry."

The Midwest does have some regional banks that would make attractive takeover candidates. Mr. McGinnis' list of potential targets includes:

- Citizens Banking Corp., a $2.3 billion-asset company in Flint, Mich. The company was selling at a discount to book value in late May.
- First Interstate Corporation of Wisconsin, a $1.5 billion-asset bank holding company based in Kohler, Wis. The company's largest shareholder is pushing management to sell the bank holding company. Unless earnings turn around, "it is possible that the company could be a takeover target."
- First Midwest Bancorp, a $1.6 billion-asset bank holding company in Naperville, Ill. The company is based in suburban Chicago, the most attractive banking market in the Midwest. "There are only a limited number of possible takeover candidates in the area, of which First Midwest is one."
- First Wisconsin Corp., Milwaukee, the largest bank holding company in Wisconsin. The $6.9 billion-asset holding company has made acquisitions in Chicago and Minneapolis. In mid-May, the stock was selling at 7.5 times estimated earnings. That was one of the lowest levels among the banks followed by the Milwaukee Co. "Fundamentals are improving, and at current prices the company would have to be considered a very attractive takeover candidate."
- Marshall & Ilsley Corp., Wisconsin's second largest bank holding company, with assets of $6.4 billion. The Milwaukee-based company has an attractive franchise that produces good returns for shareholders. "They appear to be an ideal acquisition target" even though Marshall & Ilsley may become a superregional. ■

S&L Execs See Political Ploy in FSLIC Payout

➸ Continued from Page 1

sheet was $13.7 billion in the red because of the projected costs of closing some 400 problem thrifts.

Roger Martin, a Federal Home Loan Bank Board member, on Tuesday denied the liquidations had any political overtones. "We have a priority list of the institutions that we must deal with, and these two just rolled out. There was no consideration of the political aspects at all," Mr. Martin said.

The decision to liquidate the two thrifts was born of a desire to help reduce the premiums thrifts must pay for deposits, he said. American Diversified and North America had been paying interest rates 145 basis points more than the national average. Since last March, the Bank Board has been working to reduce the deposit premiums paid by insolvent thrifts, particularly those in Texas, Mr. Martin said.

"We have reduced the Texas premium alone almost 60 basis points," he said. "This has been done through work we've been doing through the institutions, plus the closings." He noted that the first eight institutions closed under the Bank Board's Southwest plan were institutions with a high cost of funds.

"As a matter of fact, out of the next 30 that will be dealt with in Texas, 18 have a high cost of funds," he said. A reduction of 10 basis points in the cost of funds would have a salutary affect on the industry's profits, he said.

"It is almost $1 billion a year in pretax profits to the industry," he said.

Bert Ely, a thrift consultant based in Alexandria, Va., concluded the Bank Board had no alternative but close the two California institutions. Six other S&Ls with assets of more than $450 million each fit the profile of the two California thrifts, he added. These high-rate-paying institutions have few local depositors, relying instead on brokered deposits from investors in other parts of the country.

Mr. Ely said his analysis showed that the two California thrifts relied more on brokered funds than any other institutions in the country.

As of Dec. 31, the average insured deposit account at North America was $84,010, compared with a national average of $7,345, he said.

American Diversified's insured accounts averaged $80,807.

"That's 10 times the industry average," he said.

Mr. Ely said many insolvent thrifts are getting more of what he calls "mini-jumbos," or brokered deposits in the $80,000-to-$90,000 range. This indicates that money managers placing funds in institutions with high rates are making certain they have insurance coverage for their principal and interest.

The six other institutions Mr. Ely referred to have insured accounts averaging from $30,538 to $58,366. Two of the S&Ls are in California, and the remaining four are in Texas. "What's finally come out here is that it takes cash to do these deals," said Mr. Ely.

Liquidations Called a 'Bold Move'

James Butera, congressional lobbyist for the National Council of Savings Institutions, called the California payout "a bold move." But he said he was shocked by the resolution costs.

Assets from the two liquidated institutions will be managed by the FSLIC.

A spokesman said none of the assets would be managed by the Federal Asset Disposition Association, a quasi-governmental agency created by the Bank Board in 1985 to aid the FSLIC. Some members of Congress are trying to legislate the asset disposition group out of existence and have asked the Bank Board to avoid entering into new relationships with the organization.

White House spokesman Marlin Fitzwater said on Tuesday that estimates as high as $50 billion on the cost of bailing out the thrift industry are wrong.

Asked if a taxpayer bailout might be needed for the FSLIC, he responded, "Right now, we think the regulatory approach is the right one, using only $10.8 billion of borrowed funds that will be repaid by healthy thrifts under a congressionally approved financing plan." ■

REQUIRED READING:

➸ Continued from Page 20

tices at home, further supported by governments that nurture your development and prestige in various ways. Third, to the extent yours are creditor nations, you benefit from the home "traffic" of clients seeking investment here.

Fourth, the leading banks of creditor nations tend to benefit at home from relatively low funding and capital costs. Finally, our leading credit rating agencies, Moody's and Standard & Poor's, have given many of you a boost in your worldwide funding strategy by blessing you with their top credit ratings.

I will single out two hurdles I expect that most of you will have to surmount within the next five years. The first is that your "consensus cultures" — the collegial management style I spoke of earlier — are luxuries that work well at home but are difficult to export.

If you don't bend, you'll have too many of your nationals responsible for important decisions in a country they may not deeply understand, waiting at their desks till late at night for head office approvals. If you do bend, the chances are that your American work force will not fit easily into your management style.

Banks that seem to be solving this difficult challenge include National Westminster, whose large and successful bank here is American-led, and Industrial Bank of Japan, which has left in place the American leadership of Schroder Bank (now IBJ Schroder). Within this country, a bank that has solved a similar problem is First Wachovia, where the widely admired management style of Wachovia Bank has been extended to the very different culture of First Atlanta without loss of momentum or identity for the latter. Such examples, in my opinion, deserve to be studied.

The second challenge has to do with your financial disclosure, a field I think I understand. By and large, your banks do not do an adequate job of informing your creditors, investors and other "stakeholders" of your true condition and performance.

The test is a simple one. Is the financial record of the past presented in a manner — involving both format and substance — that permits plausible projections of future performance?

Analysts like me have been catalysts for over two decades guiding American bank disclosure to fulfill this criterion. Your banks have never been subjected to this steady pressure from an analyst community, and as a result your shareholder reports are not particularly useful as financial documents. ■

Morgan Ponders Software Upgrade

NEW YORK — Morgan Guaranty Trust Co., which has been using much-modified older software from Automated Financial Systems Inc., is negotiating a contract to upgrade to that vendor's AFS Level III Lending System for its commercial loan portfolio.

Thirty-six large banks and thrifts use the Level III Lending System, including 6 of the 10 largest commercial banks and a Morgan Guaranty affiliate. The $1.27 billion-deposit Morgan Bank (Delaware), Wilmington, already uses Level III.

Morgan Guaranty is the nation's fourth largest bank with $45.8 billion in deposits. At the end of 1987, its domestic commercial and industrial loans totaled $3.33 billion, and its domestic and foreign commercial and industrial loans totaled $12.28 billion.

Running on mainframe computers by International Business Machines Corp., the AFS Level III Lending System is an integrated on-line loan accounting package with more than one million lines of code.

It features such functions as multiple accruals of interest and fees on each note, on-line inquiry about customer totals with supporting detail, more than 100 standard report formats, full nonaccrual and chargeoff processing, cash flow forecasting, handling of participations, and a general ledger interface.

The other banks in the top 10 using the system are Bank of America, Chase Manhattan Bank, Manufacturers Hanover Trust Co., Security Pacific National Bank, and Wells Fargo Bank. ■

Stockton Savings Reorganizes

STOCKTON, Calif. — Stockton Savings and Loan Association has completed its reorganization into a holding company, the California Financial Holding Co. The 100-year-old state-chartered thrift unit will continue to operate under its present name. Stockton has assets of $762 million and operates 14 branches in the Central San Joaquin Valley. ■

Poll Finds People Gloomy About Their Financial Future

33% of Respondents Do Not Agree That Reward for Hard Work Is Independence

By LYNN BRENNER

NEW YORK — Americans at all income levels are pessimistic about their ability to achieve long-term financial goals, according to a consumer survey for the International Association for Financial Planning released Tuesday.

One-third of the respondents don't agree that "if you work hard enough you can achieve financial independence."

The survey is the second annual consumer poll and for the second time it was conducted for the association by Reichman Research Inc. Two groups of respondents, representing a cross section of the American public, and a separate sample of households with annual incomes of $50,000 or more, were interviewed by telephone in February.

Consumer pessimism about the future, strongly evident in the 1987 survey, has increased this year. For the second time, both groups of respondents said they are worried about the national budget deficit and the trade deficit. For the second time, 39% of both groups said the next generation will be "worse off," and have fewer financial opportunities than are available today.

This year, respondents added the "threat of a recession or depression" to their list of major economic concerns. Their fears of inflation and higher taxes also increased this year.

Compared to 1987, there is a 50% increase in Americans volunteering that inflation and the cost of living are some of the "biggest economic and financial concerns" facing their households. That concern has more than doubled among Americans in the higher income levels.

People Grow Concerned About Taxes

Taxes jumped this year from fourth to second place is the ranking of household financial concerns. Among higher-income Americans, taxes rank first, tied with paying for their children's education.

Americans at all income levels still rank saving for retirement and for their children's education as their most important long-term goals.

But they're even less confident than last year of achieving those goals. This year, for example, 49% of all respondents said they are afraid of outliving retirment savings — an increase of 17% over the 1987 survey.

"The bad news is a consistent perception that the American dream is fading," said Hubert L. Harris Jr., president of the association. "The good news is that hard reality is sinking in, and people are readier than before to engage in financial goal setting and planning."

Clearly, this represents an opportunity for financial planners. Respondents were asked which of several professionals would do the best overall job of helping clients plan and budget their finances. In reply, 32% of the total public said a financial planner, 25% said an accountant, and 14% said a banker. Attorneys got a 14% vote, and insurance agents and stock brokers each drew only 4% of the vote.

Respondents in the higher income group, when asked the same question, expressed confidence only in the abilities of financial planners (48%) and accountants (23%). Only 5% of upper-income consumers ranked bankers and attorneys as people who would do the best overall job of helping clients plan and budget finances. Insurance agents and stock brokers each drew an even smaller 3% expression of confidence.

Nearly one-third of Americans with household incomes of $80,000 or more use financial planners; 22% of households with income between $60,000 and $79,999 and 18% of households with income between $50,000 and $59,999 use financial planners.

Among consumers who have financial planners, 71% say they are very satisifed, a 7% increase over last year. Ninety-two percent say they are very satisfied or somewhat satisfied.

The increase in satisfaction after the October stock market crash is probably because most financial planners' clients have well-diversified portfolios, said Robert A. Hewitt Jr., chairman-elect of the International Association for Financial Planning.

"Even if they took a hit on October 19, it was only to a portion of their portfolio," he said. These clients were also probably psychologically better prepared for a market crash than the average investor, because planners have educated them to think in terms of economic cycles, he said. ■

Whose Advice Would Consumers Use?

Professionals consumers consider most qualified to manage their financial affairs (base: those who think it would be beneficial to have finances managed by a professional)

	Total Public			Total Higher Income		
	1988	1987	Change	1988	1987	Change
Financial planner	50%	48%	+2	60%	57%	+3
Accountant	34	36	−2	38	39	−1
Banker	18	17	+1	9	7	+2
Attorney	16	13	+3	11	17	−6
Stockbroker	12	14	−2	14	12	+2
Insurance agent	8	7	+1	6	5	+1

Source: IAFP's 1988 "Americans Cope With Their Finances" Public Awareness Program

Possible Compromise Emerges on Cashing Government Checks

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Consumer groups pushing for legislation to force banks to cash government checks are expressing concern over a possible compromise that would require the checks to be deposited electronically.

"We are very uncomfortable with the suggestion that direct deposit should be the only means of doing government check cashing" for low-income persons who do not have a bank account, said Peggy Miller, a lobbyist for the Consumer Federation of America.

Most likely, such a proposal would link the government check-cashing program to a "lifeline" checking account — an inexpensive, no-frills service. The House Banking Committee is actively considering whether banks should be required to offer lifeline accounts to low-income individuals.

The government check-cashing proposal has become a threshold issue for both the banking industry and consumer groups.

Bankers have resolutely opposed legislative proposals that would require them to cash government checks for people who do not have accounts, warning such measures would open the door to fraud on a grand scale. Of all the consumer legislation being discussed on Capitol Hill, banks are said to oppose most adamantly the government check-cashing proposal.

The Consumer Federation, the American Association of Retired Persons, and other consumer groups argue that low-income and elderly persons without bank accounts are forced to pay fees to check-cashing services that can run nearly one-third the value of the check. The issue is one of a handful that the groups are unwilling to give up on, according to Ms. Miller and others.

The concept of linking government check cashing to direct, or electronic, deposit is only beginning to take form on Capitol Hill, and no sponsors have emerged.

"I have no idea where it came from or who is pushing it," said Ms. Miller. "But I hear about it everywhere I go. Members and staff are asking about it.

"We are very, very worried that they will consider it a compromise between the bank's position of not wanting anything and our proposals," she said.

The Consumer Bankers Association, a trade group that focuses on retail banking issues, is not pushing the idea of direct deposit as a compromise on the check-cashing issue, said Joe Belew, the organization's president.

"I think that the two issues are going to come together," he said. "There is a common ground."

Ms. Miller said low-income and elderly persons often do not trust financial institutions and are unlikely to accept a system that forces them to give up a paper check. If paper and electronic options were offered, however, some might migrate to direct deposit over time, she said.

The consumer groups want banks to cash most government checks of $5,000 or less — exceptions would be made for checks issued by government agencies in other states, for example — for both customers and noncustomers. Banks would be able to require photo identification cards and would be permitted to charge up to $2 for cashing the check.

Bankers Call Safeguards Insufficient

Bankers call those safeguards insufficient.

"First, nobody knows how much it costs to ensure against fraud," said Mr. Belew. "Not all government checks are good. They can be forged too."

Moreover, he asked, "why should this service be forced on banks?"

The postal service, he said, could cash government checks for people without bank accounts. Alternatively, the federal government could agree to indemnify banks for losses from fraud or states could regulate check-cashing services more closely.

Ms. Miller said losses from fraud have been small and could be covered by an average charge of 10 cents per check out of the $2 fee her organization believes banks should charge for government checks.

The General Accounting Office, a congressional watchdog agency, said last month that the federal government issued 559 million checks, with a face value of $621 billion, in fiscal 1987.

The agency said 142,632 of those checks, with a value of $63.7 million, were cashed fraudulently. However, 92,000 of the fraudulently cashed checks involved the spouses of deceased Social Security recipients, and Treasury recovered much of that money.

The House Banking Committee is expected to begin formal consideration of major banking legislation late this month or early in July, and consumer issues are expected to receive close attention.

The Senate already has passed major banking legislation that addresses some of the issues being pressed by the consumer groups. The Senate Banking Committee, however, has begun addressing issues not included in the bill that might come up in a House-Senate conference, including government check cashing.

Ken McLean, the Senate panel's staff director, convened a meeting of banking and consumer groups in a largely unsuccessful effort to obtain a consensus on some of the issues.

A requirement that direct deposit be used for government check cashing was only "one of the ideas" talked about, he said.

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American Banker

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Today

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Worth Repeating

By declining to review the decision of the lower court, the Supreme Court has given the Federal Reserve Board sweeping authority to restructure our financial system by regulatory edict.

Senate Banking Committee Chairman William Proxmire. [Page 1]

Bank of Boston Top Performer Among Nation's Money Centers

By L. MICHAEL CACACE

NEW YORK — The Bank of Boston Corp. was the nation's top performing money center bank in 1987, according to the *American Banker's* eighth annual survey of top U.S. banking companies, published today.

Among regional banks with assets of more than $20 billion last year, SunTrust Banks Inc., Atlanta, was the top performer. Among regional banks with assets of $10 billion to $20 billion, Banc One Corp., Columbus, Ohio, took top place.

The worst-performing money center bank was Mellon Bank Corp., Pittsburgh. The two worst regionals were based in Texas: the $33.2 billion-asset First RepublicBank Corp., Dallas; and the $12.3 billion-asset First City Bancorporation of Texas, Houston.

The *American Banker* survey covers the 51 commercial bank holding companies that had assets of $10 billion or more on Dec. 31, 1987. It breaks these companies into three peer groups: 12 money center banks, 20 regional banks with assets of $20 billion or more, and 19 smaller regional companies with assets of $10 billion to $20 billion. The survey is based on data supplied by Cates Consulting Analysts Inc., New York.

Three key ratios are used in the survey: the return on average assets, the

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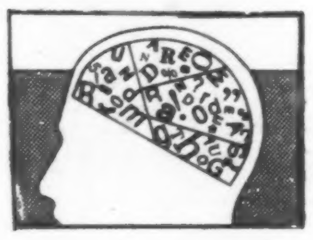
Top Bank Performance Tables Appear On Pages 6 and 10

Random Thoughts



By SANFORD ROSE

Most banks say they are in business to maximize shareholder value. Yet, according to a recent survey, the great majority of institutions presently lack the tools with which to achieve this objective.

The typical bank has a mix of high-, low-, and negative-value businesses in its portfolio. Whether a business adds to or subtracts from shareholder value depends on its risk-adjusted return on equity.

In today's market, a business that fetches a risk-adjusted return of 14% or more is very likely a winner, while one that garners a return of less than that figure is probably a loser — i.e., it is actually dragging down the stock price.

Are banks in a position to measure the returns from individual businesses? Apparently not very well, say leading financial executives at 61 institutions recently surveyed by the First Manhattan Consulting Group in cooperation with the Bank Administration Institute.

Respondents at these banks, 13 of which have assets of over $10 billion and 48 have assets of less than $10 billion, were asked to gauge

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New Powers Allowed by High Court

Appeal Not Heard; Fed Ruling Stands

By BARBARA A. REHM and JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Commercial banks gained new underwriting powers Monday when the Supreme Court refused to hear a securities industry challenge of a Federal Reserve Board decision to let banks enter the field.

The high court's decision is expected to jolt Congress into action on a banking bill, as the legislators fear losing their policy-making power to federal banking regulators.

"It's obviously good news for the big money center banks, particularly for Bankers Trust and J.P. Morgan," said Lawrence Cohn, senior banking analyst at Merrill Lynch Capital Markets. "They are pure wholesale institutions that have staked their future, to a large extent, on their ability to penetrate the investment banking industry."

After learning of the court decision, J.P. Morgan & Co. on Monday joined an underwriting syndicate led by Merrill Lynch & Co. The deal, which the Morgan group lost in a competitive bid, was to underwrite almost $40 million of Arizona municipal revenue bonds.

Bankers Trust New York Corp. said it "plans to begin immediately participating in the activities made possible by the Supreme Court's decision."

More cautious was Harry Larson, president of Chemical Securities Inc., a

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Continued from Page 1

their capacity to measure the risk-adjusted ROE of component businesses, organization units, products, and/or customers. Only 5% said that they are satisfied with the current state of their measurement capacity. Over 50% pointed out that it is either critical or very important to improve this measurement skill.

Lacking the ability to measure profit performance, the respondents find it difficult to allocate resources and equity to the various business units in order to maximize returns. Only 3% of the respondents are confident of their allocational efficiency. Over three-quarters feel the need for significant improvement in this area.

□ □ □

To get sound profitability data, it is first necessary to fully load applicable costs, to assign funds on a matched-maturity basis, and to impute the right amount of equity. Are banks satisfied with the soundness of their allocations in these areas?

About a third of the respondents think they are charging funds users an appropriate amount. Less than that percentage — only about a quarter — are happy with their allocations for back-office, sales-and-service, and credit-administration expense. And a mere 11% think they are imputing equity correctly.

Even more worrisome are the problems in risk adjusting returns. Only 7% of the respondents are pleased with current risk-assessment techniques, while over half acknowledge that it is either very important or critical to improve such techniques.

□ □ □

Comparatively few banks attempt to use fully loaded ROE as the basic measure of profitability at the product level. Since we will soon have risk-adjusted capital requirements, different bank products will require different capital backing, making it insuperably difficult to assess product attractiveness on a purely ROA basis.

Yet the respondents continue to prefer ROA to ROE, and a surprisingly large number confess that they are not even considering measurement systems based on fully loaded ROE with imputed equity.

Thus only 4% of the respondents have an installed and credible system for measuring the profitability of standby letters of credit on an ROE basis, and 64% say that they have no plans to build such a system. Some 16% of the respondents reliably measure the ROE of C&I loans, but over a third still don't think it's important to assess profitability in this fashion.

By contrast, banks seem convinced of the need to gauge the profitability of subsidiaries — e.g., leasing, mortgage banking, etc. — according to ROE. Nearly half feel they have a reliable system in place, and another quarter will shortly bring one on stream.

All in all, however, the picture is not especially encouraging. Banks are not yet in a position to know with the requisite accuracy which of their businesses and products are earning an acceptable rate of return and which are not. They therefore are handicapped in their effort to restructure in such a way as to promote the true interests of their shareholders.

According to Jim McCormick, president of First Manhattan Consulting, these findings tend to corroborate what his firm has learned in its practice. Most banks still don't have the right sort of management information system, but a happy few have broken away from the pack and either have constructed or are constructing the kinds of MIS that will materially aid them in their restructuring initiatives.

□ □ □

Susan Krause, a deputy comptroller of the currency, turned up at a recent American Banker-Bond Buyer conference to review some fascinating statistics. On a net income basis the profits of the banking industry, as is well known, were down over $14 billion in 1987.

But the decline was concentrated in large banks, which provisioned extensively for LDC loan losses. Thus, banks with over $10 billion in assets, which made $5.8 billion in 1986, lost $7.3 billion last year. And banks with from $1 billion to $10 billion in assets saw their profits fall from $6 billion to $4.6 billion.

Smaller institutions, however, did better in 1987 than in 1986. Banks with assets of from $300 million to $1 billion raised income by $100 million, to $1.6 billion, while banks with under $300 million in assets increased their aggregate returns from $3.3 billion to $4.4 billion.

For most banks, profitability stabilized in 1987. The median return on assets, which had been dropping since its high of 1.18% in 1980, inched up from .82% in 1986 to .83% last year.

Factoring out securities profits reveals an even more optimistic picture. Banks took a lot of such profits in 1986, but fewer last year. Net of these profits, the median ROA rose by about 10 basis points in 1987.

Largely accounting for this improvement is the recovery of the agricultural banks. This recovery is reflected in differential regional trends. Although ROAs in the Northeast and Southeast dropped, those in the Midwest — Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota — moved up smartly, from .73% in 1986 to .81% last year. Western banks also substantially hoisted ROAs.

In the central part of the country — Illinois, Indiana, Kentucky, Michigan, Ohio, and Wisconsin — there was a marginal improvement. But banks in the Southwest experienced a decline, from .41% to .37%.

Banking is clearly less profitable than it was 10 years ago, and, additionally, there has been an increase in the dispersion of returns. In 1978, about one bank in twenty-five lost money. By 1987, the proportion of money losers was close to one out of every five.

The top 5% of banks have experienced a steady, though not alarming, drop in returns in the last decade. However, the bottom 5% of banks have seen returns plunge catastrophically. In the early '80s, their losses totaled less than 1% of assets. But by the mid-'80s, the red ink amounted to between 2% and 3% of assets. In other words, while the good banks are somewhat less good than they once were, the bad banks have turned abysmal.

Credit quality, as measured by the median ratio of nonperforming to total assets, improved in every region of the country last year, except in the Southwest. Of particular note is that the nonperformer ratio dropped by 50 basis points in the Midwest and by 18 basis points in the central part of the country. However, the ratio rose by 40 basis points in the Southwest, from 2.3% to 2.7%, owing in large part to the region's well-publicized real-estate problems.

Considered by bank size, the nonperformer ratio dropped from 1.4% to 1.2% at banks with less than $300 million in assets and from 1% to .9% at banks with from $300 million to $1 billion in assets. The ratio remained level at $1-billion-to-$10-billion banks, while it increased from 2.1% to 2.7% at banks with over $10 billion in assets.

Ms. Krause reports that large-bank exposure to the four most troubled LDCs — Argentina, Brazil, Mexico, and Venezuela — is falling, as measured by the ratio of LDC debt to primary capital. This is in part due to the declining volume of LDC outstandings, but mostly to hefty increases in the denominator of the ratio — primary capital.

Primary capital as a percent of assets increased from 6.3% in 1978 to 7.8% last year. That's the good news. The bad news is that the ratio of true equity to primary capital is dropping. Last year, genuine equity fell from 84% to 76% of the total, while the proportion of loss reserves included in primary capital increased from 13% to 21%. ■

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THRIFT OBSERVER

Selling Fixed-Rate Originations: A New Strategy

By JOSEPH C. HU

OVER THE PAST six months, thrifts have been blessed with huge inflows of deposits. If these funds are not invested properly, however, the blessing may become a curse.

One investment that may not bring the best potential return is the origination of adjustable-rate mortgages with extremely low initial rates. Currently, initial adjustable mortgage rates average 7.8%, only 40 basis points above the one-year Treasury yield.

Joseph C. Hu

Pressured to invest flooding deposits and fearful of losing market share, thrifts understandably try to stay competitive by offering the best adjustable rates to prospective home buyers. But originating low initial-rate, or teaser, mortgages may not be a practical solution.

The initial rate is upwardly adjustable if future market interest rates rise, but the adjustment is subject to caps — normally 200 basis points per year and 600 over the life of the mortgage. If future rates rise steadily, teaser adjustable mortgages may require more than two years to "float" above water. By that time, of course, the borrower may refinance the mortgage with another teaser.

Thrifts should consider originating and strategically selling long-term fixed-rate mortgages. This is an old strategy with a new implementation. Thrifts would originate fixed mortgages, but instead of selling them in the

Thrift Observer: Page 30

Mr. Hu is executive vice president and director of mortgage research at Shearson Lehman Hutton Inc.

Atlanta's SunTrust and Ohio's Banc One Lead Regional Companies

➼ Continued from Page 1

return on average equity, and the market-to-book value of a bank's stock. The return on average assets, or ROA, is net income as a percentage of average assets. The return on equity capital, or ROE, is net income as a percentage of average equity capital. The market-to-book value measures the market's perception of bank performance.

'Adjusted' ROA and ROE

The 12 money center banks also were ranked by the "adjusted" return on average assets and the "adjusted" return on average equity. These ratios are based on recurring net income, or net income minus the after-tax values of securities gains or losses, nonrecurring items, and the one-time special provisions attributable to Third World debt. The adjusted ratios measure the potential future earning power of an institution.

The *American Banker* ranked only the money center banks by adjusted ROA and adjusted ROE. Cates' data were available for nine of the 12 banks in the panel, and the *American Banker* was able to estimate the adjusted returns for two of the three remaining banks. The other bank calculated its adjusted returns based on Cates' definitions. It was not possible to adjust the data for all of the banks in the other peer groups; Cates' data were available for only 15 of the 39 banks in the two groups.

Bank of Boston posted adjusted returns on average assets and equity of 1.70% and 26.57%, respectively, to lead the money center group. J.P. Morgan & Co. was second in adjusted ROA, with a 1.10% ratio, and Bankers Trust Co. was second in adjusted ROE, with a ratio of 22.48%.

In unadjusted net income, Republic New York Corp. was the top money center bank, with an ROA of 0.16% and an ROE of 1.90%. Bank of Boston ranked third in the traditional measures of ROA and ROE, with ratios of 0.08% and 0.42%, respectively.

The money center bank with the worst ROA and ROE, on both an adjusted and unadjusted basis, was Mellon. Its adjusted ROA was -1.11% and its ROA was -2.59%. Its adjusted ROE was -27.62% and its ROE was -66.10%.

The *American Banker* defines a money center bank as a bank that is large in asset size; oriented toward commercial and industrial lending; noncore funded (funded by a high percentage of purchased money); and has a sizable international presence.

SunTrust Tops 3 Measures

The $27.2 billion-asset SunTrust Banks was the top large regional firm in all three measures of performance. Its ROA was 1.11%, up from 1.03% in 1986 when it ranked fifth; its ROE was 17.91%, up from 17% in 1986 when it ranked seventh; and its market-to-book ratio was 186.76%, up from 161.05 in 1986, when it ranked sixth.

SunTrust's Florida operations, known as Sun Banks Inc., posted a 20.5% increase in net income and an increase in ROA to 0.89% from 0.80% in 1986. "Major factors in improved earnings," the firm's annual report said, "were expense control, excellent growth in trust revenues, a 16.1% increase in average loans, and a lower domestic loan chargeoff rate."

The Trust Company of Georgia, Atlanta, SunTrust's lead bank, posted an ROA of 1.60% in 1987, as earnings rose 17.7% to $132.4 million in 1987. "Noninterest expense increased by only 3.6%," the annual report said, "while domestic loan chargeoffs decreased from .56% of average loans in 1986 to .44% in 1987. Average loans rose 18% during the year."

Among the regionals with assets of between $10 billion and $20 billion, Banc One again was the top bank in ROA, with a ratio of 1.19%, down from 1.36 in 1986. And again it was the top bank in market-to-book, with a ratio of 179.08%, down from 182.57% in 1986. Banc One was fourth in ROE, with a ratio of 15.25%.

Over the past six years, Banc One has been one of the nation's most profitable banks and has consistently ranked as one of the top companies in the *American Banker's* performance surveys. Its average ROA from 1982 to 1987 was 1.33%. Its market-to-book ratio averaged 187.41 over the period. And its ROE averaged 17.96%, falling from a high of 20.36% in 1982 to 15.25% last year.

For the six-year period, Banc One's earnings grew by more than 236% from $62 million in 1982, when it ranked 34th nationwide, to $208.9 million last year, when it ranked fourth. Banc One is considered a merger specialist with a remarkable ability to assimilate acquired institutions. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our top bank performers feature meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

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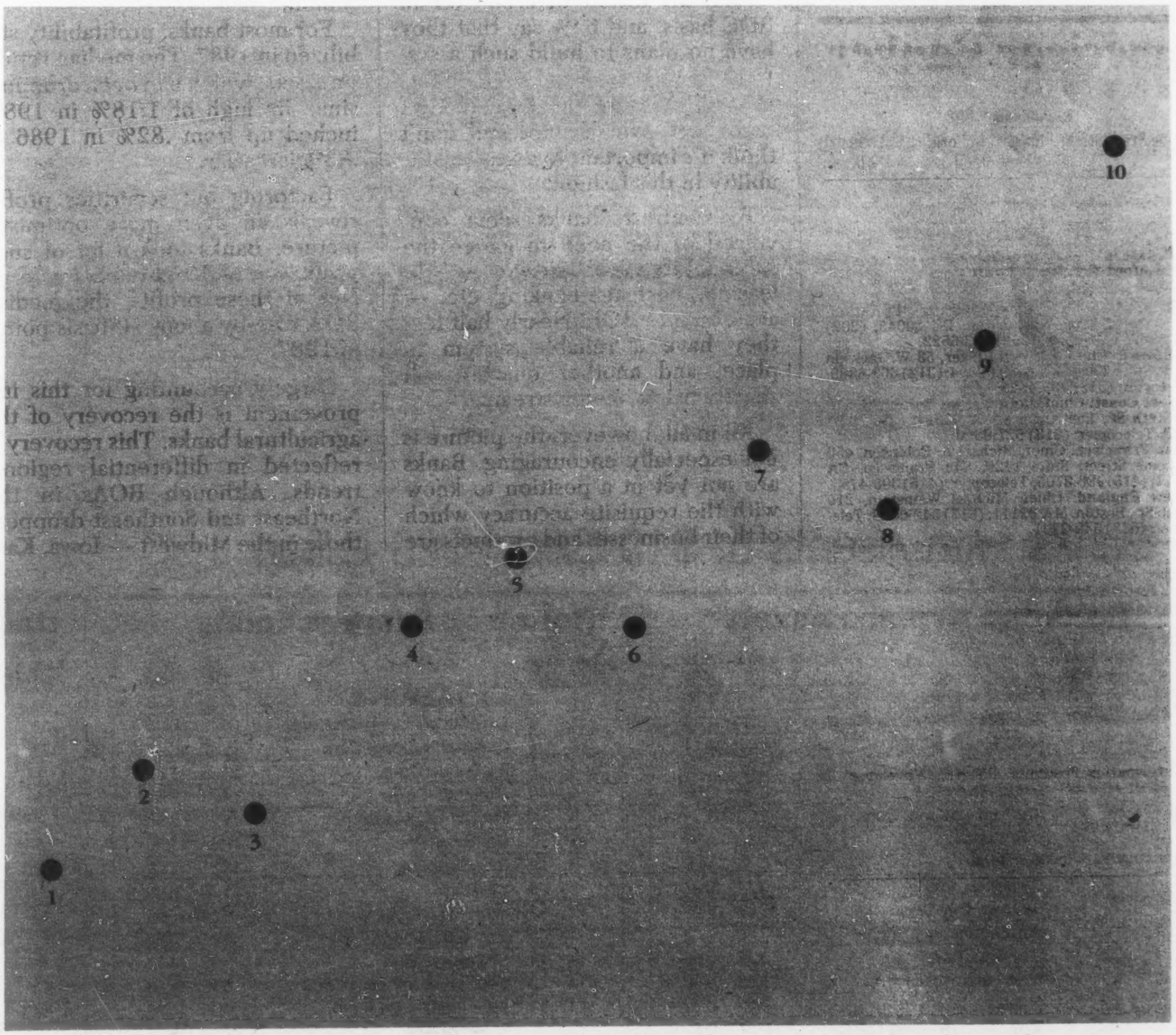

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1987 Performance of Top U.S. Banking Companies

Money Center Banks

Return on Average Assets

Rank 1987*	Rank 1987	Rank 1986		ROA 1987*	ROA 1987	ROA 1986	ROA 1985
1	3	4	Bank of Boston Corp.	1.70	0.08	0.78	0.73
2	2	1	J.P. Morgan & Co., Inc.	1.10	0.10	1.19	1.06
3	4	3	Bankers Trust New York Corp.	1.09	0.00	0.79	0.79
4	9	5	First Chicago Corp.	0.69	-1.31	0.71	0.43
5	11	12	Continental Illinois Corp.	0.59‡	-1.90	0.35	0.47
6	6	8	Irving Bank Corp.	0.51†	-0.80	0.60	0.55
7	5	9	Citicorp	0.45	-0.57	0.57	0.62
8	7	7	Chase Manhattan Corp.	0.42	-0.91	0.65	0.65
9	1	2	Republic New York Corp.	0.39	0.16	0.85	0.93
10	10	10	Manufacturers Hanover Corp.	0.30	-1.49	0.54	0.54
11	8	6	Chemical Banking Corp.	-0.33	-1.17	0.70	0.70
12	12	11	Mellon Bank Corp.	-1.11‡	-2.59	0.54	0.67
			Mean Values for Group	0.48	-0.87	0.69	0.68
			Median Values for Group	0.48	-0.86	0.68	0.66

Return on Average Equity

Rank 1987*	Rank 1987	Rank 1986		ROE 1987*	ROE 1987	ROE 1986	ROE 1985
1	3	4	Bank of Boston Corp.	26.57	0.42	15.51	13.77
2	4	2	Bankers Trust New York Corp.	22.48	0.04	16.48	16.62
3	2	1	J. P. Morgan & Co., Inc.	18.09	1.48	18.94	18.06
4	8	7	First Chicago Corp.	15.85	-34.23	13.40	8.31
5	11	12	Continental Illinois Corp.	14.70‡	-50.15	6.77	11.29
6	6	8	Irving Bank Corp.	13.20†	-22.95	13.24	12.96
7	5	6	Citicorp	10.63	-16.49	13.80	15.16
8	7	9	Chase Manhattan Corp.	9.55	-25.30	13.05	13.36
9	10	10	Manufacturers Hanover Corp.	6.99	-45.87	12.09	12.31
10	1	3	Republic New York Corp.	6.93	1.90	16.01	14.36
11	9	5	Chemical Banking Corp.	-11.36	-35.27	14.15	15.01
12	12	11	Mellon Bank Corp.	-27.62‡	-66.10	10.01	12.21
			Mean Values for Group	8.83	-24.38	13.62	13.62
			Median Values for Group	11.92	-24.13	13.60	13.57

Banks with Assets over $20 Billion

Return on Average Assets

Rank 1987	Rank 1986		ROA 1987	ROA 1986
1	5	SunTrust Banks, Inc.	1.11	1.03
2	2	First Union Corp., Inc.	1.10	1.30
3	4	Sovran Financial Corp.	1.10	1.08
4	7	Barnett Banks, Inc.	0.89	0.92
5	6	Citizens & Southern Corp.	0.84	0.95
6	1	Fleet/Norstar Financial Gp. (a)	0.80	1.37
7	3	PNC Financial Corp.	0.79	1.22
8	11	NBD Bancorp., Inc.	0.73	0.83
9	10	NCNB Corp.	0.62	0.84
10	8	Bank of New England Corp.	0.52	0.92
11	9	Bank of New York Co., Inc.	0.46	0.85
12	12	First Bank System, Inc.	0.18	0.76
13	13	Wells Fargo & Co.	0.11	0.73
14	14	Security Pacific Corp.	0.02	0.71
15	17	Norwest Corp.	-0.15	0.62
16	20	BankAmerica Corp.	-0.96	-0.47
17	15	First Interstate Bancorp.	-1.08	0.68
18	19	MCorp	-1.22	-0.38
19	16	Marine Midland Banks, Inc.	-1.67	0.65
20	18	First RepublicBank Corp.	-2.35	0.25
		Mean Values for Group	0.09	0.74
		Median Values for Group	0.49	0.84

Return on Average Equity

Rank 1987	Rank 1986		ROE 1987	ROE 1986
1	7	SunTrust Banks, Inc.	17.91	17.00
2	3	Sovran Financial Corp.	17.74	18.16
3	1	First Union Corp., Inc.	16.67	20.19
4	8	Barnett Banks, Inc.	16.07	16.99
5	6	Citizens & Southern Corp.	14.84	17.61
6	14	NBD Bancorp., Inc.	12.49	13.75
7	4	PNC Financial Corp.	12.16	18.14
8	2	Fleet/Norstar Financial Gp. (a)	11.97	20.00
9	9	NCNB Corp.	11.84	16.93
10	5	Bank of New England Corp.	10.01	17.64
11	10	Bank of New York Co., Inc.	9.43	16.08
12	11	First Bank System, Inc.	3.28	15.97
13	12	Wells Fargo & Co.	1.48	15.76
14	13	Security Pacific Corp.	0.03	15.47
15	17	Norwest Corp.	-3.51	9.81
16	15	First Interstate Bancorp.	-23.67	13.01
17	19	MCorp	-33.31	-8.98
18	20	BankAmerica Corp.	-34.96	-16.12
19	16	Marine Midland Banks, Inc.	-43.01	12.08
20	18	First RepublicBank Corp.	-70.91	4.10
		Mean Values for Group	-2.67	12.68
		Median Values for Group	9.72	16.03

Gain in Earnings/Share

Rank 1987	Rank 1986		% Gain 1987	% Gain 1986
1	13	SunTrust Banks, Inc.	18.6	12.7
2	8	Sovran Financial Corp.	12.6	18.4
3	10	Barnett Banks, Inc.	10.5	15.0
4	15	Citizens & Southern Corp.	-4.2	10.5
5	5	NBD Bancorp., Inc.	-6.2	20.9
6	1	First Union Corp., Inc.	-6.3	32.0
7	16	NCNB Corp.	-19.8	10.0
8	2	Fleet/Norstar Financial Gp. (a)	-26.0	24.9
9	3	PNC Financial Corp.	-27.5	22.7
10	11	Bank of New England Corp.	-35.2	13.9
11	9	Bank of New York Co., Inc.	-40.2	16.7
12	6	First Bank System, Inc.	-78.7	20.4
13	4	Wells Fargo & Co.	-89.7	21.2
14	14	Security Pacific Corp.	-99.8	11.7
--	17	First Interstate Bancorp.	N.A.	5.1
--	18	BankAmerica Corp.	N.A.	-39.6
--	12	Norwest Corp.	N.A.	13.8
--	7	Marine Midland Banks, Inc.	N.A.	18.6
--	19	First RepublicBank Corp.	N.A.	-65.0
--	20	MCorp	N.A.	-173.2
		Mean Values for Group	-28.0	0.5
		Median Values for Group	-22.9	14.5

Banks with Assets of $10 Billion-$20 Billion

Return on Average Assets

Rank 1987	Rank 1986		ROA 1987	ROA 1986
1	1	Banc One Corp.	1.19	1.36
2	7	CoreStates Financial Corp.	1.10	1.08
3	4	MNC Financial, Inc.	1.00	1.11
4	2	First Wachovia Corp.	0.97	1.15
5	10	Midlantic Corp.	0.96	0.95
6	3	Hartford National Corp.	0.90	1.11
7	12	U.S. Bancorp.	0.83	0.90
8	5	KeyCorp.	0.76	1.09
9	18	Comerica, Inc.	0.74	0.67
10	6	National City Corp.	0.69	1.09
11	17	Harris Bankcorp, Inc.	0.40	0.69
12	14	Shawmut Corp.	0.33	0.88
13	11	First Fidelity Bancorp.	0.32	0.90
14	13	Fidelcor, Inc.	0.32	0.90
15	16	Southeast Banking Corp.	0.31	0.81
16	8	Signet Banking Corp.	0.24	1.04
17	9	AmeriTrust Corp.	-0.10	1.03
18	15	Valley National Corp.	-0.41	0.85
19	19	First City Bancorp of Texas, Inc.	-8.70‡	-2.45
		Mean Values for Group ★	0.59	0.98
		Median Values for Group ★	0.72	0.99

Return on Average Equity

Rank 1987	Rank 1986		ROE 1987	ROE 1986
1	1	MNC Financial, Inc.	16.69	18.23
2	8	CoreStates Financial Corp.	16.10	16.04
3	4	Hartford National Corp.	15.47	17.92
4	5	Banc One Corp.	15.25	17.57
5	10	Midlantic Corp.	14.98	15.61
6	6	First Wachovia Corp.	14.27	17.53
7	16	Comerica, Inc.	12.85	11.91
8	15	U.S. Bancorp.	12.21	12.78
9	9	KeyCorp.	11.73	15.85
10	3	National City Corp.	11.16	17.95
11	18	Harris Bankcorp, Inc.	6.10	10.39
12	14	Shawmut Corp.	5.38	14.17
13	12	Southeast Banking Corp.	5.23	14.90
14	11	First Fidelity Bancorp.	4.99	14.98
15	7	Fidelcor, Inc.	4.37	16.45
16	2	Signet Banking Corp.	4.11	18.26
17	17	AmeriTrust Corp.	-1.29	11.12
18	13	Valley National Corp.	-7.21	14.81
--19		First City Bancorp of Texas, Inc.	N.A.	-54.44
		Mean Values for Group ★	9.02	15.36
		Median Values for Group ★	11.45	15.73

Gain in Earnings/Share

Rank 1987	Rank 1986		% Gain 1987	% Gain 1986
1	7	U.S. Bancorp.	41.7	15.3
2	3	MNC Financial, Inc.	19.3	21.4
3	11	Comerica, Inc.	13.8	12.4
4	2	CoreStates Financial Corp.	9.5	30.3
5	18	Midlantic Corp.	7.3	-0.2
6	5	Banc One Corp.	1.9	16.2
7	10	Hartford National Corp.	1.4	12.8
8	16	First Wachovia Corp.	-9.7	2.3
9	12	KeyCorp.	-15.4	12.3
10	9	National City Corp.	-32.0	13.5
11	4	Harris Bankcorp, Inc.	-37.5	18.4
12	15	Shawmut Corp.	-58,6	5.8
13	1	Southeast Banking Corp.	-62.0	32.2
14	8	First Fidelity Bancorp.	-64.8	15.1
15	13	Fidelcor Inc.	-71.4	10.3
16	6	Signet Banking Corp.	-76.0	15.7
--	14	Valley National Corp.	N.A.	8.0
--	17	AmeriTrust Corp.	N.A.	0.9
--	19	First City Bancorp of Texas, Inc.	N.A.	-1,793
		Mean Values for Group ★	-20.8	13.5
		Median Values for Group ★	-12.6	13.2

Data Sources: Unless otherwise noted, all data are were provided to American Banker by **Cates Consulting Analysts, New York** The data were compiled by **American Banker**. **(*)**— Based on net income for 1987 that was **"adjusted"** by Cates to exclude the after-tax values of securities gains/losses, non-recurring items, and the one-time special provisions attributable to Third World debt. Cates calls this "recurring" net income. **Definitions and methodology**: for a complete description of the information contained in this table, see page 10. **(‡)**— Calculated by American Banker from information supplied by the bank. **(†)**— Calculated by the company for this survey. **(★)**— Excludes First City Bancorp. of Texas, Inc., Houston. **N.A.**- Not available.

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Performance Group Means: 1987, 1986, and 1983

	1987 ROA	1987 ROE	1987 Mkt/Book	1986 ROA	1986 ROE	1986 Mkt/Book	1983 ROA	1983 ROE	1983 Mkt/Book
Money center banks	0.48*	11.92*	93.99	0.68	13.60	90.97	0.65	14.46	76.51
Banks with assets over $20 billion	0.49	9.72	125.83	0.84	16.03	135.97	0.55	11.33	81.40
Banks with assets of $10 billion to $20 billion	0.72	11.45	123.90	0.99	15.73	139.49	0.75	15.74	86.64

(*)— Based on adjusted net income (net income minus non-recurring items).

1987 Performance of Top U.S. Banking Companies

How the Market Looks at Banks

Mkt-Book Rank			Ratio of Market-to-Book Value		Price Earnings Multiple		Dividend Yield (%)	
1987	1986	**Money Center Banks**	1987	1986	1987	1986	1987	1986
1	1	**J. P. Morgan & Co., Inc.**	135.98	169.58	92.64	9.81	4.15	2.71
2	2	**Republic New York Corp.**	131.03	155.61	69.14	11.63	2.62	2.17
3	6	**Irving Bank Corp.**	116.72	95.23	....	7.54	4.69	4.04
4	4	**Bank of Boston Corp.**	107.45	118.51	253.80	7.86	4.26	3.45
5	7	**First Chicago Corp.**	96.03	86.70	....	7.80	6.45	4.13
6	3	**Bankers Trust New York Corp.**	94.95	128.93	....	8.32	5.24	3.06
7	11	**Continental Illinois Corp.**	93.02	73.88	....	18.77	1.94	0.36
8	5	**Citicorp**	89.27	101.43	....	7.93	6.48	4.34
9	9	**Mellon Bank Corp.**	80.99	82.44	....	8.47	5.66	5.26
10	8	**Chemical Banking Corp.**	62.58	84.40	....	6.26	12.15	5.49
11	10	**Chase Manhattan Corp.**	59.12	73.90	....	5.90	9.44	5.24
12	12	**Manufacturers Hanover Corp.**	52.96	62.90	....	5.31	14.74	6.95
		Mean Values for Group	93.34	102.79	138.53	8.80	6.49	3.93
		Median Values for Group	93.99	90.97	92.64	7.90	5.45	4.09
		Banks with Assets over $20 Billion						
1	6	**SunTrust Banks, Inc.**	186.76	161.05	11.12	11.56	2.82	2.98
2	5	**PNC Financial Corp.**	171.83	162.42	14.55	9.01	3.94	3.54
3	4	**Sovran Financial Corp.**	163.78	170.73	9.84	10.02	3.99	3.78
4	1	**Fleet/Norstar Financial Group**	163.21	185.58	14.12	10.08	3.83	2.77
5	2	**Barnett Banks, Inc.**	157.62	173.05	10.62	11.04	2.66	2.42
6	8	**Wells Fargo & Co.**	143.86	153.70	96.63	11.03	3.32	2.81
7	7	**Citizens & Southern Corp.**	141.18	159.07	9.97	9.84	4.46	3.52
8	3	**First Union Corp., Inc.**	137.72	171.00	8.78	9.15	3.57	2.61
9	10	**Bank of New England Corp.**	135.27	142.54	13.67	9.09	4.45	3.41
10	15	**Norwest Corp.**	125.83	104.76	....	11.06	4.11	4.47
11	14	**NBD Bancorp., Inc.**	124.60	110.29	10.16	8.33	3.40	3.50
12	9	**NCNB Corp.**	116.12	144.64	10.22	9.39	4.43	3.28
13	13	**Security Pacific Corp.**	113.43	122.20	....	8.36	5.67	3.57
14	11	**First Bank System, Inc.**	105.47	129.39	31.68	8.63	6.49	3.08
15	12	**Bank of New York Co., Inc.**	91.41	124.45	10.35	7.95	5.85	3.92
16	16	**First Interstate Bancorp.**	90.11	96.13	....	7.84	7.00	4.72
17	18	**BankAmerica Corp.**	53.81	65.75	....	....	0.00	0.00
18	20	**MCorp**	16.54	42.16	....	....	0.00	0.00
19	19	**First RepublicBank Corp.**	11.24	50.07	....	12.20	0.00	8.15
--	17	**Marine Midland Banks, Inc.**	N.A.	81.84	N.A.	7.08	N.A.	4.01
		Mean Values for Group	118.41	127.54	19.36	9.54	3.68	3.33
		Median Values for Group	125.83	135.97	10.62	9.27	3.94	3.46
		Banks with Assets of $10 Billion-$20 Billion						
1	1	**Banc One Corp.**	179.08	182.57	12.50	11.03	3.39	3.25
2	2	**First Wachovia Corp.**	162.91	182.40	12.04	11.14	3.08	2.65
3	6	**CoreStates Financial Corp.**	153.09	148.51	10.01	9.63	3.83	3.69
4	8	**Fidelcor, Inc.**	152.60	141.88	34.73	9.40	3.87	3.72
5	9	**National City Corp.**	144.21	139.49	13.03	8.43	4.72	4.14
6	16	**Comerica, Inc.**	134.80	110.97	11.01	9.61	3.52	4.20
7	3	**Signet Banking Corp.**	134.58	161.29	32.65	9.67	4.76	3.63
8	5	**Midlantic Corp.**	127.21	149.58	9.06	10.43	3.71	3.04
9	7	**MNC Financial, Inc.**	123.90	142.31	7.90	8.57	3.80	3.04
10	4	**Hartford National Corp.**	119.35	152.23	8.08	9.53	5.45	4.34
11	12	**First Fidelity Bancorp.**	118.38	123.55	23.45	8.71	5.41	4.52
12	14	**U.S. Bancorp.**	117.57	119.27	9.29	9.77	4.06	2.96
13	10	**KeyCorp.**	109.58	129.40	9.50	8.58	5.24	3.98
14	13	**Shawmut Corp.**	108.02	120.68	19.88	9.37	5.27	3.98
15	11	**Southeast Banking Corp.**	103.58	127.02	20.29	9.28	4.32	3.16
16	17	**AmeriTrust Corp.**	94.85	97.96	N.A.	9.08	5.71	4.42
17	15	**Valley National Corp.**	94.39	113.06	N.A.	8.05	5.19	3.38
--	--	**Harris Bankcorp., Inc.**	N.A.	N.A.	N.A.	N.A.	N.A	N.A
--	18	**First City Bancorp of Texas, Inc.**	N.A.	24.17	N.A.	N.A.	N.A.	0.00
		Mean Values for Group †	**128.12**	**137.77**	**15.56**	**9.43**	**4.43**	**3.65**
		Median Values for Group†	**123.90**	**139:49**	**12.04**	**9.40**	**4.32**	**3.69**

Performance Study Peer Groups

Asset Rank 1987	Money Center Banks	Assets 12/31/87
1	**Citicorp, New York**	$203,607,000,000
2	**Chase Manhattan Corp., New York**	99,133,396,000
3	**Chemical Banking Corp., New York**	78,189,000,000
4	**J.P. Morgan & Co., Inc., New York**	75,414,000,000
5	**Manufacturers Hanover Corp., New York**	73,348,117,000
6	**Bankers Trust New York Corp.**	56,520,593,000
7	**First Chicago Corp.**	44,209,268,000
8	**Bank of Boston Corp.**	34,116,638,000
9	**Continental Illinois Corp., Chicago**	32,391,000,000
10	**Mellon Bank Corp., Pittsburgh**	30,525,000,000
11	**Irving Bank Corp., New York**	23,533,516,000
12	**Republic New York Corp.**	22,387,555,000
	Banks with Assets over $20 Billion	
1	**BankAmerica Corp., San Francisco**	92,833,000,000
2	**Security Pacific Corp., Los Angeles**	72,838,000,000
3	**First Interstate Bancorp., Los Angeles**	50,926,582,000
4	**Wells Fargo & Co., San Francisco**	44,183,300,000
5	**First RepublicBank Corp., Dallas**	33,210,686,000
6	**PNC Financial Corp, Pittsburgh**	31,432,569,000
7	**Bank of New England Corp., Boston**	29,474,763,000
8	**NCNB Corp., Charlotte, N.C.**	28,915,438,000
9	**First Union Corp., Charlotte, N.C.**	27,629,481,000
10	**SunTrust Banks, Inc., Atlanta**	27,187,889,000
11	**First Bank System, Inc., Minneapolis**	26,849,592,000
12	**Marine Midland Banks, Inc., Buffalo, N.Y.**	25,453,332,000
13	**Fleet/Norstar Financial Group, Inc., Providence (a)**	24,530,611,000
14	**Barnett Banks, Inc., Jacksonville**	23,451,199,000
15	**NBD Bancorp., Inc., Detroit**	23,353,573,000
16	**Bank of New York Co., Inc.**	23,064,895,000
17	**Sovran Financial Corp., Norfolk, Va.**	21,233,490,000
18	**Norwest Corp., Minneapolis**	20,747,000,000
19	**Citizens & Southern Corp., Atlanta**	20,444,131,000
20	**MCorp, Dallas**	20,228,360,000
	Banks with Assets of $10 Billion-$20 Billion	
1	**First Wachovia Corp., Winston-Salem, N.C.**	19,342,241,000
2	**Banc One Corp., Columbus, Ohio**	18,729,995,000
3	**Midlantic Corp., Edison, N.J.**	17,791,809,000
4	**MNC Financial, Inc., Baltimore (b)**	16,658,377,000
5	**First Fidelity Bancorp., Newark, N.J. (c)**	16,241,317,000
6	**Hartford National Corp., Conn. (d)**	15,690,714,000
7	**CoreStates Financial Corp., Philadelphia**	15,036,107,000
8	**National City Corp., Cleveland**	14,912,397,000
9	**U.S. Bancorp., Portland, Ore.**	13,352,686,000
.10	**Southeast Banking Corp., Miami**	12,842,237,000
11	**Fidelcor, Inc., Philadelphia (e)**	12,649,811,000
12	**First City Bancorp. of Texas, Inc., Houston**	12,293,000,000
13	**KeyCorp, Albany, N.Y.**	11,596,368,000
14	**Valley National Corp., Phoenix, Ariz.**	11,299,994,000
15	**Shawmut Corp., Boston (f)**	10,802,585,000
16	**Signet Banking Corp., Richmond**	10,724,413,000
17	**Harris Bankcorp, Inc., Chicago**	10,556,462,000
18	**AmeriTrust Corp., Cleveland**	10,333,747,000
19	**Comerica, Inc., Detroit**	10,115,965,000

Peer groups include all bank holding companies with assets over $10 billion at yearend 1987.

(a) On 1/1/88, Fleet Financial Group, Inc., Providence, merged with Norstar Bancorp., Inc., Albany. All 1986 data used in the survey are for Fleet Financial Group.

(b) On 4/29/87 changed title from Maryland National Corp.

(b) On 2/29/88, acquired Fidelcor, Inc.

(c) On 2/29/88, acquired Shawmut Corp. and changed title to Shawmut National Corp.

(d) Acquired by First Fidelity Bancorp. on 2/29/88.

(e) Acquired by Hartford National Corp. on 2/29/88.

(†) First City Bancorp. of Texas, Inc.is excluded from the calculation of the mean and median values for Peer Group 3 in the "How the Market Looks at Banks" table to the left.

N.A.— Not applicable.

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Definitions and Methodology

The statistical tables for the American Banker's annual performance study were compiled by the American Banker from data provided by Cates Consulting Analysts, New York. Most of the data were taken from two Cates publications: the **Quarterly Performance Report** for Dec. 31, 1987, and the April 1988 issue of **The Bank Analyst**. In addition, Cates provided data on the "adjusted" return on equity (defined below) that previously was not published.

A listing of the 51 banking firms in today's study appears above. The firms are divided into three peer group: Peer Group 1 — 12 Money Center Banks; Peer Group 2 — 20 Banks with assets over $20 Billion on Dec. 31, 1987; and Peer Group 3 — 19 Banks with assets between $10 Billion and $20 billion on Dec. 31, 1987. Within each peer group, the firms are listed in order of their asset size on Dec. 31. Banks that are not owned by holding companies are excluded from the survey.

Last year was a very unusual year for the banking industry. All of the money center banks and many of the large regional banks took special, one-time provisions attributable to Third World debt and other "non-recurring" losses. As a result, net income/loss data for 1987 were affected greatly by these non-recurring items. To make more meaningful comparisons of performance within a peer group, data which eliminated the "noise" in the 1987 data were preferable to the traditional measures of performance— "unadjusted" ROA and ROE.

For the banks in Peer Group 1 only, it was possible to "adjust" all the 1987 returns on average assets and average equity, by eliminating the non-recurring items from net income. Cates' data were available for 9 of the 12 banks in the panel. American Banker calculated the adjusted returns for two banks; and one bank, at American Banker's request, calculated the adjusted returns, based on the Cates' definitions shown below.

In the table called "1987 Performance of Top U.S. Banking Companies", which appears on page 6, the banks in Peer Group 1 are listed in order of the "adjusted" (recurring) return on average assets for 1987 and on the "adjusted" return on average equity. In addition, the "unadjusted" (traditional) 1987 ROA and ROE figures and peer group ranks are reported for each bank.

The banking firms in Peer Groups 2 and 3 are ranked by three measures of performance: the traditional return on average assets; the traditional return on average equity; and percentage change in earnings per share. It was not possible to adjust the data for all of the banks in Panels 2 and 3, since Cates' data were available for only 15 of the 39 banks comprising both panels.

Net income is income after taxes but before extraordinary items for the full year 1987. American Banker calls it **unadjusted net income.** In the **Bank Analyst**, this was referred to as "nominal" net income.

Adjusted net income is net income minus the after-tax values of securities gains/losses, non-recurring items, and the one-time special provisions attributable to Third World debt. In the **Bank Analyst**, this was referred to as "recurring" net income.

The "unadjusted" return on average assets, as defined by Cates, is net income divided by a daily average of total assets. If daily average assets is not available, Cates uses the mean of Dec. 31, 1986, and Dec. 31, 1987.

The "adjusted" return on average assets, as defined by Cates, is adjusted net income divided by a daily average of total assets.

The "unadjusted" return on average equity is net income minus preferred stock dividends divided by average common shareholders' equity. Here, average equity is computed by taking the mean of Dec. 31, 1986 and Dec. 31, 1987, common equity.

The "adjusted" return on average equity is adjusted net income divided by average common shareholders' equity.

The percentage change in earnings per share is the difference of earnings per share (12/87-12/86) divided by earnings per share 12/86. Earnings per share is primary, based on net income before extraordinary items, and for the 12-month period.

In this listing **American Banker** shows the 1986 data as reported in 1987; lists firms geographically if two or more firms have the identical return on assets for 1987; calculates the group mean; and calculates the group median.

The group **mean** is calculated by summing all of the values and dividing that number by the total number of observations. The **median** is obtained by finding the midpoint of the array of values.

Important survey changes: American Banker has redefined its peer groups this year. The number of "Money Center Banks" has been reduced from 14 to 12. Peer Group 2 has been changed from banks with assets of $10 billion-to-$20 billion to banks with $20 billion or more in assets. And Peer Group 3 has been changed from banks with $5 billion to $10 billion in assets to banks with $10 billion to $20 billion in assets.

To make meaningful comparisons with 1986, all of the 1986 ranks, means, and medians for each peer group have been recalculated. They are based on the banks in the respective panels for this year's survey.

Market-to-book value for 1987 is the stock price divided by the book value per share. Cates uses the bid price on common stock as of Feb. 5, 1988, or the closest trade date, and divides this by book value per share on Dec. 31, 1987. The market-to-book value for 1986 is calculated by dividing the bid price on common stock as of Jan. 31, 1987, or the closest trade date, by book value per share on Dec. 31, 1986.

The price earnings multiple is the stock price, as defined above, divided by earnings per share.

The dividend yield is the indicated annual dividend divided by the stock price as defined above.

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Worth Repeating

We've shaken hands and have a gentlemen's agreement.

Fred Webber, head of the National Soft Drink Association on his pending appointment as president of the U.S. League of Savings Institutions. [Page 2]

FROM THE REGIONS:
THE WEST

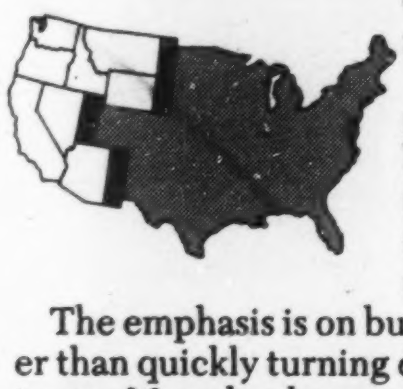
Rivalry Intensifies in California Market

By ROBERT LUKE
West Coast Bureau

LOS ANGELES — Midsize corporate borrowers have long been the mother lode of California banking.

But with so many institutions aggressively mining it of late, some fear its rich margins may be a thing of the past.

Others fret that some competitors may be compromising credit standards in their rush to make deals.



While loan margins may be narrower, some banks think they can bolster profitability by pushing more fee-based products, such as interest rate swaps, through a more efficient distribution system.

The emphasis is on building long-term relationships, rather than quickly turning deals at cut-rate prices and generous terms. Many banks consider the middle market to consist of businesses with sales of $5 million to $250 million.

"The market is in a transition," observes Allan Munro of Greenwich Associates, which recently surveyed about 3,200 California companies on their banking relationships. The firms had sales of $5 million to $50 million.

The latest Greenwich biennial survey found:

- Loan spreads declined to a mean of 121 basis points over the prime rate, from 133 basis points two years earlier. Last year, in a similar survey of larger middle-market firms, Greenwich found the mean fell to 54 basis points over prime from 58 basis points in 1985. The rate of decline in margins was greater in California than nationally: 9.1% versus 5.2%. Spreads in the state, however, continued to be wider than elsewhere.
- The mean loan in California was $1.055 million, compared with $1.094 million nationally. California companies kept mean cash balances of $841,000, compared with $652,000 elsewhere.
- California's businesses are being solicited by more

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Court Action May Speed Bank Bill

By BARBARA A. REHM and JAY ROSENSTEIN
Washington Bureau

WASHINGTON — The Supreme Court's decision Monday to let the Federal Reserve Board set securities underwriting limits for banks was a clear victory for banks, but one that may bring a backlash.

That backlash could come in the form of banking legislation. In interviews on Tuesday, industry observers here said Congress is more likely to pass a banking bill — whether bankers want one or not — now that the regulators have free rein to expand powers.

While the Fed wants the banks to step carefully into these new markets, many of the larger banks want to dive in. Some money center banks have been fighting for years for the right to underwrite and trade municipal revenue bonds, commercial paper, and asset-backed securities. The Fed authorized limited entry into these investment banking activities in April 1987.

The securities industry held the door shut temporarily, however, with a court challenge. The legal wrangle was completed on Monday when the high court refused to hear arguments in the case, upholding a lower court decision in favor of the banking industry.

The lifting of the court stay on securities powers means that banks can underwrite these securities through a subsidiary — but only up to 5% of the

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Bid-Rigging Charge In 'Superthrift' Deal

By JIM McTAGUE
Washington Bureau

WASHINGTON — Several Congressmen are questioning the legality of a Federal Home Loan Bank Board action that transformed four sickly institutions into a superthrift.

Two congressmen have asked the General Accounting Office to look into a charge by a former thrift executive that federal regulators rigged the bid for the thrift, which was sold in March to an Iowa-based financial services holding company for $21 million.

Statesman Bank for Savings, with 22 branches in Iowa and 5 in Florida, is the only thrift in the country that can

Lawmakers: Page 30 ➸

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Bankers – Take Back Control from Wall Street Analysts

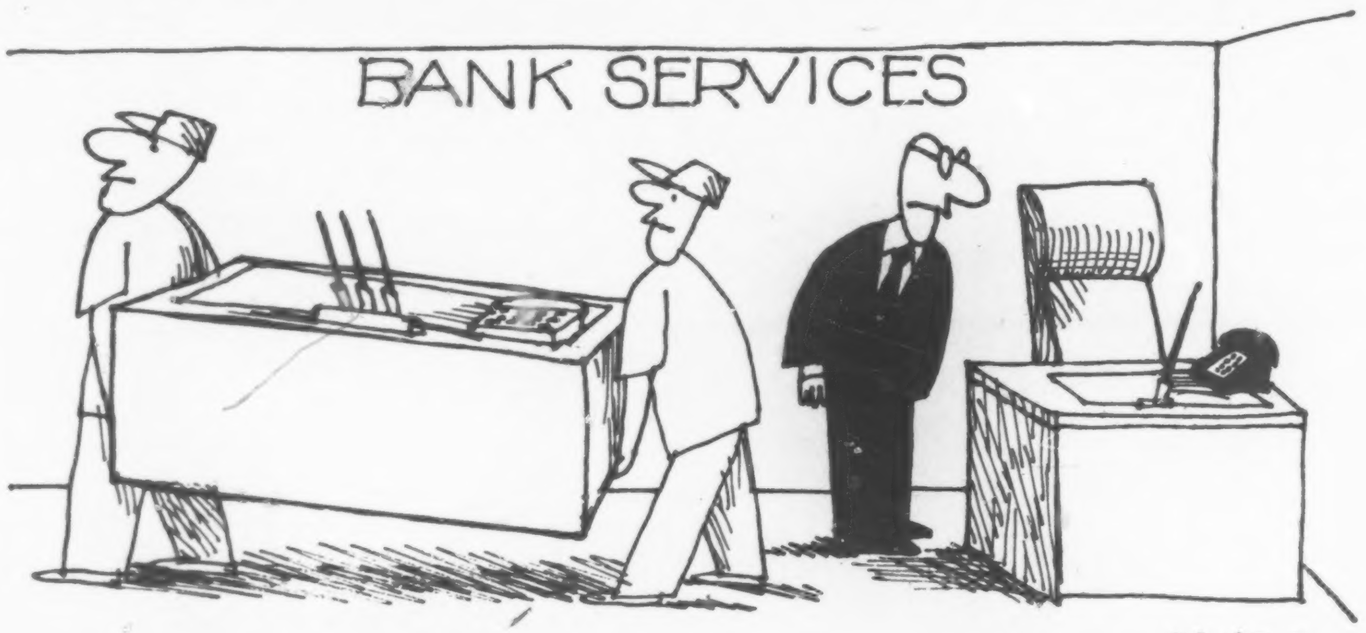
The following is the text of a speech by William F. Staats, given at the 98th annual convention of the Tennessee Bankers Association June 6 in Nashville. Mr. Staats is the Louisiana Bankers Association Professor of Banking at Louisiana State University.

□

MOST OF US can recall the time when the United States industrial empire dominated manufacturing activities on the face of the earth. For example, the steel industry was a major employer in the United States and provided economic prosperity for countless cities across the land and for millions of American families. Second to none in the world, the U.S. steel industry was the cornerstone of our industrial economy.

Most of us can recall when the color television industry was created, developed, pioneered in the United States. For a while every single color television set made in the world was produced on these shores by Americans and American enterprise. That high technology provided jobs for millions of Americans and enhanced the economic welfare of many of our cities and states.

Let's look at those two examples of American enterprise today. The U.S. steel industry scarcely hangs on by the old, proverbial thread. Although in very recent months the declining value of the dollar versus that of the yen has stimulated some steel production and even some minor flows of exports, the United States steel industry is a mere pathetic shadow of its former self.



Sylvio Redinger

What about the color television industry? Today, only one company continues to manufacture color television sets in the United States. Moreover, the newest generation of color television, called High Definition, has been invented, developed, and is now entering production across the ocean in Japan. HDTV, as it is called, is vastly superior to current color television, and experts tell us that it will make existing sets obsolete.

What does all this have to do with banking in 1988? Precisely this. The same problems which were brought on by the management of steel companies and of color television manufacturing companies are now being brought upon the banking industry.

Firms in the steel industry and in the television industry began to view their activities as cash cows, and to focus almost exclusively on earnings growth. Management paid little, if any, attention to reinvesting in productive facilities — in the economic capital of their firms. In fact, one executive of a television firm said that orders came from the board level to cut development money. "The order was always to squeeze the profit," he is quoted as saying.

As a result of management myopia, and as a result of the fixation with short-term earnings performance, the once mighty steel industry and the color television set industry have fallen upon tough times. Shareholders have lost value, employees have lost jobs, and managers have lost their positions.

Eye on Wall Street, Earnings

Friends, I see the same thing coming to the commercial banking industry in the United States. Now, anyone who knows me and who is familiar with my speeches and my writings knows that I am not a prophet of gloom, a nay-sayer, a doomster. Rather, I tend to focus on the positive, the optimistic, regarding the economy and the banking industry.

But in recent years I have grown increasingly concerned about the future of our commercial banking industry. I see bankers keeping one eye on Wall Street and the other eye on short-term earnings performance. I see bankers failing to invest in their basic economic capital — their people. And I am concerned about the long-term viability of our industry unless we change our ways.

One of the major structural changes in banking that has brought on this new attitude among bankers has been the multibank holding company. As these organizations have grown increasingly large — covering first one state, then another, then a region, and, very soon, the nation — top executives in charge of acquisitions and stock values have begun to manage purely by the bottom line.

Again, anyone who knows me and of my involvement in bank investments knows that I am concerned about the bottom line as it affects the value of my investment in bank stock. But I want to tell you that there are other factors besides the current quarter's earnings figures that affect bank values. Those other factors are growth, management quality, financial condition, and the image of a bank as a progressive and innovative servant of the community. It seems to me that many of our bank executives are focusing on only the one — albeit the most important — determinant of the value of our bank, that is, earnings.

However, in their obsessive concern with quarter-to-quarter or even month-to-month earnings performance, management appears to be losing sight of the fundamental strength of banks and of the basic longer-term source of value for these institutions.

Short-Run Tactics

For example, managing a multibank holding company sounds deceptively easy. All you do, you see, is give a bottom-line profit objective to the president of each subsidiary bank. To those presidents who meet the targeted earnings figure, you grant a bonus. To those who do not meet the target, you give notice of termination.

These tactics work in the short run, at least. Chief executive officers of subsidiary banks will do everything that they possibly can to cut costs in order to get the earnings figure up to target. But who is looking at the long-run results of some of those expenditure cuts?

It is really not too hard to cut expenditures at subsidiary banks. Most institutions — banking and otherwise — have some fat on them. So, we simply exorcise the fat, the inefficiency, and costs fall while profits rise. But after the first year or two or three, further cutbacks begin to whittle away at the muscle, the sinew, the fiber, the bone of our organization, the fat having long since been cut out. Because, you see, the relentless search for quarter-to-quarter earnings gains almost requires that the subsidiary cut costs every successive quarter.

Now, to be fair, I must note that profits can be increased by revenue enhancement activities. But it is much tougher to generate greater revenues in the face of increasing competition. So most managers of subsidiary banks will take the easy way out — cutting expenditures. Moreover, you see, to enhance revenues, often we need to spend more money. However, our excessive concern over the bottom line in many cases precludes such expenditures because the revenue enhancement might occur a quarter or a year later — in the short run we would not have reached our target earnings figure.

The sad fact is that as we attempt to cut costs, most of that burden falls upon our employees. In a competitive environment, we cannot very readily cut the largest component of our expenditures — interest expense. So, we turn to the other types of expenditures. Looming largest among these is employee wages and salaries.

Greater efficiency certainly is a desirable objective of banking today. When we can run a bank with one-half of an employee per million dollars of assets, we are in much better shape than in the olden days, when it took, on average, one employee for each million dollars of assets. But we need to have better paid employees who are motivated to do still better jobs in our service business.

'A Bank Is a Group of People'

Bank employees are our economic capital. If we fail to reinvest in this capital, our industry will most assuredly go the way of the steel industry and of the color television manufacturing industry. Top management must recognize that a bank is nothing but a group of people. In a book that I wrote for the American Bankers Association a number of years ago, I defined a bank as a group of people organized to produce products and sell them at a profit. The most important element of that definition is the first few words — a bank is a group of people.

If I were to require a $70,000 loan for my business, it really would not matter to me where I get that loan — $70,000 is $70,000 whether I get it from one bank or another bank, or even from a nonbank competitor. The money is absolutely the same. Generally, if I have a checking account, it does not matter to me whether I get my checking account services from a bank, credit union, or S&L. All of those checks and drafts work exactly the same way.

What, then, will urge me to get my loan or open my checking account at your bank? What differentiates the loan or the checking account at your bank? Essentially, it is the people. People produce our bank products and people add value to those products in a highly competitive marketplace.

Bank employees are simply too important to be treated as a minor element in the productive process of bank products. They are our economic capital just as assuredly as the blast furnaces represent the economic investment of the steel companies. Just like the blast furnaces and the intricate manufacturing facilities for color television sets, our people need to be modernized continually if they are to remain capable of delivering new and sophisticated products at the most effective price levels in the economy.

We need to motivate our people to better performance. We do not motivate when we demotivate! And much of the frantic cost-cutting that I see taking place in the banking industry as we squeeze out additional profits is demotivating our people.

I have seen the adverse impact of excessive cost cutting. I have seen the damage to our economic capital. For example, a number of bank holding companies — and I want to make sure that everyone understands that there are exceptions — eliminate continuing education programs outside of the bank. They say, "Oh, yes, we train internally." And many do a credible job of it.

In some cases, banks simply rule out all banking schools, for example. And I want to tell you that there is no possible way to deliver banking education in-house as effectively and efficiently as it can be delivered through banking schools sponsored by state associations or through regional schools such as the Graduate School of Banking of the South.

Required Reading: Page 24 ➞

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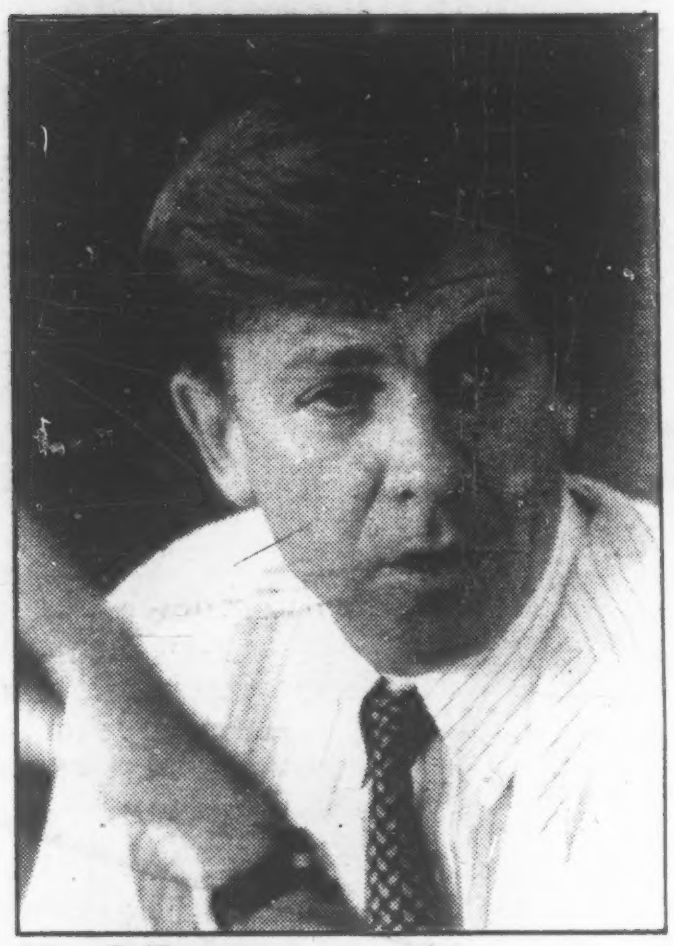
Tiny Margins, Many Rivals Challenge California Banks

Continued from Page 1

banks. About a third said they had been contacted by Japanese-owned institutions.

- But 55% of the companies did not recall any in-person solicitations, suggesting that many of the contacts were cursory. That reflects the desire of banks to get more information about the companies, most of which are privately held, Mr. Munro says.
- Some 17% of the businesses added a new bank last year, compared with 13% nationally. Of those adding a bank, 35% expected to replace a bank. This year, 18% of the companies plan to add a bank, compared with 12% nationally.
- California companies continued to have fewer banking relationships than the national average (2.6 versus 3.1), and also tended to be less price sensitive.
- About a fifth of the companies felt their banks were tightening loan pricing and terms and conditions. Only 4% felt their banks were loosening price and terms.



Allan F. Munro

On the latter score, some bankers beg to differ:

"Compromise of credit standards is going to hurt a lot of people," observes John F. Grundhofer, vice chairman at Wells Fargo Bank.

Scott A. Kisting, senior vice president of Bank of America's commercial banking group, agrees.

"Some of our major competitors are taking risks I wouldn't take in terms of building market share." According to Mr. Kisting, some banks are not requiring the principals of companies to personally guarantee business loans. Nor are they requiring covenants that will permit banks to seize collateral or accelerate loan payments if certain loan conditions are not met. He declined to identify the banks.

"I think it's more pervasive than what I'd like to see in the marketplace, but then again it's understandable from a competitive standpoint, because if you are really trying to move markets, the tools you have are credit structure and price. And it's a combination of the two that will move business."

Keeping loan losses down, and driving down servicing and other costs, can increase flexibility in pricing, says Mr. Grundhofer, who notes that Wells' loss ratio in the middle market has averaged 35 to 40 basis points over the past seven years. That has allowed the bank to price aggressively yet meet its goal of achieving a 1.20% return on assets from that business.

Wells' aggressive pricing irks competitors, big and small.

"That they are all annoyed is a mild term for it," says John J. Keating, chairman and chief executive officer of Lincoln National Bank in suburban Encino. Lincoln recently lost a customer to Wells. The manufacturer wanted $1.5 million, which Lincoln had offered at 250 basis points over prime.

"Wells came in with prime plus one, with no balance [requirement]," recalls Mr. Keating, whose bank has profited handsomely by specializing in the middle market. Lincoln's earnings, for example, rose 51% last year from the previous year.

Sanwa Bank California, another aggressive pricer, also has felt the heat from Wells. Sanwa is one of several Japanese-owned banks that want a larger slice of the market. Another, California First Bank, owned by the Bank of Tokyo Ltd., is acquiring Union Bank, the state's fifth largest bank and one of its largest middle-market specialists.

Sanwa, which wants to increase its middle-market lending by 12% to 15% this year, recently competed with Wells for a $2.5 million credit in Sacramento, says Robert H. Cooke, senior executive vice president. Sanwa had sought a fee for a portion of the credit, and a 25-to-50-basis-point differential in the rate between the short- and long-term funds.

"Wells Fargo did that for no fee and no differentiation between the long term and the short term," Mr. Cooke recalls. "We, from a pricing point of view, didn't think that made sense. So Wells Fargo got the business."

Observes another banker, who asked not to be identified: "They are definitely the market-share-driven bank. They feel the more mass they can run through their offices, the better off they are. The speculation is that they are setting up themselves to be acquired. And that they are buying market share to make themselves more attractive to outside [California] institutions interested in coming into this market."

Wells may be driven by market share, but it is being selective about the business it is going after, says Mr. Grundhofer, noting that "risk-reward still is not well understood by banks. There's not a big price-risk differentiation today. That's got to come."

Bank of America's Mr. Kisting agrees: "The trick is to be more nimble, to try to identify the winners. I'm committed to banking the best-managed companies. For example, I don't want to bank up to 95% of [computer] disk drive companies, because I don't think 95% of them are going to make it. But I want to bank 40% of the well-managed ones."

He wants to provide banking services not just for the companies but for their owners as well, from boat loans to personal trusts.

"Banks are trying to get the whole [banking] relationship to themselves and let no one else in, because that's where the profitability is," says Greenwich's Mr. Munro.

So far, the stiffest competition has been for the 1,000 or so upper-tier companies with sales of at least $50 million. Many of those have multiple banking relationships and, in recent years, have come to rely on investment bankers to help tap the capital markets for financing. Bankers now are vying for that piece of the action.

"Our approach will be to use capital markets products as an adjunct to the credit financing that is still at the heart of the middle market," says J. Kendrick Whiting, senior vice president and manager of regional corporate centers at First Interstate Bank of California. To do otherwise jeopardizes the long-term relationships that banks are trying to cultivate with customers.

"The merchant banker has a mentality that's more like the investment banker in that he thinks in terms of transactions, not necessarily about the long-term relationship," Mr. Whiting observes.

Nevertheless, bankers are introducing more capital markets products, such as interest rate swaps, into the lower end of the market, which largely has been the domain of community banks. Moreover, some banks, such as First Interstate, are now seeking to develop the small business market.

Margins in the lower end of the middle market are fatter, reflecting increased risk, and customers often are loyal.

Why Banks Lose Business

Responses from middle-market companies

	Total Companies (1,584)	Total California (219)
Weakening financial condition of bank	82%	81%
Inefficient operations services	80	81
Difficulty in negotiating credit terms and price	75	68
Refusing to tailor credit arrangements	74	73
Price for services too high	66	65
Lack of personal attention	66	66
Bank becomes too small	38	45
Too few cash management services	27	25
Lack of international capability	20	28
Bank becomes too big	18	19

Source: Greenwich Associates

Top Benefits of Long-Term Relationships

Responses from middle-market companies

	Total Companies (814)	Total California (219)
More responsive service	76%	82%
Lower overall cost of service	69	66
Closer attention to company's needs	66	70
More certain availability of credit	61	62
Access to bank's top management	58	64
Access to all of the bank's service capabilities	57	51
Having more qualified account officer assigned	55	58

Source: Greenwich Associates

Prime Rate Spread

What middle-market firms are charged for loans

Loan Rate Compared To Prime	Total Companies (8,522)	Total California (1,011)
>+3.00 points	2%	2%
+3.00	1	1
+2.75	*	*
+2.50	1	1
+2.25	*	1
+2.00	8	15
+1.75	1	2
+1.50	9	15
+1.25	2	4
+1.00	29	21
+0.75	3	3
+0.50	12	8
+0.25	4	4
0	12	8
−0.25	*	*
−0.50	*	*
−0.75	*	0
−1.00	1	*
−1.25	0	0
No answer	6	7
Uncertain	10	7
Mean	**0.94**	**1.21**
Mean 1986	**0.99**	**1.33**

*Less than 1%

Surveyed companies had sales of $5 million to $50 million. Data from March-April 1988 survey.

Source: Greenwich Associates

Mr. Munro notes that nearly three-quarters of the estimated 15,000 California companies with sales of $5 million to $50 million still deal with one bank. The typical middle-market company changes its bank once in 15 years on average, according to Mr. Munro. That occurs largely because of poor service or fears that a bank's weak financial condition might cause a cutoff of credit.

That fear of credit loss has hurt the Bank of America, the market leader, and prompted existing customers and prospective new ones to seek credit elsewhere.

"Anytime anybody pulls a prospect list, 4 names out of 10 are going to belong to us," Mr. Kisting acknowledges. Nevertheless, he claims the state's largest bank has retained virtually all of its customer base, which it built over the years with its extensive branch network.

Industry observers dispute Mr. Kisting's claim. They estimate that Bank of America's share of the market has eroded substantially. Figures are not readily available.

But the bank now is aggressively courting customers and, in Southern California alone, Mr. Kisting predicts that Bank of America's volume of middle-market loans will increase 16% to 17% this year from last year's $1.4 billion.

Combined, the state's 15 largest banks control about 75% of the market, according to Mr. Munro of Greenwich Associates.

Mr. Grundhofer observes that California's largest banks are now restructuring their middle-market operations, which Wells began in 1978 and completed in 1981.

The resulting turmoil has caused those banks to lose customers, particularly as they shift or lose personnel and pull corporate accounts from local branches into regional corporate lending centers.

Competitors often point to Security Pacific National Bank, which reconfigured its middle-market unit last year, as one of the banks most affected.

"Six months ago, I would say we were somewhat diverted," acknowledges R. Bruce Owen, executive vice president at Security Pacific. "But my feeling today is that the group is very, very focused."

Rivalry: Page 27

Rivalry Heats Up In California

Continued from Page 23

Mr. Grundhofer thinks the restructuring efforts at other banks may prove to be less than satisfying. He notes, for example, that Wells has hired new staffers.

"We wanted a new culture," explains Mr. Grundhofer, noting that other banks are "just switching people around."

Wells' new calling officers are akin to insurance agents, in that they are paid commissions based on the profitablity of the business they book. But some of that new business apparently is not sticking.

"Once brought in the door, the business has not been as steadfast as it might be," says one industry analyst, who asked not to be identified.

Joseph Sanford, president of First Business Bank here, agrees with Mr. Grundhofer and others that the manner in which a bank approaches the middle market is important.

"Our whole thing is service," Mr. Sanford says. "Banking is a lot more than making loans and what interest rate you're going to charge me on a loan. But the customer is not going to tell you that. You have to develop the services and the value-added concepts and show those to him. They have to be good enough so that he buys them. That's the challenge of it." ■

DAILY FINANCIALS

Tuesday June 14, 1988

Money Market

Federal funds range .... $7\frac{5}{16}$%-$7\frac{1}{2}$%
Prime rate (5/12/88) 9.00%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral (5/27/88) 8.50%

Bankers acceptances offering rate, discount (6/14)
30 days: 7.23 60 days: 7.27 90 days: 7.27
120 days: 7.27 150 days: 7.28 180 days: 7.27

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (6/14)
14 days: 6.80 30 days: 7.05 60 days: 7.10
90 days: 7.10 120 days: 7.15 150 days: 7.25
180 days: 7.30 270 days: 7.40 360 days: 7.60

Commercial paper, dealer Aaa, discount (6/14)
30 days: 7.25 60 days: 7.30 90 days: 7.35

Commercial paper, directly placed, discount (6/14)
5-14 days: 6.50-7.125 15-29 days: 6.50-7.125
30-59 days: 6.50-7.30 60-89 days: 6.50-6.875
90-179 days: 6.50-6.875 180-270 days: 6.50-6.875

Treasury-bill rates, secondary market, bid (6/14)
90 days: 6.45 180 days: 6.67 1 year: 6.95

Eurodollar deposits, London bid (6/14)
Overnight: $7\frac{1}{4}$ 7 days: $7\frac{3}{8}$ 1 month: $7\frac{7}{16}$
3 mos.: $7\frac{7}{16}$ 6 mos.: $7\frac{5}{8}$ 1 year: $7\frac{15}{16}$

NIBOR: 7.688% **LIBOR:** 7.813%

The Bond Buyer Municipal Bond Index

	6/14/88	6/13/88	6/7/88
Index	89.22	88.29	88.01
Yield to Par Call	8.11	8.22	8.35
Yield to Maturity	7.96	8.03	8.12

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Sept.'88	93.59	93.39	93.56	+16	6.44
Dec. '88	93.33	93.15	93.30	+15	6.70
Mar. '89	93.14	93.07	93.13	+15	6.87
Jun. '89	92.97	92.91	92.96	+14	7.04
Sept.'89	92.84	92.80	92.84	+15	7.16
Dec. '89	92.74	92.70	92.73	+13	7.27
Mar. '90	92.61	92.60	92.64	+14	7.36

As of the previous day's close; Total no. of contracts traded: 3,123 total open interest: 18,179 and change in open interest: - 25

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
June 14:	294.3	1988:	294.3	227.7	294.3
June 13:	289.1	1987:	401.7	212.0	234.6
June 10:	288.8	1986:	388.7	331.2	331.3
June 9:	285.8	1985:	344.2	242.7	344.2
June 8:	288.2	1984:	269.6	178.4	246.3

* Based on midday prices.

Powder Mill Has Local Focus, Latest Technology

Continued from Back Page

said. "We want the customer to walk away with interest current, everything current. We want state-of-the-art. Liuba knew what she wanted and left it to them to get the equipment."

The equipment MTech installed includes five model 2262 teller stations and one model 5070 automated teller machine, all from NCR Corp.; and six DX1100 administrative terminals from Datamax Corp., Tallahassee, Fla. (With mock irritation, Mr. Stancel said one of the Datamaxes was in his office but Ms. Beauvais felt it was needed elsewhere more, and moved it. Another is on order for the CEO.)

Before opting for MTech, Powder Mill Bank considered two other data processors. One was NCR; the other was a bank that Mr. Stancel did not identify. "We did not want to go to the bank because then they'd have all our information," he said.

He also had a good feeling about a service bureau he used when he was at Heritage. It was National Computer Analysts, or NCA, a Princeton firm that was the dominant data processor for community banks in New Jersey. MTech acquired NCA last year, making that firm its Princeton data center.

Acting Like a Big Bank

The MTech facility in Princeton has about 100 employees. It is a remote center for about 20 institutions in New York, Pennsylvania, and New Jersey, including Powder Mill, that use MTech's Banker 2000 line of applications. It also serves institutions using the BMIS 2000 package of banking applications, the primary product MTech offers out of Dallas.

The Banker 2000 software is on an MTech computer in Belpre, Ohio, that serves about 100 banks altogether. The Princeton center performs capture services for the Belpre mainframe, a Unisys machine.

Powder Mill is on-line to Princeton during the day. After the close, the bank ships all its items there. MTech performs batch updates overnight — encoding the checks, running them through a reader-sorter, creating a cash letter, creating a file to update accounts, and transmitting everything to Belpre.

POWDER MILL BANK

When processing is complete, Belpre transmits back to Princeton all the reports the bank will use. Princeton delivers hard copies of the reports to the bank. And when the bank comes on line about 8 a.m., all its files have been updated.

All this, Mr. Stancel said, gives Powder Mill the features and flexibility of larger institutions.

"Even though we are a $26 million bank, we operate like a $26 billion bank," Mr. Stancel said. "I can enter into any negotiation for a large transaction that is way over our lending limit, because of participation."

But the time for Powder Mill Bank to go in-house is not yet in sight. "MTech has volumes in there that I haven't even reached yet," Mr. Stancel said.

Investing in an Investment

Powder Mill Bank was incorporated April 7, 1987, and its initial $4.75 million stock offering was oversubscribed, although there was no underwriter. "We came out with a circular and within one week we closed the sale," Mr. Stancel said. "We had to return about $2 million to investors that didn't make the cut."

Ryan, Beck & Co., West Orange, N.J., makes a market in the stock.

One of the incorporators, and a director, is Dean A. Gallo, a local real estate investor/broker and Republican member of the House of Representatives seeking reelection to a third term.

Mr. Gallo is not a member of the House Banking Committee, and he is sponsor of a bill that can scarcely be termed probanker. Introduced a year ago, the bill would amend the Truth-in-Lending Act to protect borrowers on mortgage rate lock-ins, the loan commitments that some institutions backed away from when interest rates fell sharply.

The congressman is in that majority of Powder Mill's 416 shareholders who come from Morris County. And he is among the 66% of shareholders who also are customers of the bank. "They invest in their investment," Mr. Stancel said. "They put their money where their money is."

Mr. Stancel said the primary function of Powder Mill Bank, as of any community bank, is to provide personalized service.

"Customers can get quick decisions," he said. "Officers don't have to wait for the routine paperwork to go to a corporate headquarters 50 miles away. They can make decisions on the spot, about CD rates, lending rates, a credit decision on an applicant who may be right there in the bank. All these can be made in the 5,800 square feet we have in one location. We are experienced enough and talented enough to respond quickly to any customer's need on the spot." ■

FEDERAL HOME LOAN BANK SYSTEM

Federal Home Loan Banks

New Issue
June 15, 1988

This announcement appears as a matter of record.

Consolidated Bonds

$465,000,000 Series FF-1989 LIBOR-Indexed
Dated June 20, 1988 Non-Callable Due June 20, 1989
LIBOR One-Month Index established June 16, 1988 and reset monthly on the 18th (or two business days prior to the effective date of the 20th).
Interest rate equal to .30% below Index.
Interest payable on September 20 and quarterly thereafter.
Price 100% CUSIP # 313388 TG 5

$975,000,000 7.75% Series GG-1989
Dated June 27, 1988 Non-Callable Due June 26, 1989
Interest payable on December 26 and at maturity
Price 100% CUSIP # 313388 TD 2

$1,050,000,000 8.30% Series T-1991
Dated June 27, 1988 Non-Callable Due June 25, 1991
Interest payable on December 25 and June 25
Price 100% CUSIP # 313388 TE 0

$830,000,000 8.875% Series D-1995
Dated June 27, 1988 Non-Callable Due June 26, 1995
Interest payable on December 26 and June 26
Price 100% CUSIP # 313388 TF 7

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Austin C. Dowling, *Director*
Jean C. Chabot, *Deputy Director*
Office of Finance, Federal Home Loan Banks
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Telephone: (202) 272-4961

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American Banker

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VOL. CLIII NO. 117

Thursday, June 16, 1988

Today

The Arkansas Securities commissioner fined two Little Rock brokerage firms after an investigation of their dealings with two failed Kansas banks. ____ 2

Treasury Secretary James A. Baker urged congressional support for a $70.1 million U.S. contribution to the World Bank. ____ 3

State-chartered banks in New York may be forced to increase their disclosure of small-business lending or lose the real estate powers they won in a 1984 omnibus banking bill. ____ 3

Sen. Bill Bradley, D-N.J., is considering an amendment to the welfare reform bill that would reduce the 50% income tax deduction on interest paid on loans to employee stock ownership plans, or ESOPs. ____ 3

Banking on the Arts: The first New York international festival of the arts, sponsored in part by American Express Co. and the Chase Manhattan Corp., is now under way. ____ 6

W. Lee Hoskins now has more time to ponder his job as president of the Federal Reserve Bank of Cleveland after a frantic initiation during the October stock market crash. ____ 14

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CONSUMER FINANCIAL SERVICES

Credit unions offer the best deals on checking accounts, according to *Consumer Reports* magazine. ____ 2

A nationwide mailing to high school graduates has initiated Fleet/Norstar Financial Group's foray into the competitive market of lending money to students for college. ____ 3

A six-phase strategic savings and investment program at St. Paul Federal Bank for Savings links a series of accounts to customers' financial life cycles, bundling traditional banking products with insurance, brokerage, and financial planning. ____ 8

Officials in Flint, Mich., are asking the city's three largest banks to provide low-interest loans on certain General Motors automobiles to help ease unemployment in the area. ____ 8

Perpetual Savings Bank, Alexandria, Va., is offering its own credit card for the first time — a Visa card with an introductory rate of 10% and no fee for the first six months. ____ 9

Leadership is needed on all levels to overcome the current mediocrity of service in American business, writes Leonard Berry in Marketing Management. ____ 4

Worth Repeating

You just get the feeling it's going to be fun again. We're going to make some money.

Robert A. Meyer of Glasford State Bank in Illinois on the resurgence of Farm Belt banking. [Page 1]

An American Banker Special Report

Farm Belt Resurgence Heartens Local Bankers

By ANDREA BENNETT
Midwest Bureau

MIDWEST REVIVAL

This story is the first of an occasional series on the revival of the midwestern economy and its effect on financial institutions.

WALNUT, Ill. — Despite a shortage of rain darkening the outlook for this year's harvest, bankers report that better times have come to the Farm Belt, which is rebounding from its worst financial crunch in 50 years.

After six years of losses, Citizens First State Bank posted a $200,000 profit in 1987, for a return on assets of 0.76%. Executives at the Walnut, Ill.-based bank expect this year to be even better.

The bank's once suspect loan portfolio is in tip-top shape. "Right now," said James Watson, the bank's president, "we can't identify a loan problem to speak of." Citizens First, 8% of whose loans were nonperforming in 1985, now has no nonperforming loans and only two or three that are past due, "none by more than a few weeks."

Agricultural lenders, after six years of desperation, now are feeling more upbeat.

Their principal borrowers, the farmers, returned to the fields this spring after receiving $23 billion in government subsidies in 1987. Those subsidies helped push net farm income to $45 billion, a level the U.S. Department of Agriculture projects may be matched this year.

Farmers are also enjoying lower levels of debt, lower interest rates than in previous years, reduced expenses, and increasing land values. Also helping farmers is the falling dollar, the primary reason for an expected 16% surge in agricultural exports for the fiscal year ending Oct. 1.

Robert A. Meyer, executive vice president of $13 million-asset Glasford State Bank, Glasford, Ill., shares the optimism of farm bankers. "You just get the feeling it's going to be fun again. We're going to make some money," he says.

Because of the drought, the fun may not come this year. But experts say barring a total crop failure, the drought conditions should not cause too much trouble. "I don't think it is necessarily fair to say that one year of dry weather will tip us back to the farm financial crunch," said Mark Drabenstott, an economist at the Federal Reserve Bank of Kansas City.

IN addition, experts caution that the recovery will be slow, and that not all farmers will share in it. Moreover, the strength of the recovery rests firmly on government support programs, which Duff & Phelps Inc., a Chicago-based rating agency, estimates will dip to about $20 billion in 1988 from $23.1 billion in 1987.

Despite the cautions, there is no doubt farm bankers have benefited from the recovery. In 1987, according to the Federal Deposit Insurance

Farm Belt: Page 10 ➞

Hostile Suitor Increases Bid For Irving

Bank of New York Offers $75 a Share in Meeting

By GORDON MATTHEWS

NEW YORK — The Bank of New York Co. on Wednesday increased its offer for Irving Bank Corp. to about $75 a share from about $68. But unlike previous offers in the long and hostile takeover battle, the latest bid was unveiled during a face-to-face meeting between the two Wall Street banking rivals.

Bank of New York said after the 45-minute meeting, held at the urging of a state judge, that it will continue to offer $15 in cash for all Irving shares. But it will now add 1.675 shares of its own stock, an increase from 1.575 shares in its old bid, and also offer both a special dividend and warrants.

A special dividend of $2.50 per Irving share will be paid just before completion of the offer, Bank of New York said. At the same time, warrants — or shareholder participation rights — will be issued with a value of up to $2.50 per share calculated on the after-tax gain from the sale of Irving's headquarters building at One Wall Street.

Bank of New York Chairman J. Carter Bacot urged Irving to dismantle its takeover defenses and accept the bid "on a friendly basis." Irving's only comment was to announce that its board of directors will consider the new proposal at a meeting on Tuesday.

There was no immediate comment from Banca Commerciale Italiana, the major Milan bank that has acted as white knight in Irving's bitter fight against a takeover by Bank of New

Bank of New York: Page 15 ➞

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American Banker /BANK PERFORMANCE

1987 Performance of Top U.S. Banking Companies

Revised rankings for money center banks

Return on Average Assets

Rank 1987*	Rank 1987	Rank 1986		ROA 1987*	ROA 1987	ROA 1986	ROA 1985
1r	2	1	**J.P. Morgan & Co., Inc.**	1.10	0.10	1.19	1.06
2r	4	3	**Bankers Trust New York Corp.**	1.09	0.00	0.79	0.79
3r	3	4	**Bank of Boston Corp.**	0.86r	0.06r	0.78	0.73
4	9	5	**First Chicago Corp.**	0.69	-1.31	0.71	0.43
5	11	12	**Continental Illinois Corp.**	0.59‡	-1.90	0.35	0.47
6	6	8	**Irving Bank Corp.**	0.51†	-0.80	0.60	0.55
7	5	9	**Citicorp**	0.45	-0.57	0.57	0.62
8	7	7	**Chase Manhattan Corp.**	0.42	-0.91	0.65	0.65
9	1	2	**Republic New York Corp.**	0.39	0.16	0.85	0.93
10	10	10	**Manufacturers Hanover Corp.**	0.30	-1.49	0.54	0.54
11	8	6	**Chemical Banking Corp.**	-0.33	-1.17	0.70	0.70
12	12	11	**Mellon Bank Corp.**	-1.11‡	-2.59	0.54	0.67
			Mean Values for Group	0.41r	-0.87	0.69	0.68
			Median Values for Group	0.48	-0.86	0.68	0.66

Return on Average Equity

Rank 1987*	Rank 1987	Rank 1986		ROE 1987*	ROE 1987	ROE 1986	ROE 1985
1r	4	2	**Bankers Trust New York Corp.**	22.48	0.04	16.48	16.62
2r	2	1	**J. P. Morgan & Co., Inc.**	18.09	1.48	18.94	18.06
3r	3	4	**Bank of Boston Corp.**	16.42r	0.42	15.51	13.77
4	8	7	**First Chicago Corp.**	15.85	-34.23	13.40	8.31
5	11	12	**Continental Illinois Corp.**	14.70‡	-50.15	6.77	11.29
6	6	8	**Irving Bank Corp.**	13.20†	-22.95	13.24	12.96
7	5	6	**Citicorp**	10.63	-16.49	13.80	15.16
8	7	9	**Chase Manhattan Corp.**	9.55	-25.30	13.05	13.36
9	10	10	**Manufacturers Hanover Corp.**	6.99	-45.87	12.09	12.31
10	1	3	**Republic New York Corp.**	6.93	1.90	16.01	14.36
11	9	5	**Chemical Banking Corp.**	-11.36	-35.27	14.15	15.01
12	12	11	**Mellon Bank Corp.**	-27.62‡	-66.10	10.01	12.21
			Mean Values for Group	7.98r	-24.38	13.62	13.62
			Median Values for Group	11.92	-24.13	13.60	13.57

Data Sources: Unless otherwise noted, all data were provided to the *American Banker* by **Cates Consulting Analysts Inc., New York.** The data were compiled by the *American Banker*. **(*)**— Based on net income for 1987 that was **"adjusted"** by Cates to exclude the after-tax values of securities gains-/losses, nonrecurring items, and the one-time special provisions attributable to Third World debt. Cates calls this "recurring" net income. **(‡)**— Calculated by the *American Banker* from information supplied by the bank. **(†)**— Calculated by the company for this survey. **(r)**— Revised since publication on 6/14/88.

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Correction

Bank of Boston Corp. had the third highest adjusted returns on average assets and equity among money center banks last year; it did not have the best ratios, as reported in the *American Banker's* annual performance survey on June 14 (page 6). Data for the survey were provided by Cates Consulting Analysts, New York, and Bank of Boston submitted corrected data to Cates after publication.

Based on the adjusted ratios, J.P. Morgan & Co. was the top money center in return on assets, with an ROA of 1.10%. Bankers Trust New York Corp. was the top money center bank in adjusted ROE, with a ratio of 22.48%.

Recurring net income is net income minus the after-tax values of securities gains or losses, nonrecurring items, and the one-time special provisions attributable to Third World debt. The table above lists the money center banks in the corrected order.

Fleet/Norstar Pitches Loans to the College Bound

Special to the American Banker

PROVIDENCE, R.I. — Any day now, several hundred thousand high school seniors across the country will receive an unexpected letter from a northeastern banking company they may never have heard of — Fleet/Norstar Financial Group.

Most of these graduating seniors will already have received the letters they awaited anxiously for weeks, saying they have been accepted at a college or university this fall.

"Getting into college is a big step," the letter from Fleet/Norstar reads. "Now, we'd like to help you with the next one — working out the right way to handle the expenses."

The bank holding company's mailing marks its opening salvo into the national, multibillion-dollar competition among large New York and superregional banking companies to lend money to students for college. Fleet/Norstar company maintains dual headquarters in Albany, N.Y., and Providence.

CONSUMER FINANCIAL SERVICES
AN AMERICAN BANKER WEEKLY FEATURE

Section Begins on Page 8

The firm offers a comprehensive array of financial services for higher education launched under the name Focus — financial options for college and university students.

In addition to Fleet's loans, the services include a prepaid tuition plan, an equity-secured line of credit, student Visa card, and credit from the four major government-guaranteed student loan programs.

Fleet/Norstar has always been a local player in education lending, but its national student loan program will provide a calling card to families in all parts of the country as it seeks to expand outside the Northeast. The company hopes the students will carry the loans along with good memories of

Fleet/Norstar: Page 12 ➽

Consumer Survey Gives Nod to Credit Unions

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — Credit unions typically offer the best deals on checking accounts, concludes a special section on banking in *Consumer Reports* magazine, which is noted for testing everything from mortgages to microwaves.

"If you can live without the return of your canceled checks, credit unions are a good bet for low-cost checking," the magazine tells consumers, while warning them to scrutinize credit unions, just as they should other institutions, for such factors as minimum-balance requirements and fees.

Among other findings of the *Consumer Reports* survey of 120 banking institutions in 10 metropolitan areas: Consumers can save hundreds of dollars a year by shopping around even for a basic checking account.

In Boston, for example, the magazine found that a consumer with a "moderate-size" checking account might pay $180 a year to maintain that account at State Street Bank & Trust Co., while a similar account at Shawmut Bank might earn the consumer $34 a year.

Consumer Reports is published monthly by Consumers Union, a nonprofit organization, and claims a paid circulation of 3.5 million.

The special report on checking accounts is the first of three installments to help consumers "shop smarter" for banking products. The next two issues will cover recommendations for shopping for savings accounts, examining the safety of deposits, and evaluating loan products.

What the Institution Spends

In the just published July issue, *Consumer Reports* estimated what an institution spends to maintain an account and what it earns from lending the money. It then suggested what might be the reasonable costs assessed consumers for such as "an efficiently run account." For example, it said, a $5 penalty for bouncing a check "should be plenty."

Based on the magazine's overall calculations about reasonable fees, only 36% of the banks and thrifts surveyed offered this kind of good deal to the "average-balance customer," while 84% of the credit unions did. The magazine defined an average balance customer as one with $1,300 on balance and 21 checks written a year.

Bankers contend that credit unions typically can offer better deals because they are nonprofit organizations that pay no federal taxes.

Of the 120 institutions surveyed by *Consumer Reports,* 20 were credit unions.

Cheapest Accounts in Boston

Other findings from the survey:

• The least expensive accounts were found in Boston, where a person with an average daily balance of $1,300 could expect to pay about $38 a year for checking services. The most expensive were in Houston, where the same type of account could cost $120 a year. The "power of competition" kept prices lower, it said, noting that savings banks and commercial banks in Boston

Survey: Page 15 ➽

2 Arkansas Brokers Fined in Failure Of 2 Kansas Banks

By ANDREA BENNETT
Midwest Bureau

CHICAGO — The Arkansas securities commissioner has fined two Little Rock brokerage firms following an investigation into the firms' dealings with two Kansas banks that subsequently failed.

In consent orders made public this week, First Investment Securities Inc., a Little Rock broker-dealer since June 1983, was fined $10,000. U.S. Associates Inc., a registered broker-dealer since October 1986, was fined $15,000.

Six unnamed Little Rock securities firms were also investigated for their dealings with the two Kansas banks. The results of the examinations of those firms were not made public, but the Arkansas securities department said no further action is anticipated.

"There may be things in the best of all perfect worlds you might have wanted done differently, but [there were] no violations of law," said Beverly Bassett, the Arkansas securities commissioner, about the six firms.

The Arkansas commission began an investigation after receiving a letter in October 1987 from the Kansas banking department that questioned whether securities laws had been violated by the eight Little Rock firms in their dealings with the two Kansas banks.

The banks, the Mayfield State Bank of Mayfield and the Murdock State Bank, Murdock, were closed on Sept. 24, 1987. Regulators cited speculative securities trading at the banks, which had joint ownership, for the failures. The banks' joint assets soared from $16 million on June 30, 1987, to $85 million in August the same year.

In announcing the results of the investigation, Ms. Bassett said in a press release that broker-dealers have a duty to determine the suitability of a securities transaction recommended and executed for a customer.

According to the consent order, First

Arkansas: Page 15 ➽

Corporate America Needs to Nurture True Leaders

By LEONARD BERRY

MANAGING, administering, and supervising will not build a service-minded corporate culture. Only genuine leadership at all levels of an organization can overcome the temptations of service mediocrity and inspire people to be the best they can be.

The No. 1 reason service is so mediocre in American business today is the short supply of true leaders. Too many service workers in America are overmanaged and underled. They want to be free to serve and to exercise some judgment in service delivery; instead they are shackled with thick policy manuals that limit their flexibility. They seek feedback and coaching and recognition; instead they receive memos and commands and stares. They want to work in an achievement culture, to be challenged to be better than average, to be better than good; instead they work in a culture that accepts mediocrity as a way of life.

In every industry, there are pockets of inspired leadership and excellent service. But these pockets of excellence are the exception, not the rule. On the basis of 20 years working with service sector companies and a six-year research program on service quality in America, I am prepared to say in print that our service standards are too low, and our willingness to accept mediocrity as a given, as something about which nothing can be done, is too great.

When are we going to wake up and get serious about making our companies work harder and smarter for customers? If we wait much longer to raise our service aspirations and increase our intolerance of shoddy service, foreign companies and countries will dominate virtually every industry that we in America once dominated. If we wait much longer we will lose control of our economic destiny.

Berry Says:

Our service standards are too low, and our willingness to accept mediocrity as a given, as something about which nothing can be done, is too great.

We must start by understanding the imperative of leadership. In business firms and in business schools, we must do a better job teaching and nurturing leadership skills. But first we must understand what leadership means and realize that good managers are not necessarily good leaders.

Characteristics of Leadership

I have had the opportunity to work with some outstanding leaders over the years, both on campus and in the corporate community. My views on leadership have also been influenced by Warren Bennis and Burt Nanus, authors of "Leadership: The Strategies for Taking Charge," and by banker Nick Baker and researcher Evaldo Palmores, who are training school administrators to be better leaders. From these experiences I have derived the following list of a true leader's characterisics:

- Vision: Leaders have a vision of the future, a mental picture of what it is they wish their organization, or organizational unit, to be. Leaders always have an agenda. They see entire puzzles, not just puzzle pieces; they see the future, not just the present.
- Persistence: Leaders not only have an agenda, they are determined to carry it through. Leaders are role models of consistency. They have an agenda for the future and are rarely distracted from it. Some observers assume that it was Lee Iaccoca's charisma that saved Chrysler from extinction. I believe the key factor was Mr. Iaccoca's stubbornness; he simply would not be denied. Leaders like Lee Iaccoca find a way to do what they set out to do.
- High standards: Leaders are obsessed with their organization doing things right, not just doing the right things. They care deeply about excellence and are forever on the lookout for ways to improve the conduct of the business. Leaders are executors, not just strategists. They are attentive to the nuances and details of the operation, recognizing opportunities in small actions that competitors might consider trivial. Leaders believe that how an organization handles "the little things" makes a big statement about the organization to its publics. Leaders "major in minors."
- Direct communication: Leaders are relentless communicators. They coach. They praise. They cajole. They correct. They sermonize. They emphasize the richest communications medium, which is face-to-face communications. They communicate with their eyes and expressions and words and the example they set. They rarely write memos, preferring to see and hear from their audience. Leaders find the time to be visible, to listen and not just talk. They recognize they cannot really lead if they don't know the people to be led.
- Team-building: Leaders thrive on the building of teams. They are expert at bringing people together, breaking down barriers, opening up channels of communications, rallying the troops to the cause. They think in terms of "we" not "I." They give authority commensurate with responsibility and find ways to turn the spotlight on others when they come through. Leaders challenge the team to achieve, use the influence of their office and the powers of their persuasiveness to remove obstacles from the team's way, and use frequent meetings of the team to spark peer pressure, the strongest motivator of all.
- Self-confidence. Leaders are comfortable with themselves. They believe in their ability; they are confident in the value they add to their organization. As such, they have a capacity for listening to contrary opinions and unpleasant news that many in management positions lack. Leaders have a good enough self-image that they do not always have to "win" the debate. Accordingly, leaders are more likely to receive candid input from others and to benefit from these ideas and concerns.
- Integrity. Leaders cannot lead effectively unless others are willing to follow. Personal integrity is a principal factor in inspiring followership. The best leaders place a premium on fairness with all parties at all times. They do not wish to be party to devious practices. Their standard is not "what can we get away with" but rather "what is proper." Leaders are tough competitors, but they do not seek success by cheating. To a true leader, winning unfairly means losing.

Questions to Ask

The time for renewed attention to the issue of leadership is at hand. We need to ask hard, uncompromising questions about leadership in our organizations and we need to ask them now. Questions like:

- Do we know what leadership is in this organization?
- Do we look for leadership characteristics when we promote people, putting them in charge of other people?
- Do we reward leadership in this organization or do we punish it?
- Do we teach leadership in this organization — or do we teach something else?

I will be devoting future columns to the issue of what we can do in our organizations to nurture leaders. I invite my readers to write me with ideas, suggestions, stories, and examples, care of: Department of Marketing, College of Business Administration, Texas A&M University, College Station, Tex. 77843-4112.

The leadership challenge is urgent. We are running out of time. ■

Dr. Berry is Foley's/Federated Professor of Retailing and Marketing Studies at Texas A&M University and director of the Center for Retailing Studies. He is a past president of the American Marketing Association.

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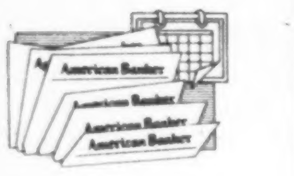
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- The Senate voted in favor of a two-year military draft for men aged 19 to 26. The draft was designed to provide 250,000 men for the armed services.

20 Years Ago

- The American Bankers Association urged Congress to pass legislation imposing strict controls on the sale and use of all types of firearms. Noting a mounting toll of deaths in the nation attributed to gunshot wounds, the ABA's administrative committee approved a resolution that stated: "The banking community is no idle spectator to this tragic trend of events. During 1967 there were 18 deaths at the scenes of attempted bank holdups."
- Wells Fargo Bank said it would convert to a national charter to acquire "more flexibility in its operations." Bank president Richard P. Cooley noted that national banks were permitted to operate their mortgage banking, equipment leasing, credit card, travel agency, and credit bureau activities through subsidiary corporations. As a state-chartered bank, Wells did not have such options. Wells Fargo was California's largest state bank and the 11th largest bank in the nation.
- The Supreme Court ruled that national banks were not subject to state sales and use taxes, reversing a decision by the Massachusetts Supreme Judicial Court.

10 Years Ago

- The Supreme Court let stand a lower court ruling permitting national banks to continue in the automobile leasing business. The court refused to review an appellate court decision in a suit brought by a group of independent automobile leasers against two western banks in 1973. The appellate court ruled that automobile leasing was a financial activity related to the business of banking and thus consistent with the National Bank Act.

5 Years Ago

- The Supreme Court, while noting that a 1934 law known as the Bank Robbery Act was originally enacted to prosecute gangster-style robberies, ruled that the law applied to crimes in which a person took money from a bank under "false pretenses."
- The Federal Reserve Board voted to require that the nation's 17 largest multinational banks maintain primary capital equal to at least 5% of their total assets — the same capital level required of smaller regional banks since December 1981.
- CBT Corp. and the Bank of New England Corp. announced that they planned to merge. Hartford-based CBT, Connecticut's largest bank, and Boston-based Bank of New England, Massachusetts' third largest bank, each had $5.1 billion in assets.

1 Year Ago

- American Express Travel Related Services Co. unveiled gift checks and said it would spend $4 million promoting the new product during the Christmas season.
- Manufacturers Hanover Corp. said it would boost its loan-loss reserves by $1.7 billion in the second quarter to reflect developments in foreign debt refinancing. The bank said the addition would result in a second-quarter loss of about $1.4 billion. Bankers Trust New York Corp. announced it would make a $700 million special provision to its loan-loss reserve, reflecting its exposure to economically troubled borrowers.
- Citicorp said it would sell its wholly owned South African subsidiary because of growing constraints on the unit's business operations. The bank said it would sell the unit, Citibank NA Ltd., to the First National Bank of Southern Africa Ltd., Johannesburg, for $38.2 million.
- Walter Heller died of a heart attack at the age of 71. He served Lyndon Johnson and John F. Kennedy as chairman of the President's Council of Economic Advisers from 1961 to 1964.

— **Domenica Trevor**

Fleet/Norstar Makes Pitch to College-Bound Borrowers

➻ Continued from Page 2

Fleet/Norstar when they settle down and need more banking services.

Besides providing an introduction to future customers, student lending also can be a way to diversify income, according to Fleet/Norstar officers.

"We're optimistic this is a business we can make a profit in," J. Terrence Murray, president and chief executive officer, recently told bank analysts meeting in New York.

California Unit May Earn $2 Million

Fleet Education Funding, a new arm of the company created to coordinate its education loan business, may only break even this year. But a California-based firm owned by Fleet/Norstar that processes student loans for a fixed fee should turn a $2 million after-tax profit in 1988, Mr. Murray said.

H. Jay Sarles, executive vice president, projected the banking company could do $150 million in originations this year, which would catapult Fleet/Norstar to a position among the nation's leaders.

Charles Diggs, president of Fleet Education Funding, said Fleet/Norstar originated 23,500 student loans totaling $58 million in 1987 and had a total outstanding portfolio of $340 million.

Fleet/Norstar sells many of the loans it originates but keeps all the servicing, for which it receives a fixed fee for each loan it processes.

Though rich with potential, student lending is not risk-free.

A recent Consumer Bankers Association survey of 126 financial institutions showed the average pretax return on assets for guaranteed student loans to be 0.36% to 0.76%. Most reported a return below the 0.6% expected by shareholders and managers, according to the trade group.

There is continuing talk in Washington of narrowing the interest rate spread that lenders are allowed on federally insured loans; such a measure would cut profitability.

Another proposal would require lenders to assume some of the risk of guaranteed student loans, which are now backed 100% by the federal government.

And because of the growing delinquency rate of student loans, the Education Department continues to push lenders to crack down on defaulters by tightening collection requirements.

This year, about $9 billion in loans will be made under the guaranteed student loan program, and a majority will be issued by the big money center banks in New York. In 12 years, the program has provided $70 billion in loans to 30 million students.

Citicorp Is Leader

Citicorp has been the industry leader for years, followed by Chemical New York Corp., Marine Midland Banks Inc., and two companies outside New York — Florida Federal Savings and Loan Association, St. Petersburg, and Wells Fargo & Co., San Francisco.

Among New England banks, Bank of Boston has been the largest student loan originator but ranks only 34th among all big lenders, according to the latest Education Department statistics.

Fleet/Norstar officials have sound reasons for entering the national student loan market at this time. While student enrollments have stayed constant at 12 million, they explain, the cost of a college education has escalated — becoming more unmanageable for many families.

At the same time, the Reagan administration has shifted its policy away from grants to loans for low-income students, leaving more students with a need to borrow more money.

"That indicated to us that the private sector must step in," said Mr. Diggs of Fleet Education Funding. "It also created an opportunity for us to develop another line of business."

For banks operating in an increasingly competitive market, student loans are an attractive business, because they are insured by the federal government, earn a floating rate of return, and expand the retail customer base.

But an equally important reason for Fleet/Norstar's entrance into the national student loan market was the potential to build loan volume for its profitable servicing company, Academic Financial Services Association, which Fleet Financial Group bought in late 1986.

"When Fleet bought AFSA, they saw the servicing was a good, profitable business — and one way to increase that servicing portfolio was to build loan volume," said Livia Asher, a bank analyst for Fox-Pitt Kelton Inc., New York.

Academic Financial Services Association, based in Long Beach, Calif., now services a $4 billion portfolio representing about 1.8 million loans from about 60 financial institutions and 800 colleges and universities, said Richard Kipper, president.

Fleet/Norstar originates only 8% to 10% of the loans that Academic Financial handles. The Student Loan Marketing Association, or Sallie Mae, the national secondary market, is its biggest client. Sallie Mae provides about 25% of its loans and has a servicing contract with Academic Financial through 1989.

Mr. Kipper said that if the federal government cuts back the profit spread allowed to private lenders on guaranteed student loans, servicing companies may be the beneficiaries.

"As banks get a lower yield, they will look internally at their servicing cost and may find they can get a better price through us," said Mr. Kipper.

Originators and Holders Of Student Loans

Top Student Loan Originators	Year Ended 9/30/85 ($ Mil.)
Citibank, New York	$357
Florida Federal Savings and Loan	153
Wells Fargo Bank, California	129
Chemical Bank, New York	112
Marine Midland Bank, New York	107
Chase Manhattan Bank, New York	92
Manufacturers Hanover Trust Co., New York	88
Bank of America, California	85
Union Trust Company of Maryland*	73
First Interstate Bank of Arizona	72

Top Student Loan Holders	On 9/30/86 ($ Mil.)
Sallie Mae	$7,300
Citibank, New York	1,600
Chase Manhattan Bank, New York	807
Florida Federal Savings and Loan	589
California Student Loan Financial Corp.	564
Chemical Bank, New York	554
Marine Midland Bank, New York	445
Manufacturers Hanover Trust Co., New York	385
Virginia Education Loan Authority	379
Pittsburgh National Bank	311

*Changed to Signet Bank/Maryland in 1987

Source: Department of Education

American Financial Service Association's major competitor is First-Wachovia Student Financial Services, a division of North Carolina-based First Wachovia Corp.

First Wachovia's servicing portfolio is $2 billion and processes 2 million loans from 900 colleges, universities, and financial institutions from 46 states.

Though a leading servicer, First Wachovia is not a major originator of education loans. Other major lenders, such as Citibank, Chase Manhattan, and BankAmerica, do their own servicing.

Fleet/Norstar plans to drive up loan volume to build its servicing portfolio through the Focus program.

"Rather than waiting for students to walk through the door, we go out seeking business," said Mr. Diggs, 41, a marketing specialist with 10 years at Fleet.

Fleet Education Funding kicked off a direct mail campaign earlier this spring to local, regional, and national customers, high school seniors, and college freshmen. In addition, some colleges and universities have joined Fleet/Norstar in this effort and are making separate mailings to inform students of the company's offerings.

One full-time lending officer responsible for student loans has been placed in each of Fleet/Norstar's seven banking centers. There are four centers in New York and one each in Connecticut, Maine, and Rhode Island.

"No other financial institution has put together so many education funding options from a single source for families of all income levels," Mr. Diggs said.

The key component is a Universal Education Loan, a privately guaranteed loan that lets families borrow up to $15,000 a year to a maximum of $60,000 over four years.

Mr. Diggs expects Fleet/Norstar's student loan portfolio will be split, with 75% of federally guaranteed loans and 25% privately guaranteed loans.

That could change, however, if the Education Department significantly changes the federally insured loan program to reduce the huge number of loan defaults.

The Education Department estimated student loan defaults will cost the U.S. Treasury $1.6 billion this year, up 20% from last year. The defaults represent the third biggest item in the Department of Education budget. The cost is projected to grow to $2 billion by 1990.

To curb defaults, new rules were imposed earlier this year to tighten due-diligence collection procedures that lenders must follow before making a default claim, causing rejection of up to $400 million in lenders' claims. The department felt lenders were not trying hard enough to collect loans.

The new government rules sparked tension among educators and lenders, many of whom threatened to back out of the program.

Lobbying Reaps Eased Policy

In March, Fleet/Norstar and other lenders lobbied in Washington against the new rules. They won a more flexible policy, in effect through last May 1. The relaxed policy made it easier for lenders to handle delinquent loans, without the threat of losing government guarantees.

The Department of Education is feeling continued pressure from education leaders in Congress to enact even more rigorous rules and regulations this fall.

In addition, the Education Department's proposed budget calls for cutting the federal guarantee from 100% of the loan to 90%. Congress will decide on the issue by this fall.

Last year, the government cut the margin that banks could tack on to Treasury-bill yields to determine the interest rates on student loans. The spread was cut from 3.5% to 3.25%.

Lenders say the government is considering another 25-basis-point cut in the spread. If that cut becomes a reality, 56% of the 123 largest student lenders say they will slash their programs or drop out of the guaranteed loan program, according to a survey by the Consumer Bankers Association.

"If it is cut further, you will see more and more institutions drop out of the program," said Mr. Diggs, "We are committed to student lending. But significant changes in the rules could cause us to move away from guaranteed student lending and toward more privately insured loans." ■

The Monitor: Issues and Trends

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targeted markets."

Mr. Rinella insists that Lifetime is not just the latest financial services marketing fad.

"This really represents a long-term training program or development program for our employees," he said. As such, it is another step in changing the industry from order-taking to a sales culture. The Chicago thrift executive said that St. Paul Federal has for some time embraced a sales culture, complete with sales incentives and commissions. And the thrift's sales force, according to Mr. Rinella, is now ready for the next step.

"The next step now is bringing them into the financial planning type of role, because that's what our customers really need. They're looking for help." He added: "This program is meant to educate and transform our employees so that they can become financial planners."

The Lifetime program grew out of research that St. Paul began in 1985. The thrift found that its average customer has relatively simple financial goals — establishing credit, buying a home, sending the children to college, and maximizing the retirement nest egg. It also found that this average customer at times is confused and even intimidated when dealing with the array of financial products now available at banks and thrifts.

In addition to consumer confusion, deregulation also wrought a whole new competitive environment for St. Paul Federal, which used to be a traditional, mortgage-making savings and loan association. The institution's expanded product line, in addition to checking, savings, and credit vehicles, now includes insurance and investment services. The thrift owns its own insurance agency and brokerage.

According to Mr. Rinella, the Lifetime program is the result of St. Paul Federal's desire to tie together its diverse product line.

"But we wanted to do more than just develop an asset management account or a CitiOne-type account," he said. "We wanted to develop a package and target it to major groups of our customer base." Thus, St. Paul Federal spent two years on internal development of what has become the six Lifetime accounts.

Mr. Rinella has great expectations for the program. He believes that, in the future, Lifetime account holders will represent a solid core of deposits and customer relationships.

"The program is a means to support our positioning in the marketing place," he said. And it "is a key to developing the primary financial relationships with customers." ■

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Today

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Nonperforming loans to Argentina threaten to jolt rebounding bank earnings, but the shock is not expected to be as severe as occurred when Brazil declared a moratorium on loan repayments 15 months ago. ____ 2

James G. Baldini resigned abruptly as president of ComFed Mortgage Co. Jack C. Zoeller, an executive vice president, was named successor to Mr. Baldini, who helped build ComFed into one of the largest mortgage lenders in New England. ____ 2

The new president of the mortgage insurance companies' trade group, William Lacy, defended the industry against mounting criticisms. ____ 2

The Fed adopted official fee and deadline schedules for the check collection and return services it will begin offering when new regulations take effect Sept. 1. ____ 3

The first ATMs in the Soviet Union will be installed by American Express Co. in September. The company signed a joint venture agreement with the Bank for Foreign Economic Affairs of the USSR to set up ATMs to dispense travelers checks and Soviet 10-ruble notes. ____ 7

Solvent thrift executives resent the extra premium assessed by FSLIC to bail out or close ailing S&Ls. ____ 10

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THRIFTS & MORTGAGES

The chairman of Investors of Florida Savings Bank plans to build a major mortgage franchise by buying up bankrupt syndicators. ____ 5

A bill to curtail direct investments by thrifts has been introduced by Rep. Jim Leach, R-Iowa. The Leach measure would require the Bank Board to adopt regulations for S&Ls similar to those on the books of the regulatory agencies of commercial bank. ____ 5

More attention should be paid to proposed remedies for the ailing thrift industry than to estimating the costs of bailing it out, writes Henry Peltz in the Observer column. ____ 4

Worth Repeating

They have called us a lot of things — a white serf instead of a white knight. They say we are part of the Italian government. None of these things, I think, are befitting a member of the international financial community, and none of these things do I accept.

Mario Arcari, managing director, Banca Commerciale Italiana. [Page 1]

BCI Angry over Bank of New York Tactics

By JOHN J. DUFFY

MILAN — When he talks of the long running tug-of-war between the Bank of New York and Banca Commerciale Italiana for control of Irving Bank Corp., Mario Arcari's eyes alternatively flash amusement and anger.

When it comes to some of the Bank of New York takeover tactics, however, anger is clearly the dominant emotion. "It's been mainly a lot of B.S.," said Mr. Arcari, formerly chief executive officer at Long Island Trust Company and currently one of Banca Commerciale's two managing directors.

"They have called us a lot of things — a white serf instead of a white knight. They say we are part of the Italian government. None of these things, I think, are befitting a member of the international financial community, and none of these things do I accept."

The fight between Banca Commerciale Italiana and the Bank of New York for control of Irving moved into a new phase Wednesday when Bank of New York increased its offer to roughly $75 in cash, stocks, and dividends for each Irving share it does not already own.

That compares with a BCI offer of $80 a share, plus interest payments and special dividends, for 51% of Irving.

BCI chairman Enrico Braggiotti said the new offer was being studied. "We do note that in light of the offer's significantly dilutive effect on the Bank of New York's stock, there is a great deal of uncertainty about the true value of its proposal," he said.

At the head offices of Banca Commerciale Italiana here in the Piazza della Scala, which overlooks the famous Scala opera house, BCI executives are clearly digging in for a fight. With a six-hour time difference between Milan and New York, BCI executives are often still in their offices at 9 or 10 p.m. awaiting the latest bid developments from New York.

'They have called us a lot of things — a white serf instead of a white knight.'

— Mario Arcari

In spite of the long hours, Mr. Arcari and Mr. Braggiotti believe they have made good progress in educating the American banking community about both the reasons for the bid and how state-owned Italian banks operate.

"At the beginning, the response from American analysts and the American press was very negative," Mr. Ar-

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Loss of Centerre Bid Leaves Mercantile Vulnerable

By RICHARD RINGER

ST. LOUIS — The battle between Boatmen's Bancshares Inc. and Mercantile Bancorp. to acquire Centerre Bancorp. was not just a fight for control of a bank. More important, the crosstown competitors were fighting for long-term independence.

With Boatmen's victorious $467 million offer on Tuesday, its future seems a bit more secure. Mercantile, analysts said, will be looking over its shoulder at potential acquirers.

When completed, the Centerre acquisition will increase Boatmen's assets to $14.7 billion from $9.9 billion, making it the 41st largest bank company in the country and the largest by far in the region. Mercantile is the next largest Missouri bank, with $6.8 billion in assets.

The acquisition of Centerre "certainly reduced the chance" of another bank company acquiring Boatmen's, said Donald N. Brandin, a director of Boatmen's. "It would be very difficult to acquire somebody of our size.

"Banking consolidation is sweeping across the country. It is inevitable," he said in an interview at Boatmen's offices shortly after the agreement was announced. "We think this size will put us in a better position to compete more effectively with some of the emerging superregionals that are developing in the East."

The stock market on Thursday confirmed that Mercantile was back in play as a takeover target. Mercantile's stock rose to $26.75 from $24.75 a share yesterday in heavy trading.

The Boatmen's-Centerre agreement ends six months of efforts by competing Missouri bank holding companies to get control of Centerre. Several out-of-state holding companies also had expressed an interest in acquiring all or

Loss: Page 14 ➔

How Merger Adds Up

Combined totals for Boatmen's and Centerre (March 31 data)

Banks	49
Bank locations	217
Assets (billions)	$14.7
Deposits (billions)	$11.0
Net loans (billions)	$8.4
Primary capital to assets	7.91%
Net income[1] (millions)	$32.0
Employees	8,950

[1] First quarter

Bank managers spend less than 25% of their time looking for new business.

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Ex-InterFirst Director Faces Fraud Charges

By JIM McTAGUE
Washington Bureau

WASHINGTON — Federal prosecutors Thursday charged Edwin L. Cox Jr., a former director of InterFirst Bank Dallas, with fraud in connection with his 1986 default on an $80 million loan.

Mr. Cox, scion of one of the wealthiest families in Texas, faces five years in prison plus a $250,000 fine, according to Jack Williamson, the U.S. attorney in charge of criminal investigations for the Dallas district.

In November 1987, Mr. Cox repaid the loan plus interest to FirstRepublic Bank Corp., which had merged with the parent company of InterFirst Dallas. Mr. Williamson said the repayment most likely would be taken into account if Mr. Cox is convicted.

The prosecutors charged that Mr. Cox filed false financial documents with the bank in order to obtain the loan, misleading bankers about his financial condition as well as the value of the cattle pledged as collateral on the borrowings. He will be arraigned on June 24 in Dallas.

Mr. Cox, 40, could not be reached for comment Thursday. His spokesman, William Graham, did not return phone calls.

Mr. Cox previously said he always had intended to repay the loan.

Former employees of the defunct InterFirst Bank Dallas, who lost their jobs when the bank failed, have charged that Mr. Cox used his status as a director and a longtime bank customer to mislead loan officers.

Contributed to Bank's Large Loss

The news of the default created a sensation in Texas. On July 15, 1986, InterFirst Corp., the bank's parent, announced it would report a $281.1 million loss in the second quarter. The Cox loan was identified as a "material amount" in the loss.

The bank made a criminal referral to the Justice Department. Mr. Cox's allies have maintained that if the multimillionaire had not had such a high profile, the case would have been dropped.

"Certainly the Attorney General has something better to do than to go after someone who had a technical glitch in his operations but eventually paid back his loan," a lawyer for Mr. Cox said several months ago.

Mr. Cox's father is an oilman who was one of InterFirst Corp.'s founding directors. The business school at Southern Methodist University is named after him.

The former bank employees, who spoke on the condition of anonymity, said the younger Mr. Cox had a 15-year banking relationship with InterFirst. As a director of the corporation's flagship bank in Dallas, he was a member of the loan review committee, they said.

The ex-employees said they were shocked in June 1986 when Mr. Cox first announced that he could not repay his loan and would declare bankruptcy if they did not work with him.

The day he defaulted on the loan, Mr. Cox had told them he was bringing his cattle company's new chief financial officer to the bank for a visit, the former employees recalled. Instead, he walked into bank president James Irwin's office with bankruptcy lawyer Henry Simon and announced, "I have a huge problem — I'm busted," according to one of the former employees, who was at the meeting.

The bankers said that Mr. Irwin then walked "like a zombie" into chairman

Ex-Director: Page 15 ➜

Downgrade Looms on Argentine Loans

But Reduction in Profits Would Not Approach Brazil Losses

By BART FRAUST

NEW YORK — Bank earnings, on the rebound in the first quarter, face a new jolt this year — the potential for billions of dollars in nonperforming Argentine loans.

But the shock to bank profits will not be as severe as occurred when Brazil declared a moratorium on loan repayments 15 months ago, analysts said.

U.S. banks' exposure to Argentina is about half as large as it is to Brazil. And no major moves to bolster reserves are expected, unlike what happened in the aftermath of the Brazilian moratorium.

In addition, Argentine debt talks are starting as the banks close in on an agreement that would allow Brazil to resume interest payments on its bank debt. Resumption of interest on Brazilian debt would more than offset loss of income from Argentina, analysts said.

The earnings impact from Argentina could be felt as early as this quarter, particularly if the International Monetary Fund in meetings this month with Argentine officials does not approve additional disbursements of a $1.9 billion loan package signed last year.

The first large bank holding company to declare Argentine debt nonperforming so far this quarter is Wells Fargo & Co., which recently classified $15 million of its $125 million Argentine debt as not accruing interest.

Other large banks said there are no immediate plans to declare Argentine loans nonperforming.

Argentina, with $54 billion in debt, is the third largest Latin American debtor, after Mexico and Brazil. The nation has not paid any interest on $35 billion in medium-term and long-term debt since the end of March.

A team of IMF officials flew to Buenos Aires this week to begin talks with Argentine officials, banking sources said. Argentina also still has available $150 million in existing bank loans and World Bank loans from which it could pay the first-quarter interest, the bankers said.

"There are funds that could be made available if Argentina moves quickly," said one banker.

But even with additional disbursements from the IMF and other lenders, bankers and analysts believe there is a strong possibility that, some time this year, much of Argentina's bank debt will not accrue interest.

"By the end of the third quarter, I think two-thirds of Argentina's loans will be nonperforming," said Lawrence Cohn, money center bank analyst for Merrill Lynch & Co.

Mr. Cohn was referring to Argentina's public debt. The country has permitted interest payments on private and trade-related debts.

Talks to Start in July

Argentina is expected to formally begin negotiations with the banks next month on restructuring its existing debt and on obtaining $2 billion in new loans.

"The country could run out of cash before the negotiations are complete and some time in the next few months could be in a de facto moratorium on interest payments," said Ronald Mandle, money center bank analyst for PaineWebber Inc., in a recent report.

Argentine government officials have stated repeatedly that unlike Brazil, they do not plan to declare a moratorium on foreign debt, but if they do not have the cash, they will not be able to repay the banks.

However, Argentine presidential elections are scheduled for next year. Analysts think growing support for a moratorium among opposition groups could pressure Argentine President

Argentina: Page 15 ➜

Argentina vs. Brazil Exposures

Dollar amounts in millions

	Argentine Exposure	Brazilian Exposure	Argentine Impact as % of Est. EPS	Brazilian Impact as % of Est. EPS
Bankers Trust	$264	$832	2.1%	5.7%
Chase Manhattan	1,010	2,740	7.8	21.2
Chemical	424	1,528	4.3	15.6
Citicorp	1,400	4,300	4.5	13.9
Manufacturers Hanover	1,540	2,117	16.5	22.7
J.P. Morgan	897	1,912	4.0	7.3
First Chicago	294	769	3.4	6.9
BankAmerica	673	2,701	10.0	26.7
First Interstate	90	305	1.2	4.2
Security Pacific	200	618	1.5	4.5

Source: PaineWebber

PEOPLE

Baldini Leaves ComFed Mortgage

By PHIL ROOSEVELT

NEW YORK — James G. Baldini, who helped build ComFed Mortgage Co. into one of the largest mortgage lenders in New England, resigned as president on Thursday with little explanation.

Jack C. Zoeller, who joined the Lowell, Mass.-based firm last year as an executive vice president, was immediately named to succeed him.

Under Mr. Baldini, the mortgage unit of ComFed Bancorp expanded from originations of $32.6 million in 1982 to $2.2 billion last year. The firm has the largest share of Massachusetts home mortgage originations, and possibly the largest share of the New England market.

Jack C. Zoeller

A ComFed announcement said Mr. Baldini, 39, was resigning for "personal reasons." But ComFed officials refused to elaborate, and Mr. Baldini could not be reached for comment.

Some New England rivals said they understood that Mr. Baldini was planning to start his own mortgage company. "He's been trying to raise capital for a few months now," one lending executive said.

The ComFed announcement noted that Mr. Baldini has agreed not to compete with the company through the end of this year.

At ComFed, analysts and competitors said, Mr. Baldini had worked especially hard to establish a strong sales force. His own compensation was tied to origination volume; last year it reached $2.7 million, exceptionally high for the industry.

Mr. Zoeller, by contrast, has made his name in capital markets. Hired by ComFed in September to lead secondary market activities, he was previously president of Capital Risk Management Corp., an Iselin, N.J.-based investment banking firm.

In an interview, Mr. Zoeller said that he has been working closely with the sales force ever since he arrived at ComFed.

"The entire sales force and the entire management team is intact," he added. He said that ComFed will seek "continued development of new products and growth in market share."

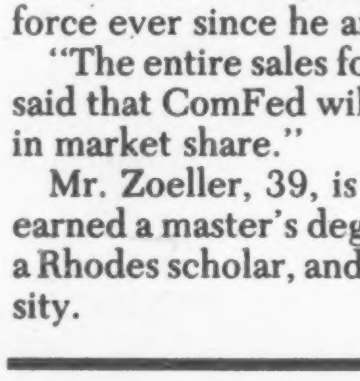
Mr. Zoeller, 39, is a graduate of the U.S. Military Academy at West Point. He earned a master's degree in public policy from Harvard University, was selected as a Rhodes scholar, and received a master's in politics from England's Oxford University. ■

Mortgage Insurance Chief Defends Trade

NEW YORK — William Lacy, president of the Mortgage Guaranty Insurance Corp., became the leader of the private mortgage insurance industry this week amid mounting criticisms of the trade by thrifts and others.

"Today, the private mortgage insurance industry is under attack," Mr. Lacy told a Washington meeting of the Mortgage Insurance Companies of America.

"If we expect to continue our role, we have to do a better job of defending ourselves," he added. "We have let people exaggerate and distort facts."



William Lacy

Mr. Lacy takes the reigns of the trade group as the industry continues to reel from thousands of mortgage defaults in the economically troubled Southwest. And the February collapse of the TMIC Insurance Co., a large Los Angeles-based mortgage insurer, adds to the sea of troubles he faces as he starts his two-year term as president.

In the latest assault on the industry, members of the U.S. League of Savings Institutions have begun complaining that mortgage insurers are lax in making claims payments and that they fail to pay in full.

"There have been a ton of complaints," said Dall Bennewitz, a senior vice president for the thrift group.

A special Savings League panel is exploring the issue, he said, and plans to survey lenders to measure the full extent of the problem.

In an interview, Mr. Lacy asserted that the complaints are coming from a small number of "very loud" lenders, adding that perhaps an arbitration board should be established to handle lender gripes.

— Phil Roosevelt

June 17, 1988, American Banker

S&Ls Will Continue to Occupy the Low End of the Playing Field

By HENRY PELTZ

A BILL has recently been introduced in Congress to extend the moratorium that has prevented thrifts from leaving the Federal Savings and Loan Insurance Corp. fund for one year. Due to expire on Aug. 10, 1988, the moratorium seems likely to be extended into 1989 in light of (1) the financial plight of the FSLIC, (2) the likelihood of continuing losses by this insurance arm of the Federal Home Loan Bank system, and (3) the reluctance of Congress to rule on this politically sensitive issue in an election year.

Another nonevent has been the announcement by Bank Board Chairman M. Danny Wall that the special insurance assessments on savings and loans by the FSLIC are likely to be levied for a number of years to come. Mr. Wall softened the message, however, by indicating that consideration would be given to reducing the premium for the more creditworthy institutions.

The root of the FSLIC's problems lies in lax lending and underwriting policies by thrifts, their commitment of substantial funds to speculative real estate projects, and weakening demand for housing and commercial space in various parts of the country.

Clearly, the cost of bailing out thrifts that are dead or dying because of bad management, bad accounting, bad regulation, and even bad legislation will be enormous. Trying to estimate the total cost is an exercise in futility, because that cost will ultimately be determined by the course of economic events, about which no one can be certain. More fruitful, perhaps, is to consider remedies, many of which are already under discussion by the regulators.

'Any remedy is likely to include tighter enforcement of regulations on risk taking by thrifts.'

Any remedy is likely to include tighter enforcement of regulations on risk taking by thrifts and close oversight of thrift managers. Many such regulations already exist, but other new regulations or laws may also be in order.

Problems with Fund Merger

Structural changes, such as the merger of the FSLIC and the Federal Deposit Insurance Corp., are also being weighed in Washington. Given thrifts and banks in reasonably good health, such a merger might make sense. Under current conditions, however, a merger might well result in a dangerous drain on both funds and, hence, accomplish nothing. Another recent proposal is the formation of a new superagency that would take over the insurance function of both the FDIC and the FSLIC.

Based on public utterances from the heads of both funds, and the judgment of the General Accounting Office, the FSLIC appears to have the greatest problems at the moment.

In the private sector, when an insurance company starts to show underwriting losses, premiums are increased and efforts are made to reduce exposure to loss. Should not the FSLIC and the FDIC do the same?

Insurance of deposits has increased during the past 30 years from $5,000 per account to the current $100,000. Perhaps both funds shouldreduce the insured portion of deposits to $25,000 to $50,000 and charge premiums directly to depositors who wish to keep larger balances.

This would obviate the argument by the thrift industry that it should not bear any further increases in deposit insurance rates. Presumably some kind of regulation could also be worked out that would facilitate the levying of insurance premiums on large depositors who invest their funds in thrifts through brokers or investment bankers.

New Limits May Trigger Withdrawals

The fly in the ointment is, of course, that a change in the limits on insurance of accounts might trigger an outflow of savings deposits, especially to the money market funds. These repositories invest principally in U.S. Treasury obligations and other high-grade short-term securities, and therefore need no insurance.

With their low-overhead these funds can pay out a high proportion of their interest income to savers, and because of their substantial liquidity they pose a severe threat to the savings role played by both thrifts and banks. In fact, some observers believe that the savings role of both these financial institutions is becoming obsolete because of these funds.

There may be no ready solution for the money fund problem. Perhaps, in time, if the thrifts can't "lick 'em," they will "join 'em." We have often wondered why thrifts have been eager to offer stock and bond mutual funds to their clientele but not money funds, which would reasonably be expected to protect their savings flows, albeit at a low rate of return to the thrift.

Thrift executives often protest that they are not playing on a level field vis-a-vis commercial banks in terms of deposit insurance. An argument can be made that government deposit insurance is the same commodity whether the deposit is in a bank or a thrift.

This is because failure of either the FSLIC or the FDIC would probably result in a call on the Treasury (for which read the taxpayer). If the U.S. government is, in fact, the insurer, why should the two funds charge different premiums for the same service?

Yet because the banking industry is in better shape than many thrifts, and the Oil Patch seems to be a bigger problem for the thrift industry than for the banking industry, FDIC insurance premiums are lower than those of the FSLIC.

There are other reasons for the disparity in premiums, some relating to past differences in regulation between the two industries and some to the more diversified nature of commercial bank lending and funding (so that banks came through 1980-82 in better shape than thrifts).

In addition, we suspect that deregulation has had a more profound effect on thrifts than on banks and that the adjustment by thrifts to a deregulated environment has been more problematic.

Whatever the reasons, the level playing field problem may not go away soon. ■

Mr. Peltz is vice president and senior thrift analyst at Keefe, Bruyette & Woods Inc.

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LETTERS TO THE EDITOR

Roth Biographer Disputes Reading of Comptroller's Report

To the Editor:

Thank you for reviewing "People's Banker" in your issue of June 3. ["Leveraging Lollipops: Memoirs of a Marketer," page 20] It is gratifying to know that your reviewer, Robert Paul Molay, finds the book "highly readable."

However, while generously crediting Arthur T. Roth for his innovative contributions to U.S. commercial banking, Mr. Molay seems to have misread the report by James E. Smith, former comptroller of the currency, which deals with the failure of the Franklin National Bank.

Smith, whose report to the House Banking subcommittee on financial institutions, supervision, regulation, and insurance is reprinted in full as an appendix in "People's Banker," stated:

"During the five-year period 1963-68, when Roth was chief executive officer, Franklin had no serious problems or extraordinary deficiencies. The troublesome problems with the bank started in 1969.

"Roth was removed as chief executive in July 1968."

The quotation that Mr. Molay took from a bit later in the comptroller's report on the bank's "deteriorating condition," failure to establish confidence, etc., obviously does not apply to Roth. As the comptroller made clear, Franklin's percentage of classified assets to gross capital funds had been reduced to 16.2 by 1969.

This was accomplished under Arthur Roth's leadership, as described in "People's Banker." During Roth's last year as executive, Franklin's stock rose in price from $31.50 to $46.50.

In fairness to Mr. Molay, it is easy to misread the comptroller's report. It overlaps dates, mixes verb tenses, and blurs eras of executive responsibility.

Smith did not like Roth, yet in the context of his total report, Franklin's deficiencies fall on those who succeeded Arthur Roth, several of whom went to prison for criminal acts.

The comptroller's report was an apparent effort to explain his failure to act in spite of warnings from Roth to Smith, the Federal Reserve, the Federal Deposit Insurance Corp., and other regulators and agencies. The comptroller admits that his office "was not sufficiently aggressive" and "might have held meetings with bank management in 1973."

But Roth had been sounding the tocsin since 1972. The Comptroller's office did not take any important action against the bank until the summer of 1974, when Franklin was too far gone to be rescued.

As Mr. Molay notes, comments and reports critical of Arthur Roth are included in "People's Banker." However, the comptroller's report, while critical of Franklin, did not criticize Roth.

Rather, up front, it clearly absolved Roth, if absolution is necessary. Roth was responsible for Franklin's extraordinary success, as the record shows, not for its failure.

Walter S. Ross

Mr. Ross is the author of "People's Banker: The Story of Arthur T. Roth and the Franklin National Bank"

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

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Argentina's Bad Debt May Hurt US Banks as Early as This Quarter

➞ Continued from Page 2

Raul Alfonsin to support an outright suspension of payments. Antonio Cafiero, a leading Peronist candidate for president, has supported a limited moratorium.

"The elections create a degree of uncertainty," a banker said.

Mr. Mandle predicted that, in most cases, the impact on bank earnings of Argentina will be much less than from Brazil.

He said Manufacturers Hanover Corp., with $1.5 billion in Argentine loans, would feel the biggest impact on earnings per share. The analyst forecast that failure of Argentina to pay interest would shave 16.5% off his $8 estimate of Manufacturers' 1988 earnings per share.

BankAmerica Corp., with $673 million in Argentine loans, would feel a 10% impact, Mr. Mandle said.

But Citicorp, with $1.4 billion in Argentine loans, would feel only a 4.5% impact on earnings per share.

Bankers are posturing that the existence of nonperforming loans would make the negotiations more difficult. "It will be hard for Argentina to get new loans if its old loans are on nonaccrual," one banker said.

Many bankers and analysts expect negotiations with Argentina to be tougher than those with Brazil, which have continued since last September and are not over yet. Brazil's lead banks are currently trying to line other banks to participate in a new $5.2 billion loan. The proposed agreement also includes a 20-year rescheduling of $62 billion in existing Brazilian debt.

During his recent visit to New York, President Alfonsin informally started negotiations by urging bankers to reduce interest on existing debt to 4% a year for three years. Currently, Argentina pays a market rate based on the London interbank offered rate plus one percentage point.

Bankers are expected to balk at the proposal.

"I think the banks are fed up with Argentina," said Merrill Lynch's Mr. Cohn. "The talks are likely to be much messier than with Brazil. The borrower is more intransigent, and the economic performance of the country is weaker." ■

Ex-Director of InterFirst Bank Dallas Charged with Fraud in Loan Default

➞ Continued from Page 2

Robert Stewart's office to break the news.

"Buddy, I've got a problem and you have a problem," one banker heard him say.

The former employees say they are unsure how Mr. Cox lost his money. As for the cattle that collateralized most of the borrowings, one of the former employees said: "He [Cox] said there wasn't any cattle. Mr. Cox didn't elaborate. He wouldn't elaborate."

Between 1979 and 1984, Mr. Cox would borrow money from the bank every April to finance cattle operations, the former employees said. By fall, he usually paid back the loan. But in late summer of 1985, Mr. Cox asked to roll the loan over every 90 days, according to the bankers.

Mr. Cox said he was enlarging and diversifying his business, they said. Later that year, he purchased Swift Independent Packing Co., the nation's no. 2 meat processor, they said.

The former employees said that loan officers grew suspicious and decided to visit West Texas to inspect the cattle that were pledged as collateral on all but $10 million of the loans. They were put off by Mr. Cox several times.

One loan officer was reprimanded by his superiors in May 1986 for badgering Mr. Cox, the bankers said.

After Mr. Cox defaulted, InterFirst's lawyers concluded they could get him to pledge his valuable ranch land as additional security. Only then did they learn he already had transferred the most valuable parcels to his father to satisfy a $14 million loan from the summer of 1985.

Mr. Simon, the bankruptcy lawyer, has said that Mr. Cox didn't deliberately mislead the loan officers, because Mr. Cox did not have a clear picture of his financial situation. ■

Prudential-Bache Loses Last Appeal In $3.7 Million Suit Against Citibank

Special to the American Banker

NEW YORK — A state appellate court has upheld dismissal of a $3.7 million suit against Citibank by Prudential-Bache Securities Inc.

The suit claimed Citibank was partly responsible for an embezzlement scheme masterminded by a former Prudential official.

The 3-to-2 decision was filed Wednesday by the Appellate Division of the state Supreme Court, First Department. The minority issued a sharply worded dissent accusing Citibank of "serious banking malfeasance."

The case arose from an $18.9 million scam by John Efler, former head of the Prudential department that dispensed dividends and interest payments to clients. Mr. Efler used accounts at Citibank and Bank Leumi to launder the stolen funds.

Mr. Efler and his coconspirators withdrew cash in amounts called "niners," slightly less than $10,000. Withdrawals over $10,000 would have required filing cash transaction reports with the Internal Revenue Service.

Mr. Efler was sentenced to 20 years in prison in 1984 for his part in the fraud. Eight others also pleaded guilty, including two former Citibank employees who admitted they accepted bribes.

The dissenting opinion charged that the majority on the appellate court "condones what appears to be serious banking malfeasance on the part of the defendant . . ." The cash withdrawals were made with the "connivance" of at least two Citibank employees, the opinion noted.

Also noted in the minority opinion was testimony before a federal grand jury that the branch manager and others at Citibank might have been aware of these accounts. But there was no evidence that these officials had also been bribed, the dissenters said.

The minority opinion concluded that, apparently, the officers and employees at the bank "winked" at checks that were slightly below $10,000.

The majority issued no opinion, but relied on the reasons given by Justice William P. McCooe when he dismissed the case in the lower court. The judge said Prudential wasn't entitled to recover any of its loss because it, not the bank, had been in the best position to detect the fraud. ■

Fed Gives Nod to Thrift For Holding Company

HOLYOKE, Mass. — The Federal Reserve Board has given Vanguard Savings Bank here final approval to form a bank holding company, Affiliated Banc Corp., according to Joseph P. Shiel Jr., who will be chairman and president of the bank and the holding company.

This enables management to move into a "variety of bank-related activities as we continue the successful expansion of the Vanguard Bank network," Mr. Shiel said.

Each share of Vanguard common stock will automatically convert to one share of of Affiliated Banc Corp. common. The stock will trade on the NASDAQ National Market System under the new symbol ABCV.

Affiliated Banc Corp.'s sole subsidiary, Vanguard Bank, is a state-chartered savings bank insured by the FDIC. Headquartered in Holyoke, Vanguard currently serves western Massachusetts through seven banking offices. ■

Would . . .

➞ Continued from Page 13

ations occur to Chris. He has no evidence to support his report and Jim may simply deny the charge if it is made. The successful suitor in this case turned out not to be the multinational customer whose acquisition plans Jim had originally overheard.

Jim is a very popular guy in the group; accusing him in this way could expose Chris to unfavorable repercussions. Finally, bankers hear all kinds of rumors and certainly are permitted to invest in stocks, so where should the line be drawn?

Do you believe Jim violated the law and/or the bank's code of ethics banning trading on insider information?

What should Chris do? What are the likely outcomes of his various options?

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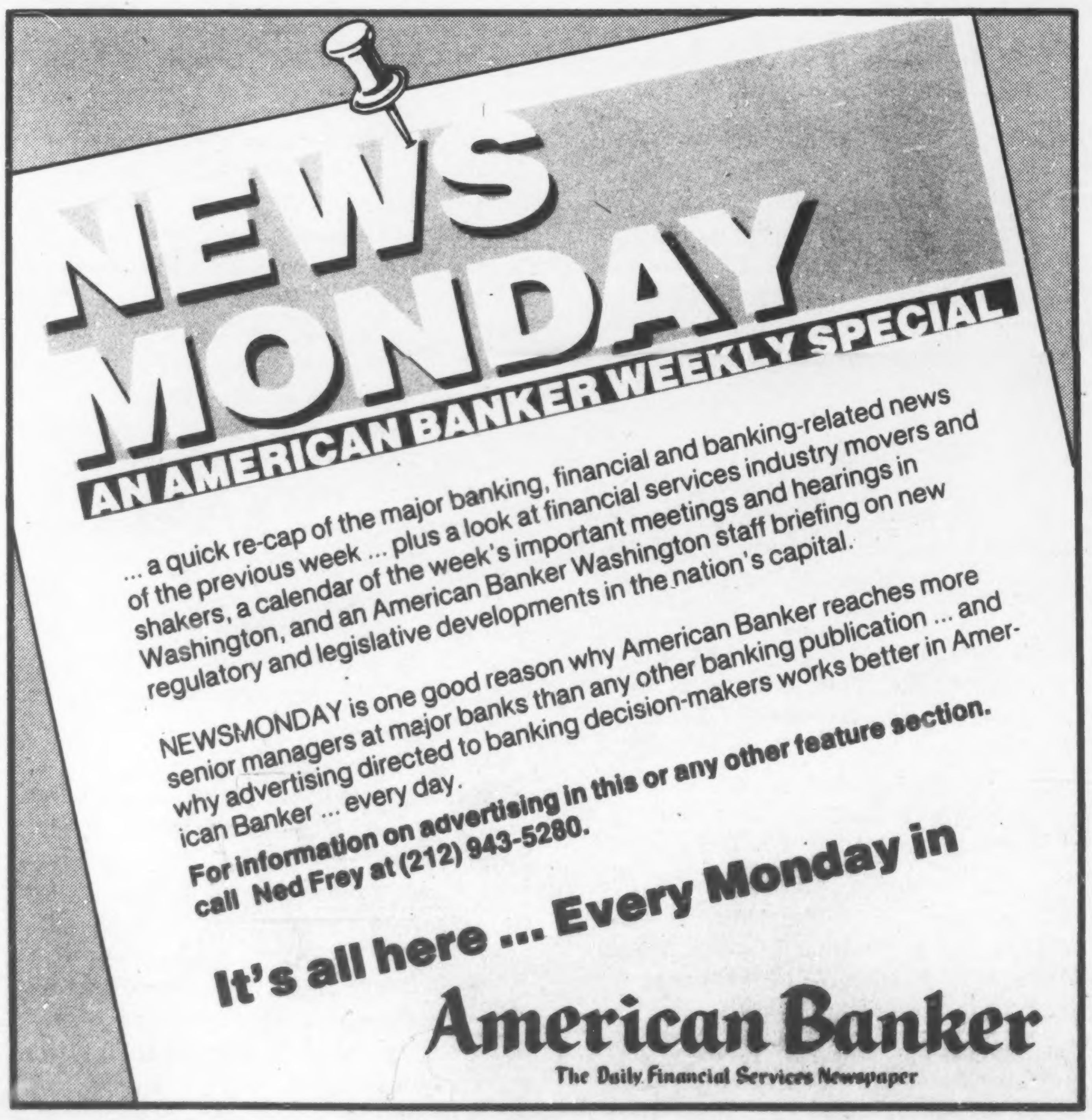
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DEBT, EQUITY OFFERINGS — TABLES BEGIN ON P. 20

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VOL. CLIII NO. 120 Tuesday, June 21, 1988 153rd Year

Today

Debt offerings soared in May to their highest monthly percentage gain in more than a year and a half. ______2

National banks that have failed since 1979 tended to grow too quickly, to depend too much on collateral-based loans, to make more loans in distant areas, and to allow undue concentrations of credit, according to a Comptrollers' study. Banks saved from failure usually changed management, improved banking practices and philosophy, were recapitalized, and saw local economic improvement. ____2

Legislation to protect consumers from the pitfalls associated with home equity lines of credit was approved by a House voice vote. HR 3011 would require fee disclosures and set advertising standards. ____________3

American Express Travel Related Services Co. is scheduled to unveil a $2 million advertising campaign to intensify promotion of its six-month-old Purchase Protection plan. ________3

The Bank Board is expected to report substantial first-quarter improvements for the healthy segment of the savings and loan industry. But Texas thrifts are likely to drag down the industry average for the fourth consecutive quarter. ___________5

Signet Banking Corp. will sell its consumer finance subsidiary, Landmark Financial Services Inc., to MNC Financial Inc. for $82 million in cash. 5

Toronto-Dominion Bank is planning to bring competitive bid options, an aggressive pricing technique, to its cable television clients. _________6

J. Brian McLean has joined MasterCard International as vice president of debit card services.____________7

The weekly listing of financial services stocks features regional industry groups and price indexes. __ 24

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In the News _________________3

CORPORATE FINANCE

Major banks in New York are serving the credit needs of most of New York's small-business customers, but credit availability could be improved, especially for small minority-owned enterprises, according to a study by Interface, a not-for-profit research group.______________________8

Maryland National Bank, Baltimore, has given its investment banking subsidiary a green light to build a separate culture, more aggressive and more market-oriented than the rest of the bank. _________________8

Worth Repeating

Perhaps most important, given the troubled economic regions in which they operated, these bankers emphasized profitability and conservative lending, even at the expense of growth.

The Comproller of the Currency in the report, "Bank Failure." [Page 2]

Big Banks Losing Market Share in Business Loans

But Industry Lending Grew 12% Since 1983

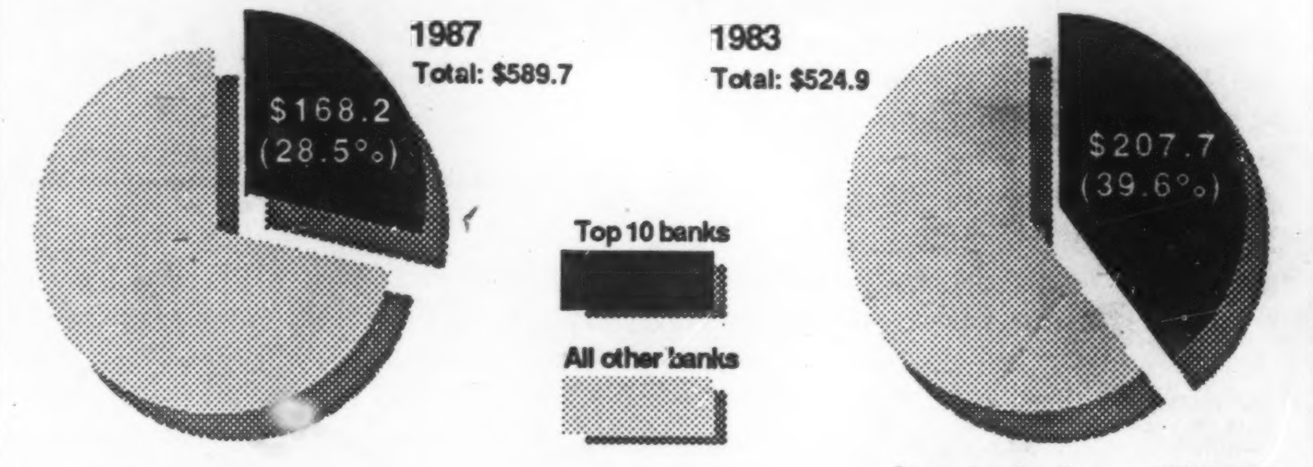
By PHILIP T. SUDO and
L. MICHAEL CACACE

NEW YORK — Commercial loans by banks increased 12% over the last five years, but the nation's largest banks suffered a dramatic decline in market share, according to an *American Banker* survey.

The top 10 banks showed $168.2 billion in business loans on their books at the end of last year, a 19% drop from $207.7 billion at yearend 1983. Their market share fell to 28.5% from 39.6%.

During that same period, banks ranked 11 through 300 saw their business loans grow 32.9%, to $421.5 billion.

Business Loans Held by the Top U.S. Banks
Yearend comparison: 1987 and 1983, in billions of dollars



Source: American Banker and FDIC 1988

Taken together, business loans made by the top 300 — including international and domestic lending — grew 12.3% to $589.7 billion, from $524.9 billion at yearend 1983.

Analysts said the decline among money centers reflected the diminishing profitability of loans to the *Fortune* 1,000 companies, which have turned to the capital markets for funds.

"There's less for money centers to do in the market," said David Cates, head of Cates Consulting Analysts Inc. "Their big clientele doesn't need bank loans anymore."

But Christopher Snyder, president of Loan Pricing Corp., said the decline was not all bad. "To their credit, senior bank executives have been turning away unprofitable business," he said. "They're not just losing share, they're getting tougher."

The overall increase in business loans reflects the growing emphasis on the middle market, where lending spreads are higher and the bulk of the economy's growth has occurred. While business loans at the top 10 banks declined 9.37% from yearend 1986 to yearend 1987, business loans increased 1.26% at banks ranked 11 to 100.

The same trend was reflected in domestic business loans. The 10 largest banks held $85.6 billion at the end of last year, down 12.02% from $97.3 billion at yearend 1986. During the same

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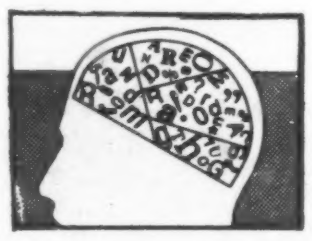
Random Thoughts



By SANFORD ROSE

James Kurt Dew, a White Plains-based consultant who formerly headed Manufacturers Hanover's futures subsidiary, doesn't think that banks should try to capture the liquidity premium by tying their asset and liability rates to Treasuries, as advocated in this column on June 7. The column noted that if a bank finances a six-month asset whose yield is tied to a Treasury of comparable maturity with a three-month liability similarly tied, it is likely, because of the existence of a liquidity premium in Treasuries, to be able to refinance its asset at a lower cost than today's three-month implied forward rate would suggest.

That point is correct, but the strategy is nonetheless dubious, argues Mr. Dew. Suppose, he says, that the prevailing rate for six-month loans is 9%. Then that is the rate at which the bank should lend money, regardless of the current yield on six-month Treasuries.

If the bank adopted a policy of lending six-month money at some spread over Treasuries, then one of three outcomes must ensue: First,

Random Thoughts: Page 4 ➸

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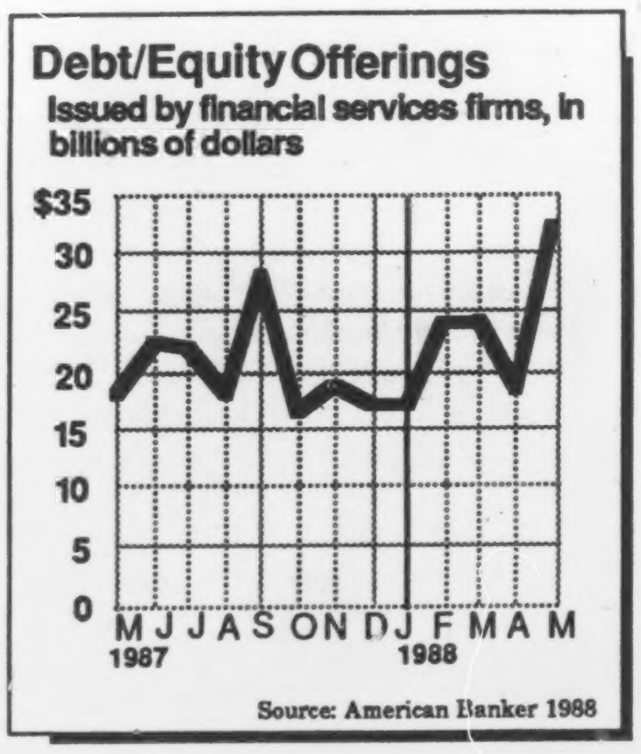
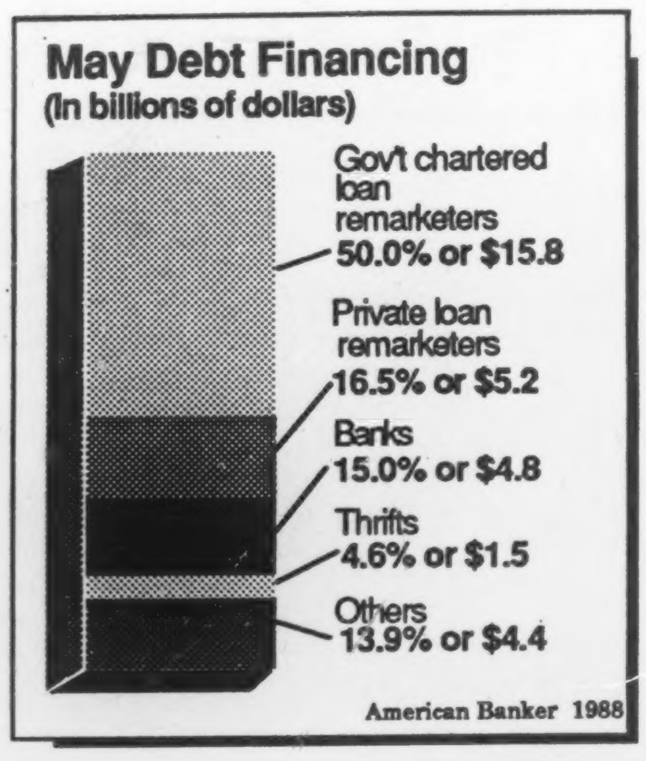
Debt Offerings by Financial Firms Soared in May

By KENNETH J. HICKS

NEW YORK — Debt offerings skyrocketed in May to their highest monthly percentage gain in more than a year and a half, and to the second highest monthly dollar amount since the *American Banker* began tracking financial company credit market activities in 1985.



Source: American Banker 1988



American Banker 1988

May Bank Debt

Amount offered during month ($ millions)

Type of debt	May	April
Straight debt	$3,265	$1,350
Convertible debt	0	0
Straight preferred[1]	150	0
Convertible preferred	0	175
Common stock	11	43
Mortgage-backed[1]	460	100
Other asset-backed[1 2]	800	257

U.S. banking companies only. [1]Includes limited purpose finance subsidiaries. [2]Includes auto, credit card, and other loan receivable-backed issues.

Banking companies and government-chartered loan remarketers led the gainers last month. Among the bank issues: $150 million of preferred stock by the Bank of New York Co., complying with a Federal Reserve mandate in connection with its attempt to take over Irving Bank Corp., and $150 million in rating-sensitive notes by Mellon Financial Corp.

Also during May, the Public Securities Association expressed concern that the proposed capital requirements being considered for banks do not accurately reflect the credit risk of certain obligations and may create market distortions. And Standard & Poor's Corp. came up with a new way to rate high-yield, or junk, bonds.

These are among the findings of May's Raising Capital compilation of major debt and equity offerings by financial services companies. The *American Banker* gathers the data used in the monthly listing from news wires, press releases, and tombstone advertising. Complete listings are in tables on pages 20-22.

After dropping more than 20% in the March-April period, major debt and equity offerings by financial companies jumped 65.4% in May to $31.7 billion. These firms have not posted such a large month-to-month percentage gain since October 1986, when new issues soared more than 200%.

Compared with a year ago, the increase is even higher — 67.2%, from $19 billion in May 1987. Further, last month's dollar total is the highest since the record $32.3 billion in March 1986. (In that month, several firms issued large amounts of mortgage-backed securities, most of which were the extremely sensitive interest only-/principal only (IO/PO) instruments. A sudden hike in interest rates caused heavy losses for the month, including the $275 million by Merrill Lynch & Co. Several other firms reported losses of $20 million to $50 million.)

Banking companies and their subsidiaries issued $4.8 billion in new securities last month, an increase of 74.8% from April's $2.7 billion. Bank debt and equity issues accounted for 15% of the month's total. Compared with a year ago, bank issuance was up 30.7%, from $3.6 billion in May 1987.

Excluding foreign bank issues, U.S. banks brought $3.4 billion in debt to the markets. That is an increase of almost 120% from April, when domestic banks issued $1.6 billion in debt and equity and 12.9% from May 1987.

In the first five months of 1988, banks have issued $15.3 billion of debt, versus $21.1 billion in the same period of 1987, a decline of 27.5%. Bank issues have made up 13% of financial company earnings thus far, compared with 17% in the January-May period last year.

Of last month's domestic bank issues, 41%, or $1.4 billion, were in the form of notes maturing from 1992 to 1998, including $405 million in subordinated and senior notes.

The two-part $150 million preferred stock issue by Bank of New York is intended to help pay for its attempt to take over Irving Bank Corp. The Federal Reserve Board said the banking company had to issue common stock or noncumulative perpetual preferred stock before consummating the deal.

In its order, the Fed stated that net proceeds from the required sale must equal at least 60% of the cash portion of the tender offer. The May 19 offering satisfied those requirements, Bank of New York said.

Made up of $75 million of adjustable-rate preferred stock and $75 million of fixed/adjustable-rate noncumulative preferred, both issues were priced at par to yield 8.87% and 9.25%, respectively. This type of offering starts with a fixed rate and then is adjusted in accordance with one of the major interest rate gauges, such as Libor. Neither issue will pay before Sept. 1, 1988, and both will be redeemed if Bank of New York's tender offer is not successfully completed by Aug. 1.

If the issue remains outstanding after Sept. 1, the adjustable-rate preferred shares will become callable after three years, at prices beginning at 103% of principal and declining to par by 1993. The fixed/adjustable-rate preferred will become callable, also after three years, at par.

Both issues may be converted, under any of three circumstances, into no

May: Page 26 ➵

Comptroller Compiles Profile of Failure-Prone Bank

By BARBARA A. REHM
Washington Bureau

WASHINGTON — National banks that have failed since 1979 tended — more than their surviving peers — to grow too quickly, to depend too much on collateral-based loans, to make more loans in distant areas, and to allow undue concentrations of credit, according to a study on why banks fail.

Why Do Banks Fail?

How lending characteristics differ between healthy and failed banks

	Healthy Banks			Failed Banks		
Are these characteristics present?	Yes	Somewhat	No	Yes	Somewhat	No
Liberal lending practices	0%	13%	84%	85%	10%	2%
Excessive growth	3	13	84	52	22	24
Overlending	0	11	79	73	12	5
Collateral-based lending	3	32	60	55	27	8
Unwarranted concentrations of credit	0	24	76	37	22	34
Out-of-area lending	3	5	88	23	15	41
Excessive financial statement exceptions	29	34	37	79	16	3
Insufficient proof of collateral	0	39	52	67	22	5

Source: Office of the Comptroller of the Currency study of 260 banks, including 171 that failed since 1979.

The study by the Office of the Comptroller of the Currency is now complete, with the release of its second part on Monday. The first part was released in January.

The latest results show that banks saved from failure usually changed management, improved banking practices and philosophy, were recapitalized, and saw improvement in their local economies. Directors also took a more active interest in banks that were saved.

"Perhaps most important, given the troubled economic regions in which they operated, these bankers emphasized profitability and conservative lending, even at the expense of growth," the study states.

The study, "Bank Failure," is subjective, not scientific, Comptroller of the Currency Robert L. Clarke said in remarks prepared for delivery Monday night to the American Bankers Association's Stonier Graduate School of Banking in Newark, Del. It focuses on 171, or 94%, of the national banks that have failed since 1979; 51 national banks that have been rehabilitated during that period; and 38 national banks that have remained healthy throughout.

The Comptroller's office did not specify percentages for rehabilitated or healthy banks studied, because these institutions were included for comparison purposes only. In all three categories, the majority of the banks have less than $100 million in assets and 80% are in the Southwest or Midwest. Copies of the study are being sent to all national bank managers and directors.

The study indicates that in terms of equity, investors injected an average of $950,000 in new capital per rehabilitated bank, but only an average of $300,000 per failed bank. "Whether a problem bank fails or recovers will often depend on the time it has before its losses completely dissipate its capital," the study said. "They [investors in the rehabilitated banks] undoubtedly bought more time for the banks to complete their recoveries."

Monday's release of the remainder of the study also revealed that banks managing to recover from bad times were more likely to have heeded regulators' advice.

"The rehabilitated banks made a serious or competent effort to meet, and succeeded in meeting, our directives more than twice as often [86% to 41%] as the failed banks did," Mr. Clarke said.

What will the Comptroller's office do with the study results? James E. Horner, a national bank examiner and coauthor of the study, said on Monday that the agency has the tools it needs to ensure safe banking. The problem, he said, lies in making national bank managers understand the severity of response expected of them when presented with enforcement actions by the agency.

The study explained that once the Comptroller's office determined that a chief executive officer lacked ability or integrity, 90% of the rehabilitated banks replaced their CEOs, while 76% of the failed banks did not.

Liberal lending practices were adopted by 85% of the national banks that have failed, while 84% of the healthy banks shunned aggressive loan making, the study found.

In his remarks to the Stonier banking school last night, Mr. Clarke again tried to debunk the notion that record bank failures are due to downturns in energy, real estate, and agriculture.

"Banks are able to remain healthy institutions throughout economic fluctuations by establishing and maintaining strong internal policies, systems, and controls," he said. It was the second time in six months that the national bank regulator downplayed the correlation between bank failures in the Southwest and Midwest and the economic problems plaguing those regions.

Nonetheless, more than half the bank failures last year occurred in the Southwest, where banks are heavily committed to the devastated energy, real estate, and agriculture industries.

Bank management and directors have much more effect on the bank's performance than the economy, Mr. Clarke told the Stonier audience.

In the first half of the study, the Comptroller's office found that only 7% of the national banks closed since 1979 were taken down exclusively by economy-related problems. ■

IN THE NEWS

US League Reverses Stand

NEW YORK — The U.S. League of Savings Institutions has reversed its stand on who should be able to own the Federal Home Loan Mortgage Corp.'s preferred stock. Two weeks ago Sen. Alfonse M. D'Amato, R-N.Y., introduced a bill that would allow the public to own Freddie Mac's preferred stock, which was trading at $82.50 on Monday afternoon. The league said it supports the pending legislation.

"A preponderance of analysts believe there will be an increase of value" in the shares if they are available to the public, league spokesman Mark Clark said. The league previously had favored the current rules on ownership, which allow only thrifts and market makers to buy and sell the 15 million shares of Freddie Mac preferred stock.

MasterCard Picks Charities

NEW YORK — MasterCard International was scheduled today to announce the six national charities that will benefit from its 1988 cause-related marketing campaign. MasterCard earmarked $2.8 million of its fourth-quarter sales volume for charitable causes in 1987. The program gives cardholders a chance to vote on how the donation pool is distributed, but each participating charity is guaranteed a minimum of $150,000.

MasterCard said the choice of beneficiaries, based on an analysis of consumer preferences, will be the Alzheimer's Association, the American Cancer Society, the American Heart Association, the American Red Cross, the Just Say No Foundation, and the National Committee for the Prevention of Child Abuse.

Primary Dealer Resigns Status

LOS ANGELES — First Interstate Bancorp said its government securities subsidiary has resigned as one of 42 primary dealers. First Interstate Capital Markets Inc. gave up its primary dealer status on Friday. Primary dealers are required to make continuous markets in government securities and are the buyers and sellers when the Federal Reserve carries out open-market operations. First Interstate, with $51.7 billion in assets, said the resignation is part of the restructuring program announced last October.

— Compiled by Dennis P. O'Connell

Clarifications

A revised ranking of how money center banks performed in 1987 was published on June 16 (page 2). The accompanying text implied that the Bank of Boston had supplied inaccurate data, necessitating the revision. Actually, the error occurred because of a misunderstanding between the *American Banker* and Cates Consulting Analysts Inc., which supplied the data.

□

An article on June 6 ("Capital Rules to Put Big Banks Under Gun," page 2) said that, under proposed capital rules, Continental Illinois Corp.'s core capital on Dec. 31, 1987, was 1.29% of assets, well below the 4% minimum that would be required by 1992. The figure was taken from a table supplied by IBCA Banking Analysis Ltd. A correction on June 8 said that IBCA understated the bank's ratio. However, in its report accompanying the table, the research firm noted that when convertible preferred stock owned by the Federal Deposit Insurance Corp. is counted, Continental's ratio increases to 2.62%. The report fully explained the special circumstances surrounding the FDIC's investment in Continental. ■

House Approves Bill Governing Ads, Disclosures for Home Equity Loans

By JAY ROSENSTEIN
Washington Bureau

WASHINGTON — The House on Monday approved by voice vote legislation intended to protect consumers from the pitfalls of home equity lines of credit.

In March, the Senate passed similar home equity loan protections, and other consumer legislation, as part of a big package that included expanded powers for financial institutions.

It appears likely that a home equity bill will be approved by Congress this year, but it may be several months before a final agreement is reached in a House-Senate conference committee or otherwise.

The House bill would require lenders to disclose fees and terms when a consumer applies for a home equity loan. It also would set standards for advertising.

Another section would prohibit lenders from unilaterally changing the terms of a loan during the life of the contract, with some exceptions.

The bill also would require that interest rates on most variable-rate home equity loans be tied to an index outside the control of the lender.

The Senate, according to a staffer on its Banking Committee, is likely to continue pressing for consumer legislation as part of a comprehensive bill. That move is designed to put additional heat on the House to agree to expanded powers for banks and other broad measures.

The staffer noted that home equity loan legislation, "truth in savings" bills, and other consumer measures have widespread support in Congress.

Home Equity: Page 30 ➔

American Express To Step Up Promotion Of Insurance Plan

By LAURA GROSS

NEW YORK — American Express is beefing up its effort to take a larger share of the retail shopping market, an arena dominated by the bank cards.

At a press conference this morning, American Express Travel Related Services Co. is scheduled to unveil a $2 million advertising campaign to intensify promotion of its six-month-old Purchase Protection plan.

Introduced as a test program, Purchase Protection automatically insures most retail goods bought with the card for up to $50,000 against theft, fire, accidental loss, or damage for 90 days after the purchase.

American Express: Page 31 ➔

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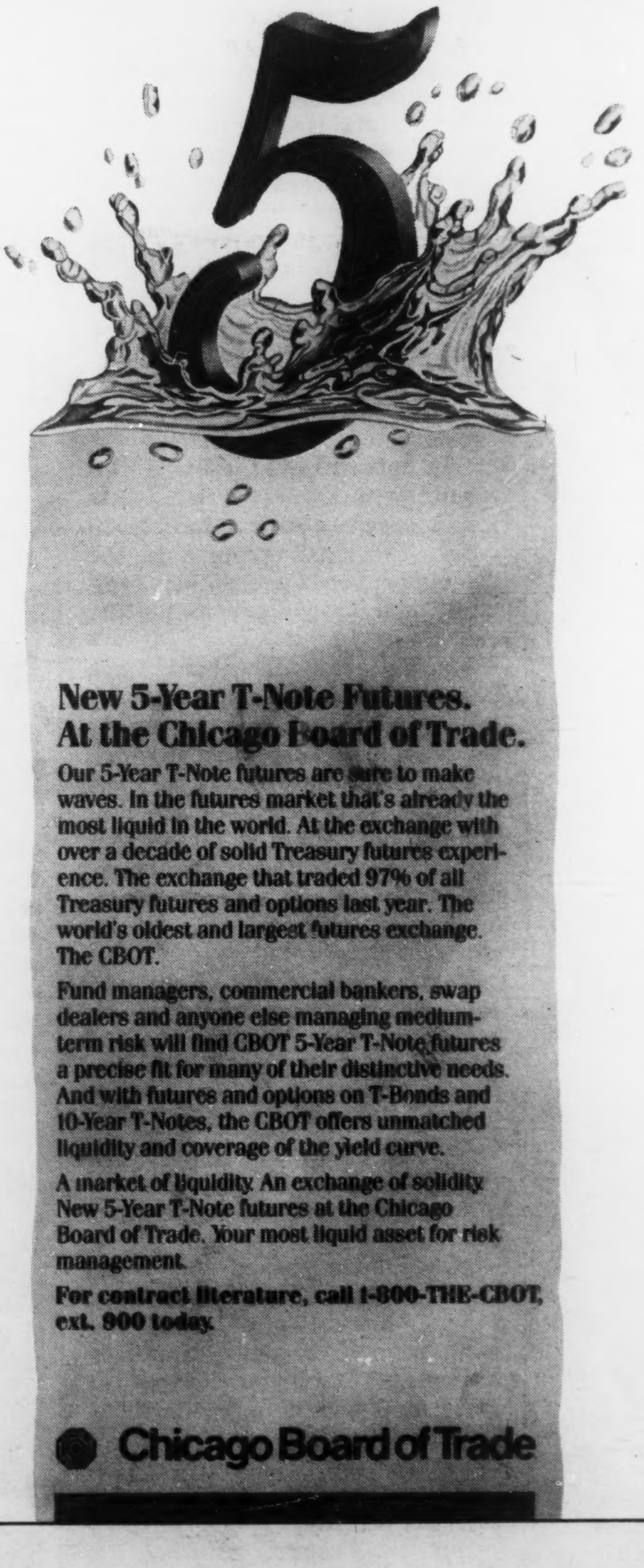

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➼ Continued from Page 1

the Treasury yield plus the spread equals the going rate of 9%. In that case, lending at a spread over the Treasury rate will work, but only because it is an empty strategy, resulting in loans that fetch the same yield as at institutions not lending at a spread over Treasuries.

Second, the Treasury yield plus the spread is greater than the going rate of 9%. In this case, the bank loses customers because it is an above-market lender. And third, the Treasury yield plus the spread is less than 9%. In this instance, the bank can make all the loans it wants, but it is throwing away the difference between 9% and its actual lending rate.

In Mr. Dew's opinion, the best way to collect the liquidity premium is off balance sheet. One feasible method is to match fund the loan at six months at prevailing rates and then purchase a three-month Treasury in the futures market three months hence.

If the liquidity premium that has been shown to exist in the Treasury cash market is also present in the futures market, the bank gets to buy the contract on favorable terms. That is, it gets to buy at a lower price (higher yield) than that at which it is able to sell an offsetting contract three months later when the futures rate will have converged to the spot rate and the liquidity premium will have disappeared. Thus, despite some yield-curve risk, on average, the bank can use this approach to supplement its credit spread with a funding profit.

Mr. Dew adds that when a bank tries to collect the liquidity premium through a balance sheet mismatch, it is in effect doing so at the expense of its customers. It is far more prudent, he counsels, to try earning the premium in the more impersonal futures or forward markets.

□ □ □

The principal avowed reason for securitization of loans is the desire to escape onerous capital taxes. The level of bank capital taxation is a function of both the implicit marginal tax rate and the ratio of equity to assets.

In recent years, there has been a huge rise in the required equity-asset ratio, which has greatly increased the burden of capital taxes. Many banks contend that this burden is inequitable. Every bank is required to capitalize itself as if it had an average set of risks — that is, average in terms of the industry-wide record of chargeoffs and nonperformers. It is pointed out, however, that about 80% of banks have manageable chargeoffs while only 20% are in trouble.

Thus capital is being inefficiently distributed; it is not in place to absorb the most worrisome risks. The good banks have too much, the bad banks too little. It is therefore natural for many banks to gravitate to securitization, since loan sales afford a method of increasing income without retaining assets, helping banks to earn enough on those allegedly overstuffed capital cushions.

Can securitization achieve this result? It is axiomatic that banks must securitize on a nonrecourse basis. Any legal recourse to the originating banks necessitates capital, which of course vitiates the exercise.

Mindful of this fact, banks have been able to devise a structure for selling retail assets with reasonably predictable loss experiences which puts a lien on future bank earnings and thus on future capital accumulations, but requires no current capital allocation. Such a structure, known as a spread account, has facilitated the profitable sale of a sizable amount of retail paper.

For a variety of well-known reasons, this structure cannot yet be replicated with wholesale assets that have highly unpredictable loss experiences. Securitization of C&I loans has not emerged from its infancy. It is largely confined to supposedly nonrecourse sale of whole loans, mostly by money center banks.

It has been argued that these loan sales benefit both buyers and sellers. Mutuality of benefits could result from tax as well as capital arbitrages. Taxable originators of loans may find it unprofitable to hold paper which in the hands of tax-exempt warehousers like pension funds would yield sufficient a after-tax returns.

But the capital arbitrage is deemed to be more important. Institutions with high capital requirements may find it advantageous to sell to those that are currently required to hold less capital per dollar of assets (foreign banks) or to those that have the same capital requirements but, having excess capital, are better able to satisfy these requirements (regional banks).

Even so, it is difficult to figure out how the loan-sales market can survive and flourish. It is well known that a market cannot long endure if buyers and sellers have vastly different informational endowments. If sellers of loans withhold detrimental information on their credits, and buyers have no cost-effective way of obtaining this information, viable trading cannot be sustained.

Indeed, the economic theory of agency would argue that, given wide disparities in information, sellers of loans must offer buyers higher yields, all else being equal, than they as originators are willing to accept. Instead the money center banks have thus far been able to get banks and nonbanks to accept lower yields and have pocketed the loan skim.

It has been alleged that some key characteristics of the loan-sales market tend to mitigate the problem of dissimilar information endowments. First, it is a relatively short-term market, allowing all parties to react to adverse information reasonably quickly. Second, most sales have involved the loans of companies with investment-grade ratings — ratings available to buyers at almost zero cost. And, third, most sales have been made by banks which themselves have good credit ratings and a compelling incentive to avoid "dumping" bad loans.

However, the more cynical observers reject these reasons, pointing out, among other things, that money center banks have begun selling the loans of other than investment-grade borrowers. These observers attribute the survival of the loan-sales market to the existence of a form of covert or implied recourse. That is, money center salesmen of paper have in effect been assuring customers that they would take the paper back if some nasty surprise occurred. Thus the market is said to depend on an imaginative circumvention of federal capital requirements.

Securitization via the sale of whole C&I loans would seem to be a self-limiting venture. If the sale is truly without recourse, the seller must soon confront the agency or moral hazard problem — the buyer's fear that adverse information may be withheld, a circumstance that will ultimately force him to demand a premium from the originator (unless, of course, he can bridge the informational gap by getting cheap access to an objective, reliable credit model with which to evaluate and monitor the purchased loans).

If, on the other hand, the sale is made with implied recourse, the regulators must eventually argue that the loan is a contingent liability of the originating bank, necessitating the full and perhaps excessive allocation of equity support.

□ □ □

Some highlights from an OCC study of 162 national banks that failed from 1979 to 1987: Although 81% of the failed banks operated in depressed economic environments, this environment was the sole cause of failure in only 7% of the cases. Adverse economic conditions simply threw into sharper relief those problems of deficient management or policies that might have remained dormant in happier economic circumstances.

While not the sole cause of failure, an adverse economy was a significant causal agent in 35% of failures. And this percentage increased over time. From 1979 through 1984, depressed economic conditions were a significant factor in only 21% of the failures. In 1985-87, the environment was a significant influence in 39% of the failures.

The OCC study identifies oversight and management deficiencies as the primary causes of bank failure, appearing as significant factors in 89% of the cases. In 81% of the failures, management either neglected to establish loan policies or was unable to secure compliance with the policies that were established.

The study lays special stress on the derelictions of boards of directors, noting that "nearly 60% of the failed banks were judged to have directorates that either lacked necessary banking knowledge or were uninformed or passive in their supervision of the banks' affairs."

Nearly one third of the failed banks were newly formed institutions, established during or after 1981. The problems that predisposed these banks to failure are somewhat different from those that doomed the older institutions.

Failed new banks are more likely than older institutions to rely on volatile, high-cost liabilities. They also tend to be saddled with greater fixed asset and nonfunding expenses — reflecting, in many cases, the high cost of entry into established markets.

These elevated cost burdens tend to encourage overly aggressive behavior. Thus excessive loan growth was a much bigger problem at new banks than at older institutions. And the new banks were more likely to suffer from the importunities of super-aggressive boards of directors.

The OCC study points out, however, that an aggressive board may also be an uninformed or inattentive board. It can emphasize growth and expansive income-generating policies without keeping close track or even knowing of the particular activities of its management. It is thus at the same time unacceptably aggressive and unconscionably passive. ■

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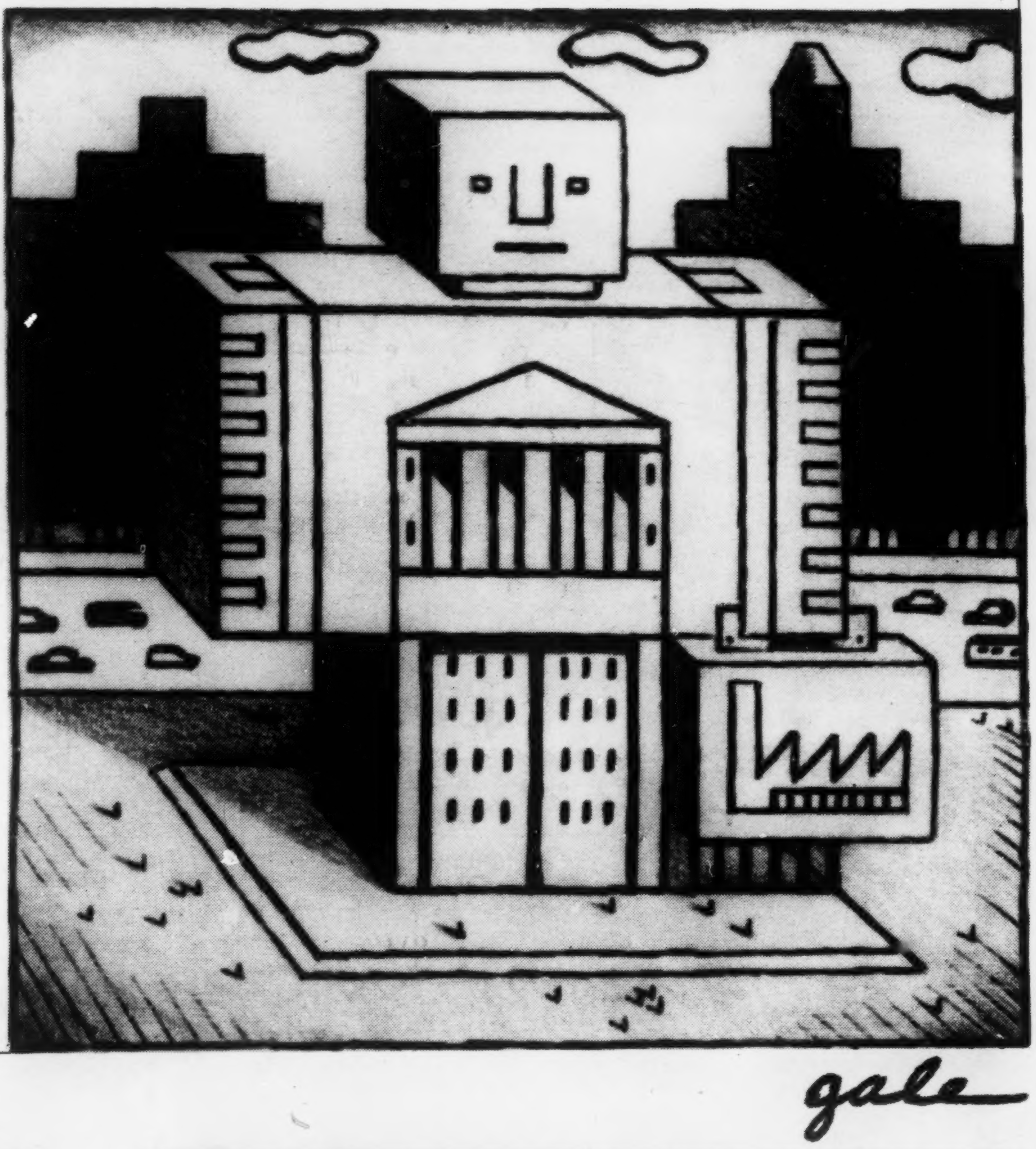
The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

8th Annual Survey

Top 300 Banks in Business Loans

Based on total commercial and industrial loans outstanding



Largest Percentage Gains

Among top 100 business lenders (millions of dollars)

		Business Loans			C&I
		12/31/87	12/31/86	% Incr.	Rank
1	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	1,109	846	31.14	84
2	Bank of California NA, San Francisco	1,355	1,047	29.40	66
3	Irving Trust Co., New York	5,412	4,217	28.35	17
4	Citizens & Southern National Bank, Atlanta	2,587	2,062	25.47	29
5	Crestar Bank, Richmond	1,967	1,568	25.47	43

Largest Percentage Gains

Among second 100 business lenders (millions of dollars)

		Business Loans			C&I
		12/31/87	12/31/86	% Incr.	Rank
1	Boston Safe Deposit & Trust Co.	486	35	1289.11	166
2	National Bank of Alaska, Anchorage	492	245	101.30	162
3	Tokai Bank of California, Los Angeles	847	493	71.78	101
4	Daiwa Bank Trust Co., New York	515	300	71.50	160
5	Trust Co. of New Jersey, Jersey City	373	260	43.39	199

Largest Percentage Gains

Among third 100 business lenders (millions of dollars)

		Business Loans			C&I
		12/31/87	12/31/86	% Incr.	Rank
1	Banco de Santander, San Juan, P.R.	334	176	89.93	214
2	Bank of New England-Old Colony NA, Providence	217	125	73.64	282
3	Ohio Citizens Bank, Toledo	216	146	48.08	285
4	Lincoln NB&TC, Ft. Wayne, Ind.	311	213	46.16	222
5	UBAF Arab American Bank, New York	280	193	45.30	240

Largest Percentage Declines

Among top 100 business lenders (millions of dollars)

		Business Loans			C&I
		12/31/87	12/31/86	% Decr.	Rank
1	MBank Dallas NA	1,800	2,471	27.16	48
2	Morgan Bank (Delaware), Wilmington	1,145	1,554	26.32	80
3	Texas Commerce Bank NA, Houston	3,885	5,180	24.99	22
4	Manufacturers Hanover Bank, Wilmington	954	1,224	22.04	93
5	Allied Bank of Texas, Houston	1,011	1,229	17.79	89

Largest Percentage Declines

Among second 100 business lenders (millions of dollars)

		Business Loans			C&I
		12/31/87	12/31/86	% Decr.	Rank
1	First Repubulic Bank Houston NA	716	1,128	36.55	118
2	Chemical Bank (Delaware), Wilmington	491	715	31.38	163
3	Mitsui Manufacturers Bank, Los Angeles	539	714	24.55	154
4	Canadian Imperial Bank of Commerce (New York)	480	615	22.01	168
5	SouthTrust Bank of Alabama NA, Bimingham	482	559	13.81	167

Largest Percentage Declines

Among third 100 business lenders (millions of dollars)

		Business Loans			C&I
		12/31/87	12/31/86	% Decr.	Rank
1	Citibank (Delaware), New Castle	245	630	61.01	271
2	NBC Bank-San Antonio NA	276	471	41.38	244
3	First RepublicBank Fort Worth NA	213	300	29.06	289
4	Texas Commerce Bank Austin NA	301	407	26.11	227
5	First RepublicBank Austin NA	259	338	23.53	260

Top 300 Banks in Business Lending

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/87		Total Business Loans 12/31/87	Total Business Loans 12/31/86	% Chg.	Bad Bus. Loans 12/31/87	Bad Bus. Loans/ Bus. Loans	Total Loans 12/31/87	Total Loans 12/31/86	% Chg.	Total Assets 12/31/87	Total Assets 12/31/86	% Chg.
1	**Citibank NA, New York**	31,875,000	35,647,000	-10.58	2,374,000	7.45	95,014,001	89,805,001	5.80	154,574,000	153,293,000	0.84
2	**Bank of America NT&SA, San Francisco**	22,258,000	23,962,000	-7.11	752,000	3.38	55,570,000	64,153,000	-13.38	81,314,001	91,499,001	-11.13
3	**Chase Manhattan Bank NA, New York**	21,662,583	25,072,544	-13.60	2,174,851	10.04	49,221,260	52,222,238	-5.75	82,598,277	81,953,505	0.79
4	**Manufacturers Hanover Trust Co., New York**	19,118,000	21,787,000	-12.25	1,240,000	6.49	41,512,000	43,372,000	-4.29	59,406,000	62,161,000	-4.43
5	**Chemical Bank, New York**	13,959,000	15,274,000	-8.61	1,142,000	8.18	36,012,000	36,375,000	-1.00	59,311,000	58,422,000	1.52
6	**Continental Illinois National B&T Co., Chicago**	13,383,406	14,167,292	-5.53	315,771	2.36	20,946,298	21,022,565	-0.36	31,825,861	31,998,533	-0.54
7	**Bankers Trust Co., New York**	12,658,333	13,625,881	-7.10	536,004	4.23	24,781,012	28,463,088	-12.94	54,419,040	55,497,088	-1.94
8	**Morgan Guaranty Trust Co., New York**	12,282,426	14,277,386	-13.97	800,228	6.52	30,342,972	33,153,513	-8.48	67,002,658	69,055,034	-2.97
9	**Security Pacific National Bank, Los Angeles**	10,676,601	11,642,494	-8.30	1,190,477	11.15	31,414,702	33,259,653	-5.55	44,403,342	47,667,670	-6.85
10	**First National Bank, Boston**	10,323,797	10,137,257	1.84	425,957	4.13	17,942,732	17,779,434	0.92	25,158,248	25,148,537	0.04
11	**Wells Fargo Bank NA, San Francisco**	9,792,377	9,892,997	-1.02	385,370	3.94	34,950,423	32,298,182	8.21	41,362,913	39,240,804	5.41
12	**First National Bank of Chicago**	9,759,880	9,185,969	6.25	552,583	5.66	23,270,504	21,939,609	6.07	35,476,470	33,685,387	5.32
13	**Mellon Bank NA, Pittsburgh**	7,190,340	8,260,387	-12.95	566,012	7.87	13,423,649	16,620,759	-19.24	21,050,266	23,737,166	-11.32
14	**Bank of New York**	6,931,430	6,517,105	6.36	143,354	2.07	13,903,196	13,239,508	5.01	21,180,454	21,251,841	-0.34
15	**Marine Midland Bank NA, Buffalo**	6,021,934	6,390,542	-5.77	720,213	11.96	17,228,417	16,731,710	2.97	20,971,528	22,215,959	-5.60
16	**First RepublicBank Dallas NA**	6,019,972	7,170,388	-16.04	670,626	11.14	13,684,692	15,124,413	-9.52	19,479,071	22,447,291	-13.22
17	**Irving Trust Co., New York**	5,412,321	4,216,995	28.35	212,930	3.93	12,429,265	11,625,388	6.91	20,493,469	21,087,791	-2.82
18	**National Westminster Bank USA, New York**	5,257,352	4,414,464	19.09	127,159	2.42	8,508,044	7,714,979	10.28	11,571,422	11,104,518	4.20
19	**First Interstate Bank of California, Los Angeles**	4,641,404	5,287,842	-12.22	303,311	6.53	13,721,005	14,954,770	-8.25	19,604,065	22,465,829	-12.74
20	**National Bank of Detroit**	4,187,933	4,305,605	-2.73	52,099	1.24	7,609,433	7,627,897	-0.24	14,881,125	14,920,544	-0.26
21	**First Bank NA, Minneapolis**	4,111,613	4,689,463	-12.32	106,486	2.59	9,179,276	10,069,780	-8.84	17,866,285	19,172,327	-6.81
22	**Texas Commerce Bank NA, Houston**	3,885,415	5,179,629	-24.99	249,528	6.42	7,090,069	8,194,200	-13.47	11,164,652	13,747,773	-18.79
23	**NCNB National Bank of North Carolina, Charlotte**	3,521,538	3,476,084	1.31	73,788	2.10	9,268,329	8,666,346	6.95	16,069,411	14,490,444	10.90
24	**Bank of New England NA, Boston**	3,489,253	3,229,095	8.06	62,135	1.78	10,146,909	8,325,809	21.87	13,327,632	10,598,602	25.75
25	**Pittsburgh National Bank**	2,893,475	3,073,497	-5.86	108,431	3.75	6,952,648	6,878,572	1.08	15,765,239	13,525,393	16.56
26	**Philadelphia National Bank**	2,757,626	2,352,718	17.21	8,331	0.30	5,082,281	5,084,044	-0.03	9,129,801	8,709,420	4.83
27	**Union Bank, Los Angeles**	2,669,529	2,835,227	-5.84	93,848	3.52	6,516,813	6,833,062	-4.63	9,083,490	9,519,447	-4.58
28	**Fidelity Bank NA, Malvern, Pa.**	2,659,627	2,408,736	10.42	93,639	3.52	5,991,036	5,290,649	13.24	10,049,879	9,040,586	11.16
29	**Citizens & Southern National Bank, Atlanta**	2,587,148	2,061,989	25.47	36,930	1.43	7,499,096	6,709,919	11.76	11,672,964	10,648,431	9.62
30	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	2,473,974	2,381,513	3.88	15,741	0.64	7,307,740	6,723,871	8.68	11,698,041	10,670,978	9.62
31	**First Fidelity Bank NA, Newark, N.J.**	2,460,539	2,215,682	11.05	57,929	2.35	6,764,149	5,879,019	15.06	10,686,176	10,102,451	5.78
32	**Sovran Bank NA, Richmond**	2,453,974	2,002,602	22.54	14,444	0.59	7,883,594	7,149,186	10.27	11,888,101	10,417,960	14.11
33	**Harris Trust & Savings Bank, Chicago**	2,403,848	2,125,342	13.10	38,163	1.59	4,942,185	4,800,027	2.96	8,721,438	8,458,533	3.11
34	**AmeriTrust Co. NA, Cleveland**	2,387,786	2,389,819	-0.09	131,104	5.49	5,738,965	5,958,525	-3.68	8,036,693	8,548,105	-5.98
35	**Connecticut Bank & Trust Co. NA, Hartford**	2,277,226	2,305,905	-1.24	65,313	2.87	6,389,883	5,944,468	7.49	9,191,928	9,430,467	-2.53
36	**Bank of Tokyo Trust Co., New York**	2,246,167	2,286,793	-1.78	0	0.00	3,554,632	2,843,702	25.00	6,406,809	5,874,302	9.07
37	**Manufacturers National Bank, Detroit**	2,189,108	1,870,270	17.05	17,498	0.80	4,802,132	4,388,911	9.42	7,710,631	7,519,684	2.54
38	**Southeast Bank NA, Miami**	2,140,886	2,146,454	-0.26	68,130	3.18	8,019,618	7,458,141	7.53	12,310,714	12,315,724	-0.04
39	**Seattle-First National Bank**	2,111,251	2,421,105	-12.80	151,210	7.16	8,355,511	7,983,829	4.66	10,090,827	10,119,883	-0.29
40	**Meridian Bank, Reading, Pa.**	2,091,744	1,955,176	6.98	33,575	1.61	4,767,607	4,292,647	11.06	6,913,267	6,439,223	7.36
41	**First Union National Bank, Charlotte, N.C.**	2,070,933	1,999,717	3.56	24,435	1.18	8,719,737	7,660,709	13.82	16,165,193	15,780,252	2.44
42	**Shawmut Bank NA, Boston**	2,066,302	1,828,309	13.02	38,125	1.85	4,886,974	4,638,119	5.37	7,589,681	7,498,146	1.22
43	**Crestar Bank, Richmond**	1,967,025	1,567,774	25.47	17,635	0.90	6,780,105	5,804,861	16.80	8,660,675	8,336,340	3.89
44	**Comerica Bank-Detroit**	1,930,305	1,980,477	-2.53	17,367	0.90	4,831,012	4,925,134	-1.91	7,996,467	7,482,235	6.87
45	**United States National Bank, Portland, Ore.**	1,892,390	1,753,117	-7.94	9,078	0.48	5,246,566	4,964,677	5.68	7,997,839	8,466,612	-5.54
46	**European American Bank, New York**	1,863,774	1,680,363	10.91	102,355	5.49	3,999,782	4,066,045	-1.63	6,363,749	6,686,164	-4.82
47	**Maryland National Bank, Baltimore**	1,838,148	1,714,001	7.24	17,662	0.96	5,868,648	4,992,258	17.55	9,514,696	8,050,187	18.19
48	**MBank Dallas NA**	1,800,180	2,471,482	-27.16	233,122	12.95	5,570,827	6,435,156	-13.43	7,322,357	8,536,687	-14.22
49	**Norwest Bank Minneapolis NA**	1,785,074	1,916,825	-6.87	210,105	11.77	3,553,891	3,901,206	-8.90	6,945,473	7,243,729	-4.12
50	**Connecticut National Bank, Hartford**	1,775,487	1,680,099	5.68	33,846	1.91	6,418,463	5,465,184	17.44	10,595,695	9,327,283	13.60
51	**National City Bank, Cleveland**	1,757,462	1,576,867	11.45	24,132	1.37	4,102,102	3,986,724	2.89	7,186,585	6,482,575	10.86
52	**Rainier National Bank, Seattle**	1,725,714	1,715,472	0.60	33,057	1.92	5,804,564	5,615,266	3.37	8,041,401	8,273,203	-2.80
53	**California First Bank, San Francisco**	1,689,099	1,801,933	-6.26	73,466	4.35	4,227,320	4,237,135	-0.23	6,051,607	5,984,616	1.12
54	**Fleet National Bank, Providence, R.I.**	1,666,330	1,537,606	8.37	27,783	1.67	4,987,937	4,407,684	13.16	7,156,106	6,780,764	5.54
55	**Valley National Bank of Arizona, Phoenix**	1,662,588	1,724,808	-3.61	29,376	1.77	6,915,617	7,056,993	-2.00	9,936,376	10,360,999	-4.10
56	**AmSouth Bank Birmingham NA**	1,606,139	1,498,271	7.20	28,070	1.75	4,091,428	3,879,701	5.46	6,276,255	5,914,080	6.12
57	**Sanwa Bank California, San Francisco**	1,605,103	1,447,230	10.91	50,376	3.14	3,797,705	3,545,359	7.12	5,324,605	5,068,268	5.06
58	**Michigan National Bank, Farmington Hills**	1,587,466	1,669,494	-4.91	27,140	1.71	5,738,650	5,506,107	4.22	8,312,416	7,839,005	6.04
59	**NCNB National Bank of Florida, Tampa**	1,544,489	1,438,914	7.34	28,193	1.83	5,433,132	5,138,391	5.74	9,814,551	9,301,835	5.51
60	**Northern Trust Co., Chicago**	1,507,680	1,784,129	-15.49	28,286	1.88	3,628,511	3,687,177	-1.59	7,690,024	7,786,493	-1.24
61	**First Interstate Bank of Oregon NA, Portland**	1,500,107	1,478,223	1.48	16,705	1.11	3,237,463	3,427,270	-5.54	5,663,848	5,827,242	-2.80
62	**Trust Company Bank, Atlanta**	1,468,081	1,362,258	7.77	6,095	0.42	3,356,441	3,315,122	1.25	5,648,703	5,752,649	-1.81
63	**First Interstate Bank of Arizona NA, Phoenix**	1,424,274	1,262,871	12.78	71,034	4.99	4,594,063	4,478,925	2.57	6,645,949	6,513,458	2.03
64	**Republic National Bank, New York**	1,405,021	1,206,864	16.42	5,018	0.36	3,754,386	3,900,713	-3.75	18,804,384	16,812,822	11.85
65	**Mellon Bank -East NA, Philadelphia**	1,389,243	1,420,472	-2.20	81,192	5.84	3,267,140	3,633,210	-10.08	4,684,094	5,198,385	-9.89
66	**Bank of California NA, San Francisco**	1,355,007	1,047,152	29.40	95,502	7.05	3,642,537	3,012,534	20.91	4,725,738	4,163,504	13.50
67	**Provident National Bank, Philadelphia**	1,351,007	1,373,484	-1.64	8,087	0.60	3,828,902	3,530,807	8.44	6,176,523	5,888,722	4.89
68	**Bank Leumi Trust Co., New York**	1,295,874	1,114,918	16.23	30,188	2.33	1,762,883	1,669,130	5.62	2,924,482	2,886,457	1.32
69	**First National Bank of Atlanta**	1,288,671	1,379,409	-6.58	21,634	1.68	4,579,735	4,647,629	-1.46	7,131,819	7,601,887	-6.18
70	**Bankers Trust (Delaware), Wilmington**	1,282,204	1,025,532	25.03	0	0.00	1,568,778	1,248,570	25.65	2,152,475	1,456,008	47.83
71	**First Pennsylvania Bank NA, Philadelphia**	1,271,619	1,271,693	-0.01	12,326	0.97	3,680,518	3,596,559	2.33	5,801,017	5,905,406	-1.77
72	**Industrial Bank Japan Trust Co., New York**	1,259,579	1,061,872	18.62	11,794	0.94	1,619,675	1,896,087	-14.58	4,069,885	3,842,866	5.91
73	**Midlantic National Bank, Newark, N.J.**	1,252,500	1,292,503	-3.10	46,902	3.74	3,752,686	3,448,541	8.82	5,121,111	4,868,129	5.20
74	**Society National Bank, Cleveland**	1,239,903	1,242,822	-0.23	14,061	1.13	3,289,039	3,294,243	-0.16	5,397,440	5,238,490	3.03
75	**MBank Houston NA**	1,221,468	1,278,971	-4.50	117,862	9.65	3,103,926	3,340,902	-7.09	4,853,178	6,287,340	-22.81
76	**Huntington National Bank, Columbus, Ohio**	1,210,005	1,231,315	-1.73	25,493	2.11	4,865,864	4,574,538	6.37	7,468,139	6,862,177	8.83
77	**First National Bank, Louisville, Ky.**	1,171,819	1,061,435	10.40	15,910	1.36	2,521,311	2,407,761	4.72	4,093,083	4,227,373	-3.18
78	**Hibernia National Bank, New Orleans**	1,161,404	963,883	20.49	19,704	1.70	3,286,624	2,891,391	13.67	4,799,070	4,567,160	5.08
79	**United Jersey Bank, Hackensack**	1,145,928	989,218	15.84	10,765	0.94	2,642,617	2,292,432	15.28	4,025,735	3,513,313	14.59
80	**Morgan Bank (Delaware), Wilmington**	1,145,276	1,554,297	-26.32	16,205	1.41	2,242,597	2,300,940	-2.54	3,012,585	2,833,478	6.32
81	**American National Bank & Trust Co., Chicago**	1,132,625	1,033,842	9.55	20,191	1.78	2,600,235	2,455,094	5.91	3,906,700	3,857,017	1.29
82	**First National Bank of Maryland, Baltimore**	1,115,620	1,137,881	-1.96	10,985	0.98	3,050,288	2,759,024	10.56	4,942,395	4,886,990	1.13
83	**South Carolina National Bank, Charleston**	1,110,460	1,004,567	10.54	9,205	0.83	3,361,749	3,126,781	7.51	4,785,905	4,650,554	2.91
84	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	1,109,132	845,746	31.14	61,459	5.54	2,988,437	2,579,937	15.83	4,986,310	4,251,376	17.29
85	**Signet Bank/Virginia, Richmond**	1,091,327	953,720	14.43	18,482	1.69	4,176,394	3,599,688	16.02	7,112,450	5,971,527	19.11
86	**First Jersey National Bank, Jersey City**	1,089,891	913,188	19.35	4,993	0.46	1,791,780	1,497,135	19.68	2,690,923	2,311,521	16.41
87	**Continental Bank, Norristown, Pa.**	1,082,308	1,016,845	6.44	37,991	3.51	2,658,727	2,415,114	10.09	3,295,661	3,182,287	3.56
88	**Florida National Bank, Jacksonville**	1,013,511	1,069,884	-5.27	30,521	3.01	4,506,623	4,455,652	1.14	7,494,704	6,783,366	10.49
89	**First Interstate Bank of Texas NA, Houston**	1,010,619	1,229,362	-17.79	146,378	14.48	2,339,729	2,613,658	-10.48	4,006,185	4,937,962	-18.87
90	**Bank of Hawaii, Honolulu**	995,265	818,054	21.66	10,948	1.10	3,248,833	2,715,384	19.65	5,606,191	4,880,959	14.86
91	**Chase Lincoln First Bank NA, Rochester, N.Y.**	964,913	1,069,100	-9.75	22,245	2.31	4,819,052	3,929,289	22.64	5,684,139	4,787,843	18.72
92	**Bank One Indianapolis NA**	964,018	864,671	11.49	8,907	0.92	2,538,009	2,604,959	-2.57	3,626,648	4,138,635	-12.37
93	**Manufacturers Hanover Bank (Delaware), Wilmington**	953,879	1,223,626	-22.04	26,170	2.74	1,376,573	1,908,729	-27.88	1,926,316	2,282,498	-15.60
94	**Fuji Bank & Trust Co., New York**	947,392	866,147	9.38	0	0.00	1,750,310	1,380,833	26.76	4,690,571	3,492,710	34.30
95	**First Tennessee Bank NA, Memphis**	935,263	888,442	5.27	22,244	2.38	3,518,625	3,184,929	10.48	5,613,366	5,540,575	1.31
96	**Bank South NA, Atlanta**	926,728	778,471	19.04	9,877	1.07	2,436,554	2,115,408	15.18	3,430,851	3,130,899	9.58
97	**Riggs National Bank, Washington, D.C.**	924,753	887,473	4.20	24,388	2.64	3,134,153	2,827,603	10.84	6,385,460	5,923,886	7.79
98	**Toledo Trust Co., Ohio**	900,650	776,211	16.03	21,621	2.40	2,002,975	1,816,551	10.26	2,898,386	2,711,645	6.89
99	**BancOhio National Bank, Columbus**	889,169	888,059	0.12	28,466	3.20	3,390,175	3,093,330	9.60	4,687,782	4,692,474	-0.10
100	**First Wisconsin National Bank, Milwaukee**	870,500	969,215	-10.19	39,351	4.52	2,618,031	2,807,371	-6.74	3,680,860	4,229,281	-12.97

Data Source: All data are provided to American Banker by **ADP Data Services Division, New York,** from their data base of the Federal Regulatory Report of Condition (RC) and Report of Income (RI). ADP restates the 1986 data on a pro forma basis for mergers in 1987. **Business Loans** are total commercial and industrial loans, and are taken from Schedule RC-C of the Report of Condition. Data are consolidated to include both domestic and foreign offices. Loans to both domestic and foreign businesses are included. The appropriate line reference numbers on Schedule RC-C are: Column A—Consolidated Bank— item 4.a. (commercial and industrial loans to U.S. addressees) and item 4.b. (commercial and industrial loans to non-U.S. addressees). **Bad Business Loans** are total business loans that are 90 or more days past due plus total business loans placed on a nonaccrual basis. Data are from Schedule RC-N, item 3a + item 3b (Columns B + C). **Bad Business Loans/Business Loans** is the ratio of bad business loans to total business loans, expressed as a percentage. **Total Loans** are loans and leases, net of unearned income and are from RC-Balance Sheet, line 4.a. **Total Assets** are total consolidated assets from RC-Balance Sheet, line 12.

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Top 300 Banks in Business Lending

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/87		Total Business Loans			Bad Bus. Loans	Bad Bus. Loans/	Total Loans			Total Assets		
		12/31/87	12/31/86	% Chg.	12/31/87	Bus. Loans	12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	% Chg.
101	**Tokai Bank of California, Los Angeles**	846,957	493,061	71.78	8,319	0.98	1,627,498	834,186	95.10	1,792,293	956,833	87.32
102	**Mercantile Bank NA, St. Louis, Mo.**	823,537	852,193	-3.36	70,580	8.57	3,089,459	3,021,079	2.26	4,358,909	4,385,524	-0.61
103	**Rhode Island Hospital Trust Nat'l Bk, Providence**	805,341	787,628	2.25	27,694	3.44	1,956,575	1,910,292	2.42	3,056,800	3,060,070	-0.11
104	**Norstar Bank of Upstate NY, Albany**	796,716	764,066	4.27	19,335	2.43	2,361,806	2,211,638	6.79	3,939,287	4,156,758	-5.23
105	**Indiana National Bank, Indianapolis**	794,421	807,601	-1.63	18,459	2.32	2,969,033	2,649,001	12.08	4,438,578	4,077,541	8.85
106	**American Security Bank NA, Washington, D.C.**	792,577	697,253	13.67	24,695	3.12	3,138,049	2,919,830	7.47	4,955,961	4,642,506	6.75
107	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	791,611	614,056	28.92	12,987	1.64	1,458,463	1,198,314	21.71	2,920,687	2,752,272	6.12
108	**First Union National Bank, Jacksonville, Fla.**	779,948	775,870	0.53	12,104	1.55	3,248,852	3,257,392	-0.26	7,251,408	7,239,247	0.17
109	**State Street Bank & Trust Co., Boston**	771,942	632,370	22.07	2,744	0.36	2,157,380	2,247,886	-4.03	7,014,109	7,217,670	-2.82
110	**Whitney National Bank, New Orleans**	744,885	743,861	0.14	31,359	4.21	1,439,849	1,328,961	8.34	2,774,383	2,917,537	-4.91
111	**Citytrust, Bridgeport, Conn.**	742,332	676,024	9.81	22,796	3.07	2,004,987	2,003,102	0.09	2,530,390	2,396,096	5.60
112	**BayBank Middlesex, Burlington, Mass.**	734,431	655,385	12.06	16,445	2.24	2,561,841	2,181,363	17.44	3,432,071	3,077,788	11.51
113	**City National Bank, Beverly Hills**	731,240	609,371	20.00	13,283	1.82	1,983,189	1,622,160	22.26	3,483,060	3,145,914	10.72
114	**Bank One Columbus NA, Ohio**	729,143	649,018	12.35	13,469	1.85	2,408,821	2,072,981	16.20	3,470,106	3,070,995	13.00
115	**Exchange National Bank, Chicago**	728,540	632,445	15.19	8,079	1.11	1,234,627	1,146,656	7.67	2,107,016	1,907,187	10.48
116	**First American Bank, McLean, Va.**	726,804	651,763	11.51	9,437	1.30	2,132,281	1,834,758	16.22	3,170,790	2,849,847	11.26
117	**Arizona Bank, Phoenix**	721,984	647,388	11.52	12,714	1.76	3,679,385	3,274,343	12.37	4,691,516	4,584,524	2.33
118	**First RepublicBank Houston NA**	715,710	1,127,957	-36.55	59,683	8.34	2,418,930	3,013,477	-19.73	3,807,045	5,346,034	-28.79
119	**Norstar Bank NA, Buffalo, N.Y.**	708,639	627,655	12.90	7,275	1.03	2,652,327	2,388,639	11.04	3,538,998	3,334,264	6.14
120	**Texas American Bank/Fort Worth NA**	694,203	782,609	-11.30	73,833	10.64	1,955,792	2,138,315	-8.54	2,771,066	3,120,422	-11.20
121	**Sumitomo Bank of California, San Francisco**	690,304	767,864	-10.10	20,018	2.90	2,412,044	2,439,075	-1.11	3,575,923	3,271,248	9.31
122	**Sovran Bank/Maryland, Bethesda**	683,924	655,477	4.34	1,718	0.25	2,299,707	1,964,923	17.04	3,580,607	3,255,019	10.00
123	**LaSalle National Bank, Chicago**	680,752	608,662	11.84	108	0.02	1,048,206	1,022,877	2.48	1,564,910	1,568,831	-0.25
124	**Sun Bank NA, Orlando, Fla.**	676,532	548,124	23.43	2,681	0.40	2,505,800	2,333,387	7.39	3,648,014	3,448,527	5.78
125	**Equitable Bank NA, Baltimore**	668,630	509,797	31.16	9,357	1.40	2,230,824	2,032,977	9.73	4,417,477	3,640,494	21.34
126	**Union Trust Co., Stamford, Conn.**	666,114	525,544	26.75	21,767	3.27	2,141,756	1,761,132	21.61	2,937,852	2,714,530	8.23
127	**Banco Popular de Puerto Rico, San Juan**	663,902	512,471	29.55	11,952	1.80	2,772,473	2,256,603	22.86	5,324,247	4,495,113	18.45
128	**Central Fidelity Bank, Richmond**	656,472	509,555	28.83	29,435	4.48	2,810,875	2,405,456	16.85	4,314,675	4,191,754	2.93
129	**M & I Marshall & Ilsley Bank, Milwaukee, Wis.**	655,882	643,775	1.88	5,326	0.81	1,425,400	1,412,502	0.91	2,394,653	2,871,457	-16.60
130	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	646,547	581,181	11.25	41,166	6.37	1,588,732	1,414,415	12.32	2,220,310	2,048,084	8.41
131	**Signet Bank/Maryland, Baltimore**	646,260	580,191	11.39	13,084	2.02	2,195,251	2,013,591	9.02	3,230,594	2,940,450	9.87
132	**First Florida Bank NA, Tampa**	643,699	581,397	10.72	4,155	0.65	3,152,163	2,823,714	11.63	4,959,575	4,904,249	1.13
133	**Central Trust Co. NA, Cincinnati**	636,113	640,973	-0.76	20,821	3.27	2,029,182	1,882,420	7.80	3,054,975	2,706,163	12.89
134	**Third National Bank, Nashville, Tenn.**	635,963	594,964	6.89	14,362	2.26	1,908,207	1,871,371	1.97	2,667,834	2,585,969	3.17
135	**Boatmen's National Bank, St. Louis, Mo.**	635,591	540,979	17.49	21,974	3.46	2,301,608	2,185,636	5.31	4,118,088	4,067,299	1.25
136	**Midlantic National Bank/South, Mt. Laurel, N.J.**	626,401	623,616	0.45	5,207	0.83	1,663,784	1,522,194	9.30	2,138,054	2,124,700	0.63
137	**First American National Bank, Nashville, Tenn.**	622,166	638,155	-2.51	23,190	3.73	1,895,007	1,779,952	6.46	3,269,986	2,873,571	13.80
138	**Centerre Bank NA, St. Louis, Mo.**	619,891	652,125	-4.94	57,252	9.24	1,937,397	2,162,196	-10.40	3,561,640	4,060,662	-12.29
139	**Israel Discount Bank, New York**	618,238	653,641	-5.42	6,180	1.00	1,043,586	1,173,102	-11.04	3,940,206	3,781,670	4.19
140	**First Union National Bank of Georgia, Atlanta**	617,600	627,874	-1.64	8,965	1.45	2,414,123	2,610,370	-7.52	3,769,149	4,109,475	-8.28
141	**Barnett Bank of South Florida NA, Miami**	615,892	579,573	6.27	21,290	3.46	3,687,148	3,092,294	19.24	5,339,032	4,600,198	16.06
142	**First Interstate Bank Washington NA, Spokane**	610,454	567,854	7.50	31,272	5.12	2,076,894	2,063,804	0.63	3,319,024	3,299,542	0.59
143	**First Security Bank of Utah NA, Ogden**	609,295	586,707	3.85	2,797	0.46	1,882,710	1,900,180	-0.92	3,017,267	2,978,409	1.30
144	**Sovran Bank/Central South, Nashville, Tenn.**	600,886	473,707	26.85	6,699	1.11	1,780,449	1,579,911	12.69	2,812,954	2,442,117	15.19
145	**New Jersey National Bank, Pennington**	595,905	521,252	14.32	13,607	2.28	1,666,886	1,449,305	15.01	2,228,630	2,249,612	-0.93
146	**First Alabama Bank, Montgomery**	594,484	563,325	5.53	11,610	1.95	2,627,300	2,479,145	5.98	4,198,763	4,292,535	-2.18
147	**Union Planters National Bank, Memphis**	587,929	503,037	16.88	3,535	0.60	1,404,843	1,214,991	15.63	2,279,862	2,184,766	4.35
148	**IBJ Schroder Bank & Trust Co., New York**	586,504	624,552	-6.09	26,667	4.55	1,228,225	1,180,254	4.06	3,246,452	5,181,528	-37.35
149	**First National Bank, Cincinnati**	574,493	426,498	34.70	7,247	1.26	1,773,435	1,384,397	28.10	2,716,868	2,582,363	5.21
150	**United Bank of Arizona, Phoenix**	574,293	634,134	-9.44	17,562	3.06	1,765,782	1,709,872	3.27	2,386,331	2,593,008	-7.97
151	**Fifth Third Bank, Cincinnati**	565,665	395,062	43.18	3,540	0.63	2,133,152	1,637,407	30.28	3,053,845	2,728,317	11.93
152	**Central Bank of the South, Birmingham, Ala.**	547,702	550,032	-0.42	5,070	0.93	2,225,864	2,082,287	6.90	3,761,487	3,716,339	1.21
153	**First Interstate Bank of Nevada NA, Reno**	547,376	517,972	5.68	45,986	8.40	1,852,952	1,894,795	-2.21	3,116,992	3,075,692	1.34
154	**Mitsui Manufacturers Bank, Los Angeles**	538,602	713,809	-24.55	30,728	5.71	1,159,561	1,316,348	-11.91	1,584,416	1,847,959	-14.26
155	**United Bank & Trust Co., Hartford**	529,234	452,449	16.97	5,698	1.08	1,281,839	1,113,609	15.11	1,812,496	1,771,761	2.30
156	**Barclays Bank of New York NA**	528,502	462,611	14.24	9,053	1.71	2,061,412	1,720,385	19.82	2,756,896	2,491,090	10.67
157	**Merchants National Bank & Trust Co., Indianapolis**	527,124	505,915	4.19	6,956	1.32	1,643,200	1,592,959	3.15	2,780,440	2,665,959	4.29
158	**Midlantic National Bank/North, West Paterson, N.J.**	525,167	401,197	30.90	5,566	1.06	2,224,508	1,960,635	13.46	2,989,545	2,818,881	6.05
159	**First Hawaiian Bank, Honolulu**	519,341	480,999	7.97	9,071	1.75	1,682,960	1,635,102	2.93	3,696,262	3,383,618	9.24
160	**Daiwa Bank Trust Co., New York**	515,088	300,349	71.50	0	0.00	831,715	633,089	31.37	1,768,262	1,485,937	19.00
161	**Citizens & Southern National Bank, Charleston, S.C.**	511,864	459,381	11.42	4,442	0.87	2,053,599	1,904,035	7.86	3,470,849	3,372,294	2.92
162	**National Bank of Alaska, Anchorage**	492,279	244,552	101.30	17,808	3.62	1,078,424	707,582	52.41	1,729,564	1,160,573	49.03
163	**Chemical Bank (Delaware), Wilmington**	490,535	714,835	-31.38	1,400	0.29	896,554	1,352,158	-33.69	1,059,596	1,431,675	-25.99
164	**Peoples National Bank, Seattle (a)**	489,755	548,628	-10.73	22,580	4.61	1,472,757	1,629,620	-9.63	2,338,528	2,428,462	-3.70
165	**Branch Banking & Trust Co., Wilson, N.C.**	488,117	451,739	8.05	2,232	0.46	2,461,818	2,109,786	16.69	3,704,580	3,275,351	13.10
166	**Boston Safe Deposit & Trust Co.**	485,645	34,961	1,289.11	0	0.00	4,928,307	3,200,440	53.99	12,747,021	7,825,930	62.88
167	**SouthTrust Bank of Alabama NA, Birmingham**	481,611	558,798	-13.81	6,352	1.32	1,768,265	1,641,282	7.74	2,906,541	2,715,735	7.03
168	**Canadian Imperial Bank of Commerce (New York)**	479,914	615,374	-22.01	0	0.00	869,277	673,216	29.12	892,067	713,279	25.07
169	**Manufacturers & Traders Trust Co., Buffalo**	475,473	470,519	1.05	2,595	0.55	2,006,262	1,783,297	12.50	3,093,837	2,700,907	14.55
170	**Dominion Bank NA, Roanoke, Va.**	473,856	521,842	-9.20	2,534	0.53	2,157,884	2,241,379	-3.73	3,710,622	3,503,225	5.92
171	**Idaho First National Bank, Boise**	472,578	485,932	-2.75	20,644	4.37	1,499,406	1,489,148	0.69	2,838,795	2,727,789	4.07
172	**Southern National Bank, Lumberton, N.C.**	471,238	409,104	15.19	1,758	0.37	1,399,670	1,204,890	16.17	1,994,119	1,741,355	14.52
173	**Deposit Guaranty National Bank, Jackson, Miss.**	468,541	417,680	12.18	8,621	1.84	2,021,825	1,934,315	4.52	3,325,440	3,383,077	-1.70
174	**National Community Bank, Rutherford, N.J.**	465,822	354,058	31.57	8,575	1.84	2,324,418	1,783,538	30.33	3,153,051	2,749,602	14.67
175	**Bank of Boston Connecticut, Waterbury**	462,505	404,112	14.45	4,169	0.90	1,861,004	1,457,432	27.69	2,426,697	2,129,463	13.96
176	**Mercantile Safe Deposit & Trust Co., Baltimore**	460,138	390,978	17.69	12,322	2.68	1,016,240	872,004	16.54	1,464,195	1,371,730	6.74
177	**Marine Bank NA, Milwaukee, Wis.**	456,668	452,478	0.93	4,702	1.03	1,058,839	1,041,275	1.69	1,656,019	1,695,554	-2.33
178	**Hamilton Bank, Lancaster, Pa.**	455,412	424,759	7.22	812	0.18	2,071,995	2,067,536	0.22	2,766,517	2,882,923	-4.04
179	**Trustmark National Bank, Jackson, Miss.**	453,688	405,314	11.93	2,351	0.52	1,606,489	1,502,534	6.92	2,762,395	2,905,449	-4.92
180	**First Interstate Bank NA, Denver**	447,939	454,077	-1.35	19,203	4.29	1,099,501	1,185,273	-7.24	2,276,145	2,238,568	1.68
181	**First Jersey National Bank/South, Atlantic City**	443,115	371,113	19.40	4,082	0.92	926,642	767,956	20.66	1,209,093	1,053,236	14.80
182	**Provident Bank, Cincinnati**	440,319	310,687	41.72	3,484	0.79	1,093,453	897,968	21.77	1,755,599	1,567,512	12.00
183	**Citizens & Southern Nat'l Bk of Fla., Ft. Lauderdale**	432,783	472,590	-8.42	5,222	1.21	3,182,417	2,811,479	13.19	4,913,451	4,977,846	-1.29
184	**Valley Bank of Nevada, Las Vegas**	431,530	381,708	13.05	3,605	0.84	1,278,006	1,233,588	3.60	2,138,094	1,986,905	7.61
185	**Zions First National Bank, Salt Lake City, Utah**	428,459	465,701	-8.00	24,961	5.83	1,765,164	1,804,192	-2.16	2,564,248	2,819,132	-9.04
186	**Horizon Bank NA, Morristown, N.J.**	427,412	331,718	28.85	3,169	0.74	1,275,164	1,125,317	13.32	1,726,679	1,659,179	4.07
187	**Bank of New England - West NA, Springfield, Mass.**	423,689	419,952	0.89	11,146	2.63	1,323,450	1,092,781	21.11	1,640,410	1,572,887	4.29
188	**Midlantic National Bank/Merchants, Neptune, N.J.**	423,214	356,468	18.72	5,914	1.40	992,639	790,697	25.54	1,293,149	1,247,872	3.63
189	**First Eastern Bank NA, Wilkes-Barre, Pa.**	420,341	328,305	28.03	3,662	0.87	1,273,222	1,142,140	11.48	1,760,912	1,789,859	-1.62
190	**NCNB South Carolina, Columbia**	417,232	349,412	19.41	3,524	0.84	2,063,059	1,670,195	23.52	3,147,572	3,070,328	2.52
191	**Equibank, Pittsburgh**	414,975	404,907	2.49	23,847	5.75	1,571,866	1,704,485	-7.78	2,723,577	2,495,336	9.15
192	**First National Bank, Toms River, N.J.**	413,813	422,195	-1.99	6,950	1.68	1,212,463	1,149,038	5.52	1,938,510	1,896,253	2.23
193	**Bank of Kansas City, Mo.**	410,098	357,564	14.69	556	0.14	1,316,308	1,188,143	10.79	1,460,028	1,366,749	6.82
194	**Bank One Dayton NA, Ohio**	402,501	315,177	27.71	2,140	0.53	1,305,803	1,171,600	11.45	1,876,132	1,734,851	8.14
195	**First Bank NA, Milwaukee, Wis.**	376,705	293,773	28.23	4,830	1.28	876,788	764,937	14.62	1,313,363	1,139,722	15.24
196	**Liberty National Bank & Trust Co., Louisville, Ky.**	376,195	368,959	1.96	5,158	1.37	1,335,280	1,284,512	3.95	1,986,960	2,025,250	-1.89
197	**Puget Sound National Bank, Tacoma, Wash.**	375,971	292,201	28.67	4,513	1.20	1,364,429	1,224,061	11.47	1,816,026	1,773,875	2.38
198	**Union National Bank, Pittsburgh**	374,416	411,285	-8.96	10,205	2.73	1,412,374	1,324,779	6.61	2,272,896	2,065,574	10.04
199	**Trust Company of New Jersey, Jersey City**	373,237	260,293	43.39	1,797	0.48	1,022,896	855,896	19.51	1,428,815	1,261,111	13.30
200	**Arlington Trust Co., Lawrence, Mass.**	372,770	303,697	22.74	3,849	1.03	988,759	859,839	14.99	1,340,038	1,237,745	8.26

Data Source: All data are provided to American Banker by **ADP Data Services Division, New York,** from their data base of the Federal Regulatory Report of Condition (RC) and Report of Income (RI). ADP restates the 1986 data on a pro forma basis for mergers in 1987. **Business Loans** are total commercial and industrial loans, and are taken from Schedule RC-C of the Report of Condition. Data are consolidated to include both domestic and foreign offices. Loans to both domestic and foreign businesses are included. The appropriate line reference numbers on Schedule RC-C are: Column A— Consolidated Bank— item 4.a. (commercial and industrial loans to U.S. addressees) and item 4.b. (commercial and industrial loans to non-U.S. addressees). **Bad Business Loans** are total business loans that are 90 or more days past due plus total business loans placed on a nonaccrual basis. Data are from Schedule RC-N, item 3a + item 3b (Columns B + C). **Bad Business Loans/Business Loans** is the ratio of bad business loans to total business loans, expressed as a percentage. **Total Loans** are loans and leases, net of unearned income and are from RC-Balance Sheet, line 4.a. **Total Assets** are total consolidated assets from RC-Balance Sheet, line 12. **(a)**— On 2/1/88, Peoples National Bank and 212th-ranked Old National Bank, Spokane, merged under Peoples' charter and with a new title, U.S. Bank of Washington N.A.

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Top 300 Banks in Business Lending

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/87		Total Business Loans 12/31/87	12/31/86	% Chg.	Bad Bus. Loans 12/31/87	Bad Bus. Loans/ Bus. Loans	Total Loans 12/31/87	12/31/86	% Chg.	Total Assets 12/31/87	12/31/86	% Chg.
201	**National State Bank, Elizabeth, N.J.**	370,642	387,878	-4.44	3,550	0.96	1,329,967	1,105,823	20.27	1,985,789	1,831,411	8.43
202	**Sun Bank Miami NA**	368,266	332,017	10.92	1,118	0.30	1,388,541	1,261,425	10.08	1,959,471	1,876,646	4.41
203	**Casco Northern Bank NA, Portland, Ore.**	367,533	355,696	3.33	2,191	0.60	1,150,147	998,251	15.22	1,418,408	1,265,717	12.06
204	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	361,184	344,994	4.69	825	0.23	1,632,402	1,515,761	7.70	3,104,484	3,019,941	2.80
205	**First Source Bank, South Bend, Ind.**	357,881	287,835	24.34	3,489	0.97	682,616	654,253	4.34	1,031,763	1,026,805	0.48
206	**First American Bank NA, Washington, D.C.**	352,057	337,196	4.41	3,468	0.99	1,147,632	946,518	21.25	1,802,098	1,652,269	9.07
207	**Westamerica Bank NA, San Rafael, Calif.**	347,736	308,944	12.56	12,424	3.57	967,585	813,603	18.93	1,249,962	1,170,780	6.76
208	**National Bank of Washington, D.C.**	347,653	269,632	28.94	4,985	1.43	1,345,891	1,066,048	26.25	2,030,365	1,741,341	16.60
209	**Texas Commerce Bank Dallas NA**	345,739	273,229	26.54	19,390	5.61	800,736	763,761	4.84	1,449,070	1,606,550	-9.80
210	**Community Bank, Huntington Park, Calif.**	344,986	325,936	5.84	724	0.21	591,661	556,312	6.35	1,084,750	1,122,313	-3.35
211	**United States Trust Co., Boston**	340,742	280,800	21.35	2,015	0.59	762,753	644,849	18.28	1,127,596	929,097	21.36
212	**Old National Bank, Spokane, Wash. (a)**	339,904	319,720	6.31	5,791	1.70	1,333,550	1,272,626	4.79	1,803,800	1,671,423	7.92
213	**United Bank of Denver NA**	335,710	306,117	9.67	7,282	2.17	1,332,390	1,382,083	-3.60	2,615,333	2,857,811	-8.48
214	**Banco Santander Puerto Rico, San Juan**	334,474	176,105	89.93	19,285	5.77	873,669	574,678	52.03	1,581,095	1,325,834	19.25
215	**Frost National Bank, San Antonio, Tex.**	332,643	390,869	-14.90	12,707	3.82	854,376	956,162	-10.65	1,849,161	1,883,670	-1.83
216	**Banco de Ponce, P.R.**	325,819	283,755	14.82	16,921	5.19	1,580,566	1,328,988	18.93	2,671,460	2,370,770	12.68
217	**Key Bank NA, Albany, N.Y.**	325,459	287,700	13.12	2,961	0.91	1,451,118	1,352,723	7.27	2,176,425	2,190,322	-0.63
218	**Shawmut Worcester County Bank NA, Worcester, Mass.**	325,059	365,802	-11.14	1,835	0.56	950,896	796,336	19.41	1,342,645	1,351,983	-0.69
219	**Citizens First National Bank, Ridgewood, N.J.**	324,836	260,314	24.79	4,649	1.43	1,618,942	1,368,986	18.26	2,265,783	1,991,121	13.79
220	**Commonwealth National Bank, Harrisburg, Pa.**	319,537	223,961	42.68	1,243	0.39	944,664	840,375	12.41	1,379,104	1,506,664	-8.47
221	**First American Bank of Georgia NA, Atlanta**	312,269	288,890	8.09	7,701	2.47	865,492	857,597	0.92	1,605,522	1,682,955	-4.60
222	**Lincoln National Bank & Trust Co., Fort Wayne, Ind.**	310,963	212,761	46.16	1,353	0.44	735,050	630,050	16.67	1,194,285	1,102,926	8.28
223	**Marine Midland Bank -Delaware NA, Wilmington**	309,404	257,145	20.32	7,819	2.53	1,726,264	1,259,227	37.09	1,772,215	1,280,707	38.38
224	**First American Bank of Maryland, Oxon Hill**	305,153	287,337	6.20	5,118	1.68	727,268	617,893	17.70	1,085,523	928,432	16.92
225	**Banco Central Corp, San Juan, P.R.**	301,790	215,111	40.30	22,487	7.45	579,592	571,186	1.47	1,391,396	1,443,031	-3.58
226	**Society Bank NA, Dayton, Ohio**	301,559	320,838	-6.01	1,946	0.65	1,145,139	1,103,944	3.73	1,838,155	1,845,882	-0.42
227	**Texas Commerce Bank Austin NA**	300,715	406,988	-26.11	18,295	6.08	988,754	1,149,489	-13.98	1,324,493	1,447,213	-8.48
228	**Norstar Bank, Hempstead, N.Y.**	300,025	273,314	9.77	2,214	0.74	1,242,472	1,024,774	21.24	2,135,425	2,029,777	5.20
229	**First Security Bank Idaho NA, Boise**	298,118	268,611	10.99	635	0.21	1,295,462	1,263,064	2.57	1,749,003	1,755,066	-0.[illegible]
230	**Commerce Bank St. Louis NA, Clayton, Mo.**	297,464	270,831	9.83	1,372	0.46	1,035,588	957,365	8.17	1,846,592	1,714,146	7.73
231	**Texas Commerce Bank-El Paso NA**	295,736	266,822	10.84	1,654	0.56	581,152	574,647	1.13	1,103,221	1,225,145	-9.95
232	**Laredo National Bank, Tex.**	291,015	320,579	-9.22	1,649	0.57	511,557	543,055	-5.80	1,102,647	1,038,411	6.19
233	**Key Bank of Oregon, Portland**	290,951	277,024	5.03	6,563	2.26	790,091	753,233	4.89	1,094,373	1,137,976	-3.83
234	**Bucks County Bank & Trust Co., Perkasie, Pa.**	288,774	303,406	-4.82	3,728	1.29	709,272	626,502	13.21	1,233,890	1,045,161	18.06
235	**Bank One Cleveland NA**	285,996	321,654	-11.09	12,092	4.23	1,113,808	981,551	13.47	1,545,158	1,385,520	11.52
236	**First National Bank of Commerce, New Orleans**	283,825	277,015	2.46	1,693	0.60	1,193,503	1,102,309	8.27	2,428,689	2,350,724	3.32
237	**Imperial Bank, Los Angeles**	283,742	239,624	18.41	2,475	0.87	958,087	821,973	16.56	1,736,499	2,368,249	-26.68
238	**South Shore Bank, Quincy, Mass.**	280,910	308,513	-8.95	1,229	0.44	690,891	677,464	1.98	948,048	946,236	0.19
239	**Planters National Bank & Trust Co., Rocky Mount, N.C.**	280,617	248,215	13.05	1,502	0.54	646,275	557,258	15.97	918,066	820,831	11.85
240	**UBAF Arab American Bank, New York**	280,109	192,779	45.30	18,331	6.54	769,429	745,734	3.18	1,230,814	1,265,193	-2.72
241	**Lake Shore National Bank, Chicago**	277,762	243,743	13.96	1,085	0.39	501,642	449,005	11.72	736,539	637,670	15.50
242	**Boulevard Bank NA, Chicago**	277,652	268,049	3.58	5,061	1.82	580,181	577,327	0.49	778,202	746,436	4.26
243	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	276,442	273,767	0.98	3,985	1.44	1,198,244	1,034,596	15.82	2,069,140	1,988,846	4.04
244	**NBC Bank-San Antonio NA**	276,253	471,236	-41.38	17,350	6.28	1,057,297	1,242,852	-14.93	1,548,611	2,066,300	-25.05
245	**National Bank of Commerce, Memphis, Tenn.**	274,054	313,263	-12.52	3,524	1.29	740,301	716,758	3.28	1,317,740	1,357,351	-2.92
246	**Summit Bank, Fort Wayne, Ind.**	273,382	266,490	2.59	8,019	2.93	979,154	884,900	10.65	1,508,750	1,473,534	2.39
247	**Bank IV Wichita NA, Kan.**	273,008	312,886	-12.75	5,196	1.90	720,851	736,434	-2.12	1,438,759	1,485,527	-3.15
248	**Boatmen's First National Bank, Kansas City, Mo.**	269,863	298,982	-9.74	4,962	1.84	1,033,348	1,035,195	-0.18	2,112,376	2,329,297	-9.31
249	**Bank of Delaware, Wilmington**	269,450	263,387	2.30	1,925	0.71	1,152,652	1,060,719	8.67	1,686,217	1,625,895	3.71
250	**Union Bank & Trust Co. NA, Grand Rapids, Mich.**	269,266	225,891	19.20	297	0.11	716,954	613,785	16.81	980,813	999,931	-1.91
251	**Extebank, Stony Brook, N.Y.**	268,600	234,224	14.68	3,283	1.22	359,986	307,722	16.98	515,816	461,380	11.80
252	**York Bank & Trust Co., Pa.**	268,585	249,902	7.48	4,996	1.86	734,277	740,330	-0.82	999,034	987,227	-1.20
253	**First Security National Bank & Trust Co., Lexington, Ky.**	268,271	264,216	1.53	2,571	0.96	814,341	801,229	1.64	1,301,763	1,324,660	-1.73
254	**Commerce Bank of Kansas City NA, Mo.**	267,765	293,702	-8.83	4,645	1.73	663,811	815,605	-18.61	1,429,972	1,629,106	-12.22
255	**Bank of the West, San Francisco**	265,931	330,444	-19.52	17,564	6.60	1,063,719	1,034,211	2.85	1,454,578	1,352,047	7.58
256	**Barclays Bank of California, San Francisco**	265,777	250,463	6.11	5,858	2.20	923,992	901,004	2.55	1,314,528	1,274,865	3.11
257	**First American Bank Knoxville NA, Tenn.**	265,689	262,921	1.05	4,940	1.86	726,500	687,650	5.65	1,184,582	1,140,192	3.89
258	**Oregon Bank, Portland**	265,114	299,383	-11.45	16,603	6.26	629,341	630,633	-0.20	1,020,378	961,817	6.09
259	**Merchants Bank NA, Allentown, Pa.**	262,859	204,027	28.84	4,129	1.57	1,079,697	890,928	21.19	1,741,042	1,481,393	17.53
260	**First RepublicBank Austin NA, Tex.**	258,[illegible]4	338,067	-23.53	21,209	8.20	1,174,332	1,334,033	-11.97	1,853,472	1,976,929	-6.24
261	**United Missouri Bank of Kansas City NA**	258,428	253,686	1.87	1,537	0.59	603,458	696,811	-13.40	1,779,236	1,636,127	8.75
262	**MBank El Paso NA, Tex.**	254,376	279,979	-9.14	6,728	2.64	679,456	712,690	-4.66	1,413,622	1,435,126	-1.50
263	**Capital Bank, Miami**	254,153	238,285	6.66	19,581	7.70	542,856	465,710	16.57	873,630	803,872	8.68
264	**Chicago-Tokyo Bank**	253,135	253,242	-0.04	15,528	6.13	334,298	341,247	-2.04	454,287	422,361	7.56
265	**Key Bank of Central New York, Syracuse**	251,513	211,402	18.97	2,133	0.85	1,054,328	868,206	21.44	1,481,482	1,339,447	10.60
266	**Peoples Bank & Trust Co., Rocky Mount, N.C.**	250,622	217,932	15.00	643	0.26	649,530	596,347	8.92	951,054	886,740	7.25
267	**United Jersey Bank/Commercial Trust, Jersey City**	248,467	247,948	0.21	8,583	3.45	679,550	688,541	-1.31	983,220	1,021,353	-3.73
268	**Wilmington Trust Co., Del.**	248,387	232,884	6.66	4,048	1.63	1,771,283	1,606,041	10.29	2,890,832	2,743,284	5.38
269	**Colorado National Bank, Denver**	247,893	258,278	-4.02	5,372	2.17	710,594	739,089	-3.86	1,311,557	1,432,677	-8.45
270	**Liberty National Bank & Trust Co., Oklahoma City**	245,610	287,002	-14.42	26,378	10.74	753,594	1,025,912	-26.54	1,519,512	2,291,938	-33.70
271	**Citibank (Delaware), New Castle**	245,489	629,694	-61.01	0	0.00	338,123	631,351	-46.44	1,052,648	1,137,665	-7.47
272	**First Fidelity Bank NA/North Jersey, Totowa**	242,329	286,593	-15.44	7,947	3.28	1,459,287	1,394,087	4.68	2,138,179	2,100,463	1.80
273	**United Jersey Bank/Franklin State, Somerset**	241,875	196,548	23.06	10,402	4.30	642,886	559,229	14.96	876,888	827,565	5.96
274	**Marquette Bank Minneapolis NA**	241,852	277,160	-12.74	6,191	2.56	713,275	685,936	3.99	1,403,924	1,554,853	-9.71
275	**Sunburst Bank, Grenada, Miss.**	241,334	204,164	18.21	4,705	1.95	718,948	655,673	9.65	1,325,701	1,249,989	6.06
276	**Sun Bank South Florida NA, Fort Lauderdale**	232,109	208,165	11.50	973	0.42	1,109,229	940,701	17.92	1,847,374	1,857,388	-0.54
277	**Central Trust Co., Rochester, N.Y.**	231,703	208,070	11.36	1,330	0.57	683,240	608,274	12.32	893,748	807,193	10.72
278	**Dominion Bank of Middle Tennessee, Nashville**	231,640	231,399	0.10	3,832	1.65	670,141	550,510	21.73	921,592	798,634	15.40
279	**Sovran Bank/DC National, Washington, D.C.**	226,930	199,380	13.82	1,273	0.56	504,574	393,902	28.10	646,208	571,140	13.14
280	**First Virginia Bank, Falls Church**	224,464	180,417	24.41	0	0.00	1,196,778	1,059,021	13.01	1,811,157	1,770,531	2.29
281	**First National Bank, Elkhart, Ind.**	223,151	199,206	12.02	4,749	2.13	576,576	591,858	-2.58	777,790	949,600	-18.09
282	**Bank of New England NA-Old Colony NA, Providence, R.I.**	217,109	125,034	73.64	1,987	0.92	766,504	674,395	13.66	990,350	924,663	7.10
283	**National City Bank, Akron, Ohio**	215,986	197,178	9.54	3,713	1.72	686,209	597,405	14.86	866,600	873,346	-0.77
284	**Sunwest Bank of Albuquerque NA, N.M.**	215,958	223,413	-3.34	14,775	6.84	875,557	790,991	10.69	1,723,821	1,698,785	1.47
285	**Ohio Citizens Bank, Toledo**	215,917	145,811	48.08	240	0.11	860,891	680,521	26.50	1,058,045	953,345	10.98
286	**Republic National Bank, Miami**	214,389	217,476	-1.42	6,665	3.11	542,560	505,334	7.37	996,537	922,686	8.00
287	**First American Bank of New York**	213,377	233,441	-8.59	4,069	1.91	716,071	723,979	-1.09	1,315,699	1,263,529	4.13
288	**First National Bank, Akron, Ohio**	213,231	162,179	31.48	5,449	2.56	943,486	786,226	20.00	1,911,308	1,812,171	5.47
289	**First RepublicBank Fort Worth NA, Tex.**	212,676	299,789	-29.06	18,843	8.86	762,854	886,057	-13.90	1,112,612	1,412,506	-21.23
290	**First National Bank, Albuquerque, N.M.**	212,573	236,513	-10.12	5,721	2.69	732,991	706,586	3.74	1,235,367	1,255,775	-1.63
291	**First National Bank, Dayton, Ohio**	208,871	194,510	7.38	2,216	1.06	621,865	537,825	15.63	883,860	813,404	8.66
292	**United Carolina Bank, Whiteville, N.C.**	206,810	215,407	-3.99	1,974	0.95	1,309,675	1,1[illegible]3,150	11.64	1,860,144	1,744,077	6.65
293	**Mark Twain Bank, Ladue, Mo.**	206,167	218,991	-5.86	4,080	1.98	863,509	[illegible]86,541	9.79	1,150,962	1,113,208	3.39
294	**BayBank Norfolk County Trust Co., Dedham, Mass.**	205,569	186,766	10.07	0	0.00	1,121,610	992,586	13.00	1,477,616	1,385,223	6.67
295	**Norwest Bank Des Moines NA, Iowa**	204,787	211,311	-3.09	3,687	1.80	795,684	731,694	8.75	1,353,747	1,472,790	-8.08
296	**Guaranty Bank & Trust Co., Lafayette, La.**	203,047	228,999	-11.33	23,966	11.8	385,821	475,672	-18.89	614,511	713,556	-13.88
297	**LTCB Trust Co., New York**	202,457	0	...	0	0.00	248,865	0	...	385,030	0	...
298	**MBank Fort Worth NA, Tex.**	201,266	260,325	-22.69	24,411	12.13	710,785	793,120	-10.38	913,221	1,045,371	-12.64
299	**Citizens Bank & Trust Co., Riverdale, Md.**	200,460	178,526	12.29	810	0.40	975,161	821,195	18.75	1,689,881	1,706,014	-0.95
300	**Barnett Bank of Jacksonville NA, Fla.**	199,312	169,942	17.28	760	0.38	1,140,201	1,011,169	12.76	1,568,451	1,472,785	6.50

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Top
300 Banks in Business Loans

Listed Georgraphically by Order of Size within States

Rank		Business Loans		
1987		1987	1986	% Chg.
	ALABAMA			
56	AmSouth Bank Birmingham NA	1,606,139	1,498,271	7.20
146	First Alabama Bank, Montgomery	594,484	563,325	5.53
152	Central Bank of the South, Birmingham	547,702	550,032	-0.42
167	SouthTrust Bank of Alabama NA, Birmingham	481,611	558,798	-13.81
	ALASKA			
162	National Bank of Alaska, Anchorage	492,279	244,552	101.30
	ARIZONA			
55	Valley National Bank of Arizona, Phoenix	1,662,588	1,724,808	-3.61
63	First Interstate Bank of Arizona NA, Phoenix	1,424,274	1,262,871	12.78
117	Arizona Bank, Phoenix	721,984	647,388	11.52
150	United Bank of Arizona, Phoenix	574,293	634,134	-9.44
	CALIFORNIA			
2	Bank of America NT&SA, San Francisco	22,258,000	23,962,000	-7.11
9	Security Pacific National Bank, Los Angeles	10,676,601	11,642,494	-8.30
11	Wells Fargo Bank NA, San Francisco	9,792,377	9,892,997	-1.02
19	First Interstate Bank of California, Los Angeles	4,641,404	5,287,842	-12.22
27	Union Bank, Los Angeles	2,669,529	2,835,227	-5.84
53	California First Bank, San Francisco	1,689,099	1,801,933	-6.26
57	Sanwa Bank California, San Francisco	1,605,103	1,447,230	10.91
66	Bank of California NA, San Francisco	1,355,007	1,047,152	29.40
101	Tokai Bank of California, Los Angeles	846,957	493,061	71.78
113	City National Bank, Beverly Hills	731,240	609,371	20.00
121	Sumitomo Bank of California, San Francisco	690,304	767,864	-10.10
154	Mitsui Manufacturers Bank, Los Angeles	538,602	713,809	-24.55
207	Westamerica Bank NA, San Rafael	347,736	308,944	12.56
210	Community Bank, Huntington Park	344,986	325,936	5.84
237	Imperial Bank, Los Angeles	283,742	239,624	18.41
255	Bank of the West, San Francisco	265,931	330,444	-19.52
256	Barclays Bank of California, San Francisco	265,777	250,463	6.11
	COLORADO			
180	First Interstate Bank NA, Denver	447,939	454,077	-1.35
213	United Bank of Denver NA	335,710	306,117	9.67
269	Colorado National Bank, Denver	247,893	258,278	-4.02
	CONNECTICUT			
35	Connecticut Bank & Trust Co. NA, Hartford	2,277,226	2,305,905	-1.24
50	Connecticut National Bank, Hartford	1,775,487	1,680,099	5.68
111	Citytrust, Bridgeport	742,332	676,024	9.81
126	Union Trust Co., Stamford	666,114	525,544	26.75
155	United Bank & Trust Co., Hartford	529,234	452,449	16.97
175	Bank of Boston Connecticut, Waterbury	462,505	404,112	14.45
	DELAWARE			
70	Bankers Trust (Delaware), Wilmington	1,282,204	1,025,532	25.03
80	Morgan Bank (Delaware), Wilmington	1,145,276	1,554,297	-26.32
93	Manufacturers Hanover Bk (Delaware), Wilmington	953,879	1,223,626	-22.04
163	Chemical Bank (Delaware), Wilmington	490,535	714,835	-31.38
223	Marine Midland Bank (Delaware) NA, Wilmington	309,404	257,145	20.32
249	Bank of Delaware, Wilmington	269,450	263,387	2.30
268	Wilmington Trust Co.	248,387	232,884	6.66
271	Citibank (Delaware), New Castle	245,489	629,694	-61.01
	DISTRICT OF COLUMBIA			
97	Riggs National Bank, Washington, D.C.	924,753	887,473	4.20
106	American Security Bank NA, Washington, D.C.	792,577	697,253	13.67
206	First American Bank NA, Washington, D.C.	352,057	337,196	4.41
208	National Bank of Washington, D.C.	347,653	269,632	28.94
279	Sovran Bank/DC National, Washington, D.C.	226,930	199,380	13.82
	FLORIDA			
38	Southeast Bank NA, Miami	2,140,886	2,146,454	-0.26
59	NCNB National Bank of Florida, Tampa	1,544,489	1,438,914	7.34
88	Florida National Bank, Jacksonville	1,013,511	1,069,884	-5.27
108	First Union National Bank, Jacksonville	779,948	775,870	0.53
124	Sun Bank NA, Orlando	676,532	548,124	23.43
132	First Florida Bank NA, Tampa	643,699	581,397	10.72
141	Barnett Bank of South Florida NA, Miami	615,892	579,573	6.27
183	Citizens & Southern Nat'l Bk of Fla., Ft. Lauderdale	432,783	472,590	-8.42
202	Sun Bank Miami NA	368,266	332,017	10.92
263	Capital Bank, Miami	254,153	238,285	6.66
276	Sun Bank South Florida NA, Fort Lauderdale	232,109	208,165	11.50
286	Republic National Bank, Miami	214,389	217,476	-1.42
300	Barnett Bank of Jacksonville NA	199,312	169,942	17.28
	GEORGIA			
29	Citizens & Southern National Bank, Atlanta	2,587,148	2,061,989	25.47
62	Trust Company Bank, Atlanta	1,468,081	1,362,258	7.77
69	First National Bank of Atlanta	1,288,671	1,379,409	-6.58
96	Bank South NA, Atlanta	926,728	778,471	19.04
140	First Union National Bank of Georgia, Atlanta	617,600	627,874	-1.64
221	First American Bank of Georgia NA, Atlanta	312,269	288,890	8.09
	HAWAII			
90	Bank of Hawaii, Honolulu	995,265	818,054	21.66
159	First Hawaiian Bank, Honolulu	519,341	480,999	7.97
	IDAHO			
171	Idaho First National Bank, Boise	472,578	485,932	-2.75
229	First Security Bank Idaho NA, Boise	298,118	268,611	10.99
	ILLINOIS			
6	Continental Illinois National B&T Co., Chicago	13,383,406	14,167,292	-5.53
12	First National Bank of Chicago	9,759,880	9,185,969	6.25
33	Harris Trust & Savings Bank, Chicago	2,403,848	2,125,342	13.10
60	Northern Trust Co., Chicago	1,507,680	1,784,129	-15.49
81	American National Bank & Trust Co., Chicago	1,132,625	1,033,842	9.55
115	Exchange National Bank, Chicago	728,540	632,445	15.19
123	LaSalle National Bank, Chicago	680,752	608,662	11.84
241	Lake Shore National Bank, Chicago	277,762	243,743	13.96
242	Boulevard Bank NA, Chicago	277,652	268,049	3.58
264	Chicago-Tokyo Bank	253,135	253,242	-0.04
	INDIANA			
92	Bank One Indianapolis NA	964,018	864,671	11.49
105	Indiana National Bank, Indianapolis	794,421	807,601	-1.63
157	Merchants National Bank & Trust Co., Indianapolis	527,124	505,915	4.19
205	First Source Bank, South Bend	357,881	287,835	24.34
222	Lincoln National Bank & Trust Co., Fort Wayne	310,963	212,761	46.16
246	Summit Bank, Fort Wayne	273,382	266,490	2.59
281	First National Bank, Elkhart	223,151	199,206	12.02
	IOWA			
295	Norwest Bank Des Moines NA	204,787	211,311	-3.09
	KANSAS			
247	Bank IV Wichita NA	273,008	312,886	-12.75
	KENTUCKY			
77	First National Bank, Louisville	1,171,819	1,061,435	10.40
84	Citizens Fidelity Bank & Trust Co., Louisville	1,109,132	845,746	31.14
96	Liberty National Bank & Trust Co., Louisville	376,195	368,959	1.96
253	First Security National Bank & Trust Co., Lexington	268,271	264,216	1.53
	LOUISIANA			
78	Hibernia National Bank, New Orleans	1,161,404	963,883	20.49
110	Whitney National Bank, New Orleans	744,885	743,861	0.14
236	First National Bank of Commerce, New Orleans	283,825	277,015	2.46
296	Guaranty Bank & Trust Co., Lafayette	203,047	228,999	-11.33
	MAINE			
203	Casco Northern Bank NA, Portland	367,533	355,696	3.33
	MARYLAND			
47	Maryland National Bank, Baltimore	1,838,148	1,714,001	7.24
82	First National Bank of Maryland, Baltimore	1,115,620	1,137,881	-1.96
122	Sovran Bank/Maryland, Bethesda	683,924	655,477	4.34
125	Equitable Bank NA, Baltimore	668,630	509,797	31.16
131	Signet Bank/Maryland, Baltimore	646,260	580,191	11.39
176	Mercantile Safe Deposit & Trust Co., Baltimore	460,138	390,978	17.69
224	First American Bank of Maryland, Oxon Hill	305,153	287,337	6.20
299	Citizens Bank & Trust Co., Riverdale	200,460	178,526	12.29
	MASSACHUSSETTS			
10	First National Bank, Boston	10,323,797	10,137,257	1.84
24	Bank of New England NA, Boston	3,489,253	3,229,095	8.06
42	Shawmut Bank NA, Boston	2,066,302	1,828,309	13.02
109	State Street Bank & Trust Co., Boston	771,942	632,370	22.07
112	BayBank Middlesex, Burlington	734,431	655,385	12.06
166	Boston Safe Deposit & Trust Co.	485,645	34,961	1,289.11
187	Bank of New England - West NA, Springfield	423,689	419,952	0.89
200	Arlington Trust Co., Lawrence	372,770	303,697	22.74
211	United States Trust Co., Boston	340,742	280,800	21.35
218	Shawmut Worcester County Bank NA, Worcester	325,059	365,802	-11.14
238	South Shore Bank, Quincy	280,910	308,513	-8.95
294	BayBank Norfolk County Trust Co., Dedham	205,569	186,766	10.07
	MICHIGAN			
20	National Bank of Detroit	4,187,933	4,305,605	-2.73
37	Manufacturers National Bank, Detroit	2,189,108	1,870,270	17.05
44	Comerica Bank-Detroit	1,930,305	1,980,477	-2.53
58	Michigan National Bank, Farmington Hills	1,587,466	1,669,494	-4.91
107	Old Kent Bank & Trust Co., Grand Rapids	791,611	614,056	28.92
250	Union Bank & Trust Co. NA, Grand Rapids	269,266	225,891	19.20
	MINNESOTA			
21	First Bank NA, Minneapolis	4,111,613	4,689,463	-12.32
49	Norwest Bank Minneapolis NA	1,785,074	1,916,825	-6.37
274	Marquette Bank Minneapolis NA	241,852	277,160	-12.74
	MISSISSIPPI			
173	Deposit Guaranty National Bank, Jackson	468,541	417,680	12.18
179	Trustmark National Bank, Jackson	453,688	405,314	11.93
275	Sunburst Bank, Grenada	241,334	204,164	18.21
	MISSOURI			
102	Mercantile Bank NA, St. Louis	823,537	852,193	-3.36
135	Boatmen's National Bank, St. Louis	635,591	540,979	17.49
138	Centerre Bank NA, St. Louis	619,891	652,125	-4.94
193	Bank of Kansas City	410,098	357,564	14.69
230	Commerce Bank St. Louis NA, Clayton	297,464	270,831	9.83
248	Boatmen's First National Bank, Kansas City	269,863	298,982	-9.74
254	Commerce Bank of Kansas City NA	267,765	293,702	-8.83
261	United Missouri Bank of Kansas City NA	258,428	253,686	1.87
293	Mark Twain Bank, Ladue	206,167	218,991	-5.86
	NEVADA			
153	First Interstate Bank of Nevada NA, Reno	547,376	517,972	5.68
184	Valley Bank of Nevada, Las Vegas	431,530	381,708	13.05

June 21, 1988, American Banker

Top 300 Banks in Business Loans

Listed Georgraphically by Order of Size within States

Rank 1987		Business Loans 1987	1986	% Chg.
	NEW JERSEY			
31	First Fidelity Bank NA, Newark	2,460,539	2,215,682	11.05
73	Midlantic National Bank, Newark	1,252,500	1,292,503	-3.10
79	United Jersey Bank, Hackensack	1,145,928	989,218	15.84
86	First Jersey National Bank, Jersey City	1,089,891	913,188	19.35
136	Midlantic National Bank/South, Mt. Laurel	626,401	623,616	0.45
145	New Jersey National Bank, Pennington	595,905	521,252	14.32
158	Midlantic National Bank/North, West Paterson	525,167	401,197	30.90
174	National Community Bank, Rutherford	465,822	354,058	31.57
181	First Jersey National Bank/South, Atlantic City	443,115	371,113	19.40
186	Horizon Bank NA, Morristown	427,412	331,718	28.85
188	Midlantic National Bank/Merchants, Neptune	423,214	356,468	18.72
192	First National Bank, Toms River	413,813	422,195	-1.99
199	Trust Company of New Jersey, Jersey City	373,237	260,293	43.39
201	National State Bank, Elizabeth	370,642	387,878	-4.44
219	Citizens First National Bank, Ridgewood	324,836	260,314	24.79
267	United Jersey Bank/Commercial Trust, Jersey City	248,467	247,948	0.21
272	First Fidelity Bank NA/North Jersey, Totowa	242,329	286,593	-15.44
273	United Jersey Bank/Franklin State, Somerset	241,875	196,548	23.06
	NEW MEXICO			
284	Sunwest Bank of Albuquerque NA	215,958	223,413	-3.34
290	First National Bank, Albuquerque	212,573	236,513	-10.12
	NEW YORK			
1	Citibank NA, New York	31,875,000	35,647,000	-10.58
3	Chase Manhattan Bank NA, New York	21,662,583	25,072,544	-13.60
4	Manufacturers Hanover Trust Co., New York	19,118,000	21,787,000	-12.25
5	Chemical Bank, New York	13,959,000	15,274,000	-8.61
7	Bankers Trust Co., New York	12,658,333	13,625,881	-7.10
8	Morgan Guaranty Trust Co., New York	12,282,426	14,277,386	-13.97
14	Bank of New York	6,931,430	6,517,105	6.36
15	Marine Midland Bank NA, Buffalo	6,021,934	6,390,542	-5.77
17	Irving Trust Co., New York	5,412,321	4,216,995	28.35
18	National Westminster Bank USA, New York	5,257,352	4,414,464	19.09
36	Bank of Tokyo Trust Co., New York	2,246,167	2,286,793	-1.78
46	European American Bank, New York	1,863,774	1,680,363	10.91
64	Republic National Bank, New York	1,405,021	1,206,864	16.42
68	Bank Leumi Trust Co., New York	1,295,874	1,114,918	16.23
72	Industrial Bank Japan Trust Co., New York	1,259,579	1,061,872	18.62
91	Chase Lincoln First Bank NA, Rochester	964,913	1,069,100	-9.75
94	Fuji Bank & Trust Co., New York	947,392	866,147	9.38
104	Norstar Bank of Upstate NY, Albany	796,716	764,066	4.27
119	Norstar Bank NA, Buffalo	708,639	627,655	12.90
139	Israel Discount Bank, New York	618,238	653,641	-5.42
148	IBJ Schroder Bank & Trust Co., New York	586,504	624,552	-6.09
156	Barclays Bank of New York NA	528,502	462,611	14.24
160	Daiwa Bank Trust Co., New York	515,088	300,349	71.50
168	Canadian Imperial Bank of Commerce (New York)	479,914	615,374	-22.01
169	Manufacturers & Traders Trust Co., Buffalo	475,473	470,519	1.05
217	Key Bank NA, Albany	325,459	287,700	13.12
228	Norstar Bank, Hempstead	300,025	273,314	9.77
240	UBAF Arab American Bank, New York	280,109	192,779	45.30
251	Extebank, Stony Brook	268,600	234,224	14.68
265	Key Bank of Central New York, Syracuse	251,513	211,402	18.97
277	Central Trust Co., Rochester	231,703	208,070	11.36
287	First American Bank of New York	213,377	233,441	-8.59
297	LTCB Trust Co., New York	202,457	.....	...
	NORTH CAROLINA			
23	NCNB National Bank of North Carolina, Charlotte	3,521,538	3,476,084	1.31
30	Wachovia Bank & Trust Co. NA, Winston-Salem	2,473,974	2,381,513	3.88
41	First Union National Bank, Charlotte	2,070,933	1,999,717	3.56
165	Branch Banking & Trust Co., Wilson	488,117	451,739	8.05
172	Southern National Bank, Lumberton	471,238	409,104	15.19
204	First-Citizens Bank & Trust Co., Raleigh	361,184	344,994	4.69
239	Planters National Bank & Trust Co., Rocky Mount	280,617	248,215	13.05
266	Peoples Bank & Trust Co., Rocky Mount	250,622	217,932	15.00
292	United Carolina Bank, Whiteville	206,810	215,407	-3.99
	OHIO			
34	AmeriTrust Co. NA, Cleveland	2,387,786	2,389,819	-0.09
51	National City Bank, Cleveland	1,757,462	1,576,867	11.45
74	Society National Bank, Cleveland	1,239,903	1,242,822	-0.23
76	Huntington National Bank, Columbus	1,210,005	1,231,315	-1.73
98	Toledo Trust Co.	900,650	776,211	16.03
99	BancOhio National Bank, Columbus	889,169	888,059	0.12
114	Bank One Columbus NA	729,143	649,018	12.35
133	Central Trust Co. NA, Cincinnati	636,113	640,973	-0.76
149	First National Bank, Cincinnati	574,493	426,498	34.70
151	Fifth Third Bank, Cincinnati	565,665	395,062	43.18
182	Provident Bank, Cincinnati	440,319	310,687	41.72
194	Bank One Dayton NA	402,501	315,177	27.71
226	Society Bank NA, Dayton	301,559	320,838	-6.01
235	Bank One Cleveland NA	285,996	321,654	-11.09
283	National City Bank, Akron	215,986	197,178	9.54
285	Ohio Citizens Bank, Toledo	215,917	145,811	48.08
288	First National Bank, Akron	213,231	162,179	31.48
291	First National Bank, Dayton	208,871	194,510	7.38
	OKLAHOMA			
270	Liberty National Bank & Trust Co., Oklahoma City	245,610	287,002	-14.42
	OREGON			
45	United States National Bank, Portland	1,892,390	1,753,117	7.94
61	First Interstate Bank of Oregon NA, Portland	1,500,107	1,478,223	1.48
233	Key Bank of Oregon, Portland	290,951	277,024	5.03
258	Oregon Bank, Portland	265,114	299,383	-11.45
	PENNSYLVANIA			
13	Mellon Bank NA, Pittsburgh	7,190,340	8,260,387	-12.95
25	Pittsburgh National Bank	2,893,475	3,073,497	-5.86
26	Philadelphia National Bank	2,757,626	2,352,718	17.21
28	Fidelity Bank NA, Malvern	2,659,627	2,408,736	10.42
40	Meridian Bank, Reading	2,091,744	1,955,176	6.98
65	Mellon Bank (East) NA, Philadelphia	1,389,243	1,420,472	-2.20
67	Provident National Bank, Philadelphia	1,351,007	1,373,484	-1.64
71	First Pennsylvania Bank NA, Philadelphia	1,271,619	1,271,693	-0.01
87	Continental Bank, Norristown	1,082,308	1,016,845	6.44
130	Northeastern Bank of Pennsylvania, Wilkes-Barre	646,547	581,181	11.25
178	Hamilton Bank, Lancaster	455,412	424,759	7.22
189	First Eastern Bank NA, Wilkes-Barre	420,341	328,305	28.03
191	Equibank, Pittsburgh	414,975	404,907	2.49
198	Union National Bank, Pittsburgh	374,416	411,285	-8.96
220	Commonwealth National Bank, Harrisburg	319,537	223,961	42.68
234	Bucks County Bank & Trust Co., Perkasie	288,774	303,406	-4.82
243	Dauphin Deposit Bank & Trust Co., Harrisburg	276,442	273,767	0.98
252	York Bank & Trust Co.	268,585	249,902	7.48
259	Merchants Bank NA, Allentown	262,859	204,027	28.84
	PUERTO RICO			
127	Banco Popular de Puerto Rico, San Juan	663,902	512,471	29.55
214	Banco Santander Puerto Rico, San Juan	334,474	176,105	89.93
216	Banco de Ponce	325,819	283,755	14.82
225	Banco Central Corp, San Juan	301,790	215,111	40.30
	RHODE ISLAND			
54	Fleet National Bank, Providence	1,666,330	1,537,606	8.37
103	Rhode Island Hospital Trust Nat'l Bk, Providence	805,341	787,628	2.25
282	Bank of New England NA-Old Colony NA, Providence	217,109	125,034	73.64
	SOUTH CAROLINA			
83	South Carolina National Bank, Charleston	1,110,460	1,004,567	10.54
161	Citizens & Southern National Bank, Charleston	511,864	459,381	11.42
190	NCNB South Carolina, Columbia	417,232	349,412	19.41
	TENNESSEE			
95	First Tennessee Bank NA, Memphis	935,263	888,442	5.27
134	Third National Bank, Nashville	635,963	594,964	6.89
137	First American National Bank, Nashville	622,166	638,155	-2.51
144	Sovran Bank/Central South, Nashville	600,886	473,707	26.85
147	Union Planters National Bank, Memphis	587,929	503,037	16.88
245	National Bank of Commerce, Memphis	274,054	313,263	-12.52
257	First American Bank Knoxville NA	265,689	262,921	1.05
278	Dominion Bank of Middle Tennessee, Nashville	231,640	231,399	0.10
	TEXAS			
16	First RepublicBank Dallas NA	6,019,972	7,170,388	-16.04
22	Texas Commerce Bank NA, Houston	3,885,415	5,179,629	-24.99
48	MBank Dallas NA	1,800,180	2,471,482	-27.16
75	MBank Houston NA	1,221,468	1,278,971	-4.50
89	First Interstate Bank of Texas NA, Houston	1,010,619	1,229,362	-17.79
118	First RepublicBank Houston NA	715,710	1,127,957	-36.55
120	Texas American Bank/Fort Worth NA	694,203	782,609	-11.30
209	Texas Commerce Bank Dallas NA	345,739	273,229	26.54
215	Frost National Bank, San Antonio	332,643	390,869	-14.90
227	Texas Commerce Bank Austin NA	300,715	406,988	-26.11
231	Texas Commerce Bank-El Paso NA	295,736	266,822	10.84
232	Laredo National Bank	291,015	320,579	-9.22
244	NBC Bank-San Antonio NA	276,253	471,236	-41.38
260	First RepublicBank Austin NA	258,534	338,067	-23.53
262	MBank El Paso NA	254,376	279,979	-9.14
289	First RepublicBank Fort Worth NA	212,676	299,789	-29.06
298	MBank Fort Worth NA	201,266	260,325	-22.69
	UTAH			
143	First Security Bank of Utah NA, Ogden	609,295	586,707	3.85
185	Zions First National Bank, Salt Lake City	428,459	465,701	-8.00
	VIRGINIA			
32	Sovran Bank NA, Richmond	2,453,974	2,002,602	22.54
43	Crestar Bank, Richmond	1,967,025	1,567,774	25.47
85	Signet Bank/Virginia, Richmond	1,091,327	953,720	14.43
116	First American Bank, McLean	726,804	651,763	11.51
128	Central Fidelity Bank, Richmond	656,472	509,555	28.83
170	Dominion Bank NA, Roanoke	473,856	521,842	-9.20
280	First Virginia Bank, Falls Church	224,464	180,417	24.41
	WASHINGTON			
39	Seattle-First National Bank	2,111,251	2,421,105	-12.80
52	Rainier National Bank, Seattle	1,725,714	1,715,472	0.60
142	First Interstate Bank Washington NA, Spokane	610,454	567,854	7.50
164	Peoples National Bank, Seattle	489,755	548,628	-10.73
197	Puget Sound National Bank, Tacoma	375,971	292,201	28.67
212	Old National Bank, Spokane	339,904	319,720	6.31
	WISCONSIN			
100	First Wisconsin National Bank, Milwaukee	870,500	969,215	-10.19
129	M & I Marshall & Ilsley Bank, Milwaukee	655,882	643,775	1.88
177	Marine Bank NA, Milwaukee	456,668	452,478	0.93
195	First Bank NA, Milwaukee	376,705	293,773	28.23

Top 100 Banks in Domestic Loans

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank		Domestic Business Loans			Domestic Bus. Loans As % of Business Loans		Bad Business Loans		Bad Business Loans as % Of Domestic Bus. Loans		Gross Interest Income		
12/87		12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	12/31/87	12/31/86	12/31/87	12/31/86	12/31/87	12/31/86	% Chg.
1	**Manufacturers Hanover Trust Co., New York**	11,076,000	13,008,000	-14.85	57.93	59.71	980,000	1,036,000	8.85	7.96	1,057,000	1,064,000	-0.66
2	**Citibank NA, New York**	9,933,000	12,174,000	-18.41	31.16	34.15	413,000	507,000	4.16	4.16	1,126,000	1,069,000	5.33
3	**Wells Fargo Bank NA, San Francisco**	9,087,926	9,059,342	0.32	92.81	91.57	251,770	236,615	2.77	2.61	824,293	575,904	43.13
4	**Continental Illinois National B & T Co., Chicago**	8,785,199	9,353,778	-6.08	65.64	66.02	108,361	307,987	1.23	3.29	781,344	819,451	-4.65
5	**Bank of America NT&SA, San Francisco**	8,730,000	10,683,000	-18.28	39.22	44.58	273,000	941,000	3.13	8.81	878,000	1,095,000	-19.82
6	**Chemical Bank, New York**	8,521,000	10,160,000	-16.13	61.04	66.52	407,000	582,000	4.78	5.73	855,000	872,000	-1.95
7	**Security Pacific National Bank, Los Angeles**	7,734,194	9,495,190	-18.55	72.44	81.56	552,000	605,703	7.14	6.38	683,488	680,379	0.46
8	**First National Bank, Boston**	7,529,141	7,376,607	2.07	72.93	72.77	149,521	194,850	1.99	2.64	685,609	617,341	11.06
9	**Chase Manhattan Bank NA, New York**	7,192,353	7,667,260	-6.19	33.2	30.58	540,395	391,556	7.51	5.11	564,683	553,946	1.94
10	**Bankers Trust Co., New York**	7,016,099	8,276,072	-15.22	55.43	60.74	264,435	360,444	3.77	4.36	658,715	659,565	-0.13
11	**First National Bank, Chicago**	7,002,252	6,484,239	7.99	71.75	70.59	207,387	280,857	2.96	4.33	615,110	522,250	17.78
12	**Mellon Bank NA, Pittsburgh**	6,526,290	7,407,002	-11.89	90.76	89.67	461,372	340,128	7.07	4.59	565,770	675,331	-16.22
13	**First RepublicBank Dallas NA**	5,269,346	6,186,190	-14.82	87.53	86.27	483,590	469,353	9.18	7.59	418,334	560,298	-25.34
14	**Marine Midland Bank NA, Buffalo N.Y.**	5,072,447	5,009,000	1.27	84.23	78.38	259,117	258,129	5.11	5.15	434,848	403,949	7.65
15	**National Westminster Bank USA, New York**	5,066,303	4,186,869	21.00	96.37	94.84	59,144	57,509	1.17	1.37	456,883	341,935	33.62
16	**Bank of New York**	4,172,399	3,760,819	10.94	60.2	57.71	130,011	100,885	3.12	2.68	307,980	260,378	18.28
17	**First Bank NA, Minneapolis**	4,010,042	4,346,944	-7.75	97.53	92.7	94,737	136,234	2.36	3.13	361,368	336,611	7.35
18	**Texas Commerce Bank NA, Houston**	3,599,438	4,700,004	-23.42	92.64	90.74	191,486	318,044	5.32	6.77	283,363	309,028	-8.31
19	**NCNB National Bank of North Carolina, Charlotte**	3,452,651	3,345,704	3.20	98.04	96.25	38,905	62,494	1.13	1.87	314,670	262,304	19.96
20	**First Interstate Bank of California, Los Angeles**	3,438,321	3,903,475	-11.92	74.08	73.82	151,779	183,466	4.41	4.70	353,252	393,984	-10.34
21	**Morgan Guaranty Trust Co., New York**	3,330,949	4,741,739	-29.75	27.12	33.21	144,694	173,580	4.34	3.66	345,694	351,619	-1.69
22	**National Bank of Detroit**	3,327,974	3,623,485	-8.16	79.47	84.16	26,202	59,219	0.79	1.63	318,003	295,412	7.65
23	**Bank of New England NA, Boston**	3,280,183	3,084,852	6.33	94.01	95.53	62,135	104,122	1.89	3.38	359,252	297,500	20.76
24	**Irving Trust Co., New York**	3,221,620	2,456,905	31.13	59.52	58.26	93,498	50,121	2.90	2.04	244,944	160,870	52.26
25	**Union Bank, Los Angeles**	2,665,552	2,822,250	-5.55	99.85	99.54	91,871	99,619	3.45	3.53	263,404	244,002	7.95
26	**Citizens & Southern National Bank, Atlanta**	2,541,434	2,034,499	24.92	98.23	98.67	36,930	22,326	1.45	1.10	198,985	188,875	5.35
27	**First Fidelity Bank NA, Newark, N.J.**	2,460,539	2,215,682	11.05	100	100	56,548	65,851	2.30	2.97	231,308	193,987	19.24
28	**Sovran Bank NA, Richmond**	2,453,974	2,002,602	22.54	100	100	14,444	15,732	0.59	0.79	205,967	177,783	15.85
29	**Fidelity Bank NA, Malvern, Pa.**	2,443,673	2,163,719	12.94	91.88	89.83	34,657	32,433	1.42	1.50	227,241	179,795	26.39
30	**Philadelphia National Bank**	2,432,617	2,101,463	15.76	88.21	89.32	5,930	26,095	0.24	1.24	220,867	202,288	9.18
31	**Pittsburgh National Bank**	2,427,251	2,702,268	-10.18	83.89	87.92	70,430	64,083	2.90	2.37	239,895	191,390	25.34
32	**Wachovia B&T Co. NA, Winston-Salem, N.C.**	2,409,444	2,294,406	5.01	97.39	96.34	6,539	17,541	0.27	0.76	189,472	173,880	8.97
33	**AmeriTrust Co. NA, Cleveland**	2,382,786	2,379,188	0.15	99.79	99.56	110,809	99,607	4.65	4.19	209,306	190,148	10.08
34	**Harris Trust & Savings Bank, Chicago**	2,309,454	2,021,848	14.22	96.07	95.13	38,163	39,005	1.65	1.93	194,518	177,791	9.41
35	**Connecticut Bank & Trust Co. NA, Hartford**	2,268,336	2,286,971	-0.81	99.61	99.18	51,900	31,154	2.29	1.36	188,444	168,205	12.03
36	**Southeast Bank NA, Miami**	2,127,598	2,130,734	-0.15	99.38	99.27	51,012	27,680	2.40	1.30	200,618	187,153	7.19
37	**Meridian Bank, Reading, Pa.**	2,091,744	1,955,176	6.98	100	100	33,575	27,456	1.61	1.40	178,052	152,604	16.68
38	**Manufacturers National Bank, Detroit**	2,075,911	1,816,754	14.26	94.83	97.14	12,761	19,649	0.61	1.08	174,089	150,654	15.56
39	**First Union National Bank, Charlotte, N.C.**	2,070,417	1,981,574	4.48	99.98	99.09	24,133	20,819	1.17	1.05	166,615	166,458	0.09
40	**Shawmut Bank NA, Boston**	2,051,822	1,810,057	13.36	99.3	99	38,125	32,695	1.86	1.81	173,611	139,461	24.49
41	**Bank of Tokyo Trust Co., New York**	1,974,011	1,958,862	0.77	87.88	85.66	0	0	0.00	0.00	158,087	117,454	34.59
42	**Crestar Bank, Richmond**	1,966,467	1,565,667	25.60	99.97	99.87	17,077	18,116	0.87	1.16	153,734	145,459	5.69
43	**Seattle-First National Bank**	1,939,253	2,211,217	-12.30	91.85	91.33	120,626	187,744	6.22	8.49	198,437	223,509	-11.22
44	**Comerica Bank-Detroit**	1,930,305	1,980,477	-2.53	100	100	14,541	23,746	0.75	1.20	184,835	176,224	4.89
45	**United States National Bank, Portland, Ore.**	1,892,390	1,753,117	7.94	100	100	8,042	35,456	0.42	2.02	183,344	166,635	10.03
46	**MBank Dallas NA**	1,788,255	2,430,849	-26.43	99.34	98.36	194,247	162,364	10.86	6.68	170,186	187,181	-9.08
47	**Connecticut National Bank, Hartford**	1,771,011	1,674,537	5.76	99.75	99.67	23,756	28,087	1.34	1.68	165,099	152,725	8.10
48	**Maryland National Bank, Baltimore**	1,754,516	1,611,323	8.89	95.45	94.01	16,249	21,589	0.93	1.34	152,163	133,202	14.23
49	**National City Bank, Cleveland**	1,724,390	1,536,022	12.26	98.12	97.41	10,843	28,887	0.63	1.88	146,696	124,730	17.61
50	**European American Bank, New York**	1,695,340	1,484,405	14.21	90.96	88.34	96,289	122,631	5.68	8.26	166,811	159,862	4.35
51	**Norwest Bank Minneapolis NA**	1,692,393	1,784,630	-5.17	94.81	93.1	36,924	78,234	2.18	4.38	128,527	126,986	1.21
52	**Valley National Bank, Phoenix, Ariz.**	1,655,888	1,706,407	-2.96	99.6	98.93	21,820	46,337	1.32	2.72	143,256	157,720	-9.17
53	**Fleet National Bank, Providence, R.I.**	1,629,745	1,476,709	10.36	97.8	96.04	27,308	24,546	1.68	1.66	152,847	121,427	25.88
54	**AmSouth Bank Birmingham NA, Ala.**	1,606,139	1,495,896	7.37	100	99.84	28,070	19,036	1.75	1.27	137,610	117,716	16.90
55	**Sanwa Bank California, San Francisco**	1,604,934	1,445,123	11.06	99.99	99.85	50,207	86,385	3.13	5.98	141,131	76,477	84.54
56	**California First Bank, San Francisco**	1,598,859	1,681,868	-4.94	94.66	93.34	34,901	32,557	2.18	1.94	145,905	142,884	2.11
57	**Michigan National Bank, Farmington Hills**	1,587,466	1,669,494	-4.91	100	100	18,940	28,221	1.19	1.69	164,489	131,057	25.51
58	**NCNB National Bank of Florida, Tampa**	1,543,881	1,437,806	7.38	99.96	99.92	28,193	18,697	1.83	1.30	142,617	138,988	2.61
59	**First Interstate Bank of Oregon NA, Portland**	1,480,328	1,453,137	1.87	98.68	98.3	16,705	24,646	1.13	1.70	136,402	129,952	4.96
60	**Trust Company Bank, Atlanta**	1,462,526	1,342,228	8.96	99.62	98.53	4,985	5,164	0.34	0.38	129,733	105,121	23.41
61	**First Interstate Bank of Arizona NA, Phoenix**	1,424,274	1,262,871	12.78	100	100	71,034	38,238	4.99	3.03	128,779	128,630	0.12
62	**Mellon Bank (East) NA, Philadelphia**	1,389,243	1,420,472	-2.20	100	100	26,998	51,744	1.94	3.64	118,348	135,542	-12.69
63	**Northern Trust Co., Chicago**	1,374,233	1,519,783	-9.58	91.15	85.18	4,927	28,548	0.36	1.88	129,065	122,906	5.01
64	**Provident National Bank, Philadelphia**	1,349,549	1,371,534	-1.60	99.89	99.86	6,629	6,673	0.49	0.49	127,630	102,487	24.53
65	**First National Bank of Atlanta**	1,264,058	1,340,831	-5.73	98.09	97.2	8,234	14,386	0.65	1.07	108,405	113,168	-4.21
66	**First Pennsylvania Bank NA, Philadelphia**	1,240,684	1,242,082	-0.11	97.57	97.67	9,143	33,918	0.74	2.73	117,231	104,933	11.72
67	**Society National Bank, Cleveland**	1,238,648	1,237,155	0.12	99.9	99.54	13,040	22,851	1.05	1.85	118,763	103,199	15.08
68	**Bankers Trust (Delaware), Wilmington**	1,227,017	1,025,532	19.65	95.7	100	0	0	0.00	0.00	106,522	67,046	58.88
69	**Rainier National Bank, Seattle**	1,215,420	1,224,945	-0.78	70.43	71.41	13,194	20,285	1.09	1.66	113,566	115,915	-2.03
70	**MBank Houston NA**	1,215,121	1,267,642	-4.14	99.48	99.11	117,360	106,927	9.66	8.44	116,115	92,964	24.90
71	**Midlantic National Bank, Newark, N.J.**	1,215,067	1,258,786	-3.47	97.01	97.39	23,866	17,582	1.96	1.40	108,581	100,603	7.93
72	**Huntington National Bank, Columbus, Ohio**	1,195,954	1,219,259	-1.91	98.84	99.02	14,068	16,426	1.18	1.35	107,239	110,390	-2.85
73	**Bank Leumi Trust Co., New York**	1,193,441	993,218	20.16	92.1	89.08	23,182	22,804	1.94	2.30	103,882	88,390	17.53
74	**First National Bank, Louisville, Ky.**	1,171,769	1,061,385	10.40	100	100	15,910	8,909	1.36	0.84	93,255	80,892	15.28
75	**Industrial Bank Japan Trust Co., New York**	1,150,698	956,860	20.26	91.36	90.11	11,794	4,070	1.02	0.43	81,870	65,555	24.89
76	**United Jersey Bank, Hackensack**	1,145,928	989,218	15.84	100	100	10,765	15,269	0.94	1.54	98,311	84,504	16.34
77	**South Carolina National Bank, Charleston**	1,110,460	1,004,567	10.54	100	100	9,205	8,752	0.83	0.87	90,520	86,844	4.23
78	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	1,109,132	845,746	31.14	100	100	61,459	54,898	5.54	6.49	89,296	77,456	15.29
79	**Bank of California NA, San Francisco**	1,101,529	906,214	21.55	81.29	86.54	29,197	35,164	2.65	3.88	98,699	68,712	43.64
80	**American National Bank & Trust Co., Chicago**	1,094,376	965,974	13.29	96.62	93.44	15,092	21,035	1.38	2.18	96,295	80,601	21.95
81	**First Jersey National Bank, Jersey City**	1,089,334	909,184	19.81	99.95	99.56	4,993	4,710	0.46	0.52	89,278	73,304	21.79
82	**Continental Bank, Norristown, Pa.**	1,082,308	1,016,845	6.44	100	100	37,991	27,111	3.51	2.67	91,215	92,683	-1.58
83	**Morgan Bank (Delaware), Wilmington**	1,066,709	1,469,345	-27.40	93.14	94.53	16,205	545	1.52	0.04	95,559	116,171	-17.74
84	**Signet Bank/Virginia, Richmond**	1,064,174	931,578	14.23	97.51	97.68	13,242	6,451	1.24	0.69	85,207	81,844	4.11
85	**Florida National Bank, Jacksonville**	1,013,511	1,069,013	-5.19	100	99.92	27,365	36,790	2.70	3.44	100,806	97,368	3.53
86	**First Interstate Bank of Texas NA, Houston**	1,010,619	1,229,362	-17.79	100	100	146,378	131,326	14.48	10.68	86,673	103,563	-16.31
87	**First National Bank of Maryland, Baltimore**	984,743	996,345	-1.16	88.27	87.56	5,944	22,203	0.60	2.23	92,730	83,420	11.16
88	**Bank One Indianapolis NA**	963,460	863,598	11.56	99.94	99.88	7,923	10,709	0.82	1.24	85,606	70,189	21.96
89	**Chase Lincoln First Bank NA, Rochester, N.Y.**	941,787	1,046,535	-10.01	97.6	97.89	13,064	20,759	1.39	1.98	86,938	81,432	6.76
90	**First Tennessee Bank NA, Memphis**	935,263	888,442	5.27	100	100	22,244	23,522	2.38	2.65	93,110	91,872	1.35
91	**Bank South NA, Atlanta**	926,728	778,471	19.04	100	100	9,877	8,750	1.07	1.12	85,786	64,323	33.37
92	**Fuji Bank & Trust Co., New York**	912,601	801,936	13.80	96.33	92.59	0	0	0.00	0.00	42,741	34,360	24.39
93	**Manufacturers Hanover Bk (Delaware), Wilmington**	909,109	1,174,589	-22.60	95.31	95.99	26,170	12,067	2.88	1.03	86,442	95,350	-9.34
94	**Toledo Trust Co., Ohio**	900,650	776,211	16.03	100	100	21,621	18,249	2.40	2.35	89,619	62,332	43.78
95	**BancOhio National Bank, Columbus**	888,404	883,900	0.51	99.91	99.53	23,855	30,322	2.69	3.43	85,975	79,232	8.51
96	**Hibernia National Bank, New Orleans**	886,928	806,307	10.00	76.37	83.65	19,704	26,954	2.22	3.34	74,267	66,331	11.96
97	**Tokai Bank of California, Los Angeles**	846,957	493,061	71.78	100	100	8,319	9,123	0.98	1.85	70,769	30,413	132.69
98	**Republic National Bank, New York**	841,819	621,925	35.36	59.92	51.53	2,279	2,647	0.27	0.43	76,451	58,933	29.73
99	**Riggs National Bank, Washington, D.C.**	833,160	757,034	10.06	90.1	85.3	539	584	0.06	0.08	63,366	59,028	7.35
100	**First Wisconsin National Bank, Milwaukee**	810,488	888,219	-8.75	93.11	91.64	9,202	50,453	1.14	5.68	82,024	87,017	-5.74

Data Source: All data are provided to American Banker by **ADP Data Services Division, New York,** from their data base of the Federal Regulatory Report of Condition (RC) and Report of Income (RI). ADP restates the 1986 data on a pro forma basis for mergers in 1987. **Domestic Business Loans** are commerical and industrial loans to both domestic and foreign customers that were booked in the domestic offices of the bank. These data are from RC-Schedule C, Column B (Domestic offices), items 4.a. plus 4.b. **Domestic Bus. Loans As % of Business Loans** is the ratio of domestically-booked business to total business loans, expressed as a percentage. **Bad Business Loans** are business loans to domestic U.S. customers that are 90 or more days past due plus domestically-booked business loans placed on a nonaccrual basis. Data are from Schedule RC-N, item 3a (Column B) plus item 3a (Column C). **Bad Business Loans As % of Business Loans** is the ratio of bad domestic business loans to domestic business loans, expressed as a percentage. **Gross interest income** is gross interest and fee income on business loans booked in domestic offices. Data are from Schedule RI, item 1.a.(1).(d).

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Commercial Loans Up 12% Since '83; Big Banks Losing Market Share

➛ **Continued from Page 1**

period, banks ranked 11 through 100 gained 1.44%, to $175.6 billion.

"The last five years has been the period of the entrepreneur," who typically turns to smaller banks for financing, Mr. Snyder said.

Mr. Cates said, "The money centers have tried to offset that by shifting to the middle market as well, but that hasn't made up for the loss of the *Fortune* 1,000."

Foreign-Owned US Banks

Foreign-owned U.S. banks still find it profitable to lend to the nation's largest companies. They recorded a 6.25% gain in business loans during the last year, to $35.7 billion. Five years ago, they held $23.6 billion.

"With their strong price-to-earnings ratios, the foreign banks have a lower cost of capital," Mr. Cates said. "Their internal cost of funds is cheaper, they have triple-A ratings that lower their worldwide funding cost, and they have characteristically low overheads. You put all those factors together, and they can make money."

Mr. Cates noted, however, that the figures for business loans do not measure loans originated for the purpose of securitization and syndication — roughly $33.8 billion for nine of the largest banks at the end of 1987, according to *Asset Sales Report.* Nor do the figures reflect the unbooked exposure represented by standby letters of credit.

Looking ahead, Mr. Snyder noted that commercial and industrial lending figures for 1988 already have shown dramatic improvement over last year, thanks to a surge in export sales and the winding down of the economic growth cycle.

"Volume only booms toward the end of the business cycle," he said. "That's when banks become the lender of last resort. Since March, C&I lending has been booming. Most banks are either ahead of their projections or dead-even, depending on how optimistic they were. It doesn't take a lot to see that 1988-89 will be good years."

Other highlights of the survey:

- Citibank maintained its status as the top business lender with $31.9 billion in its portfolio at yearend — despite a 10.6% drop from the previous year. The nation's largest bank also retained its No. 2 position in domestic business loans, reporting $9.9 billion at the end of 1987, down 18.4% from $12.2 billion a year earlier.
- Bank of America passed Chase Manhattan Bank as the second largest bank in business loans by virtue of a slower rate of decrease. The San Francisco giant had $22.3 billion in C&I loans in 1987, down 7.1% from 1986, when it ranked third. Chase, which fell one notch to third place, reported $21.7 billion, down 13.6% from $25.1 billion the year before.
- Manufacturers Hanover Trust Co. ranked fourth again, with $19.1 billion, down 12.3%. It remained the nation's top bank in domestic lending, with $11.1 billion at yearend, despite a 14.85% decline from the end of 1986.
- Among the top 10 banks, Continental Illinois National Bank and Trust Company of Chicago had the lowest ratio of bad business loans — 2.36% of its total business loans. Bank of America followed with 3.38%. The highest ratios in the top 10 were at Security Pacific National Bank (11.15%) and Chase Manhattan (10.04%).
- Boston Safe Deposit & Trust Co., a subsidiary of Shearson Lehman Hutton Inc., had the largest increase in business lending among the top 300 banks, as its C&I loans increased fourteenfold to $486 million at the end of 1987, from $35 million a year earlier. The bank ranked 166 over all.

Rounding out the top five in terms of percentage gain were National Bank of Alaska, Anchorage, with a 151% increase to $492 million (ranking 162); Banco de Santander, San Juan, Puerto Rico, up 90% to place 214 with $334 million; Bank of New England-Old Colony NA, Providence, R.I., ranked 282, with a 74% rise to $217 million; and Tokai Bank of California, Los Angeles, a subsidiary of Tokai Bank Ltd., Tokyo, with a 72% gain to $847 million (ranking 101).

Tokai Bank had posted a 157% in business lending the previous year, the second largest gain in business lending among the top 300 banks. The boost had pushed it up 130 places to rank 160. ■

Summary Totals for Top Bank Lenders to Business

Yearend comparison: 1987 and 1986 ($ billions)

	12/31/87	12/31/86	% Chg.
Top 10 banks	$168.2	$185.6	-9.37%
Top 100 banks	$368.4	$383.3	-3.87
2d 100 banks	57.2	52.5	+8.95
Top 200 banks	425.6	435.8	-2.35
3d 100 banks	27.2	26.4	+3.03
Top 300 banks	452.8	462.2	-2.03
27 foreign-owned banks in top 300	35.7	33.6	+6.25
All banks†	589.7	600.9	-1.86
Top 10 banks in domestic business loans	85.6	97.3	-12.02
Top 100 banks in domestic business loans	261.2	270.4	-3.40
Domestic business loans at all banks†	$478.2	$484.5	-1.30

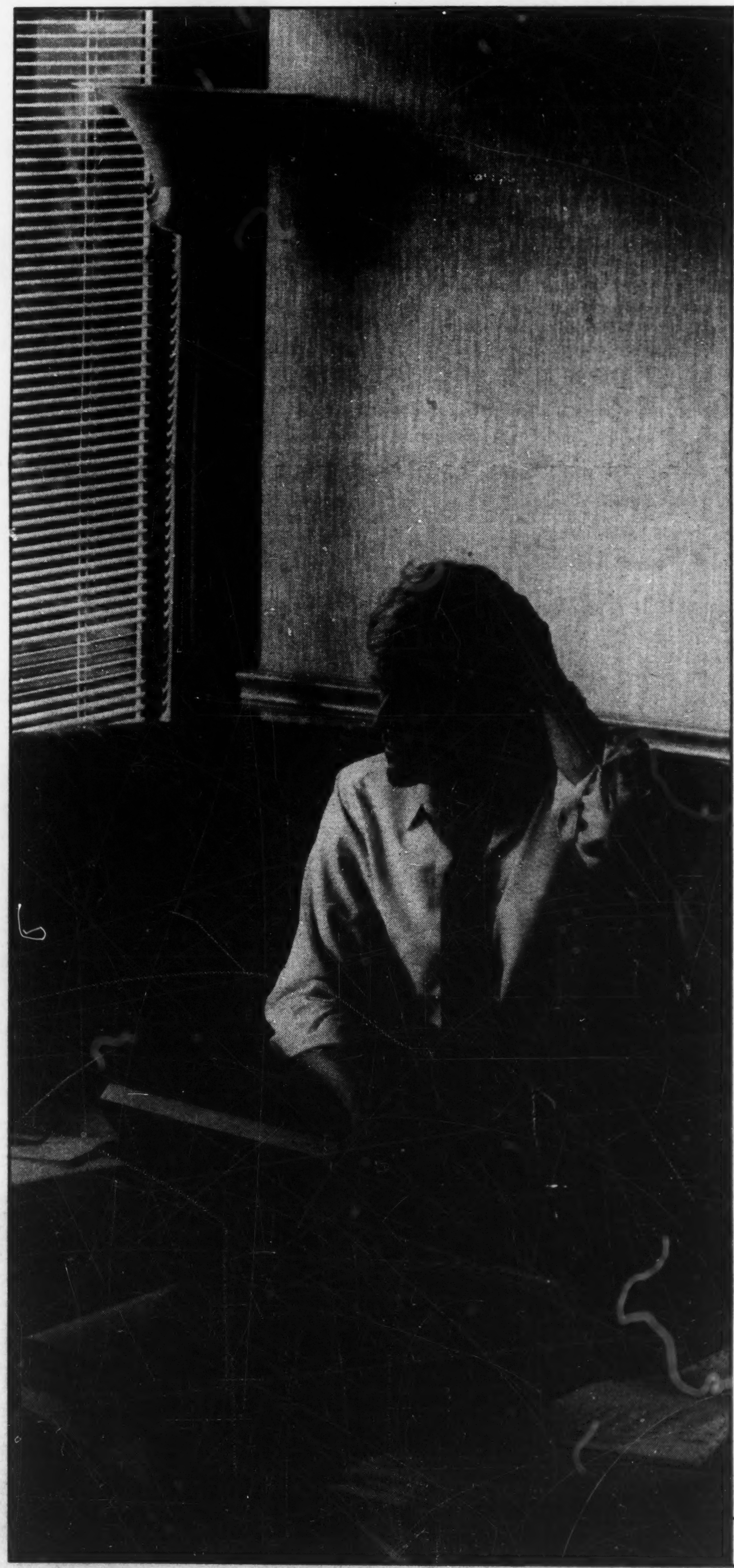
(†)— All FDIC-insured commercial banks.

Sources: Federal Deposit Insurance Corp., Federal Reserve Board, the American Banker

Strategic Dates

Oct. 10, 1988

NATIONWIDE BANKING: Michigan legislation providing for nationwide interstate banking goes into effect today.



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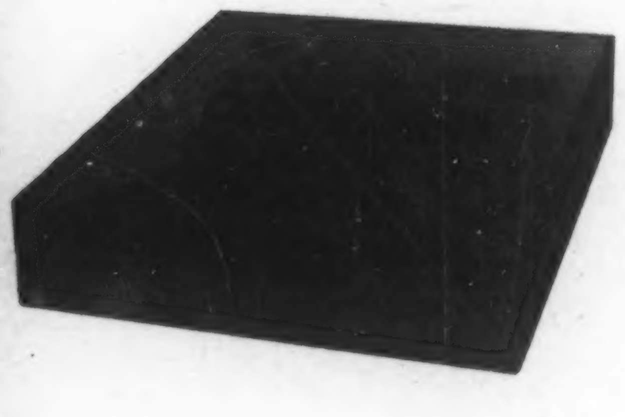

GE Capital

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American Banker

The Daily Financial Services N

TOP CONSUMER LENDERS — TABLES BEGIN ON P. 14

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VOL. CLIII NO. 122 Thursday, June 23, 1988 153rd Year

Today

MeraBank bought two troubled west Texas thrifts for $8.8 million in new capital. The Phoenix-based bank received $83.86 million in federal aid for the deal. 10

Brazil and its lead creditor banks are on the verge of signing an agreement that will allow $5.2 billion in new loans to the developing world's second largest creditor. 2

The Fed unanimously endorsed existing bank reserves against foreign loans, thus rebuffing a critical review of international bank supervision by the General Accounting Office. 2

The Bank of New York charged that Irving Bank Corp. is trying to defeat its sweetened buyout offer by stalling until the regulatory approval period expires. Bank of New York set a deadline of noon today for Irving to accept the bid. Otherwise, it said, it will press its hostile takeover effort in court. 3

The president of Hawaiian Electric is on a globetrotting mission to attract new capital to the firm. 9

MasterCard is planning to repeat its "Choose to Make a Difference" charity support campaign. 24

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Flashbacks 4
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CONSUMER FINANCIAL SERVICES

Manufacturers Hanover Trust Co. is bolstering its Power Savings account to replicate last year's addition of $1 billion to its consumer deposit base. 6

Western Union was awarded the dubious distinction of having the financial services industry's most misleading ads, according to the National Consumers League. 6

A California study shows that local banks have lost the upper hand in the credit card game and no longer can assume customers automatically will take their plastic. 7

Cashing checks for people without accounts is part of Mercantile Bank's competitive strategy to meet the needs of St. Louis residents. 8

A Provident National Bank fund is focusing on the investing-for-retirement market, as the Philadelphia bank pitches to sell preretirement seminars and counseling to businesses as an employee benefit. 8

Strong management capabilities are becoming more important and bankers must be trained more thoroughly as the financial industry becomes less regulated, writes James H. Donnelly Jr. in Marketing Management. 4

Worth Repeating

It will be a very, very hard sell.

Lawrence Cohn, money center bank analyst for Merrill Lynch & Co., on getting regional banks to participate in a $5.2 billion loan package for Brazil. [Page 2]

An American Banker Survey

Scale Tips Toward Consumer Lending

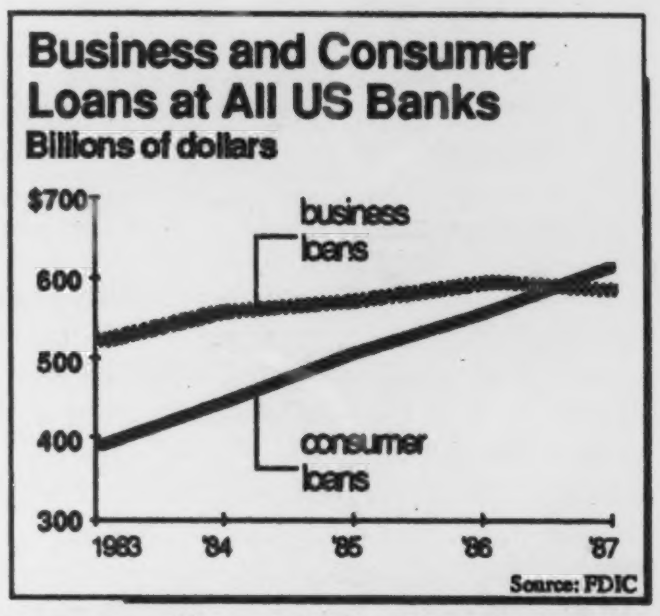
By KENNETH J. HICKS

NEW YORK — Commercial banks now hold more consumer loans on their books than business loans. Over the past five years, consumer loans at banks grew four times faster than business loans.

From yearend 1983 to yearend 1987, consumer loans at all FDIC-insured commercial banks grew more than 50%, from $391.9 billion on Dec. 31, 1983, to $614.3 billion on Dec. 31, 1987. Over the same period, business loans at banks were up only 12.3%, from $524.9 billion at yearend 1983 to $589.7 billion at yearend 1987.

These are some of the findings of a new *American Banker* survey of the top 300 commercial banks in consumer loans. Also included is a listing of the top 200 banks in home equity lending.

Data for this survey were taken from the federal regulatory report of condition, or call report, for Dec. 31, 1987, and were provided to the *American Banker* by ADP Data Services Division, New York. The Dec. 31, 1987, call report required banks to report their home equity lines of credit for the first time.


Business and Consumer Loans at All US Banks
Billions of dollars

Source: FDIC

Consumer loans, as defined by the *American Banker*, encompass mortgage loans, including home equity lines of credit, and credit card loans. Also in this category are all other loans to individuals for household, family, and other personal expenditures — including single-payment, installment, and student loans.

Last year, consumer loans at the top 300 banks increased 11.3% to $364.7 billion. At all FDIC-insured banks, consumer loans rose 10.1%.

On the other hand, as reported in the *American Banker* on June 21, business loans at the top 300 banks in lending to business fell 2.03% last year to $452.8 billion on Dec. 31. At all FDIC-insured banks, business loans were down 1.9% last year.

Industry observers believe the

Scale: Page 22 ➳

Silver Lining for American S&L?

Freddie Mac Stock Sale May Ease Thrift's Takeover

By JIM McTAGUE
Washington Bureau

WASHINGTON — American Savings and Loan Association, Stockton, Calif., the nation's largest insolvent thrift, would be the biggest beneficiary if Congress allows the public to buy Freddie Mac preferred stock — and the public bites.

Analysts claim the preferred stock of the Federal Home Loan Mortgage Corp. would trade between $100 and $250 per share if current buying restrictions are lifted.

Sen. Alfonse M. D'Amato, R-N.Y., recently introduced legislation that would broaden the ownership of Freddie Mac preferred stock, touting the measure as a painless way to raise new capital for the thrift industry. Freddie Mac stock is owned by 2,900 institutions, including a number of insolvent institutions. The Senate Banking Committee holds a hearing today on that legislation.

American Savings and Loan Association owns more Freddie Mac preferred

Sale: Page 22 ➳

Auditor Scrutinizes Home Loan Bank

Special to the American Banker

DALLAS — The Federal Home Loan Bank of Dallas is in danger of receiving a qualified opinion on its 1987 financial statements because of concerns about the bank's $500 million portfolio of uncollateralized loans to insolvent southwestern thrifts. The loans equal 36% of the bank's capital.

Questions about the ability of the insolvent Federal Savings and Loan In-

Dallas: Page 23 ➳

MeraBank Pays $8.8 Million for 2 Thrifts
Page 10

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Brazil Debt Plan Faces Resistance from Regional Banks

By BART FRAUST

NEW YORK — Brazil and its lead creditor banks are on the verge of signing an agreement that will end the period of tensions sparked by Brazil's declaration of a debt moratorium in February 1987.

Bankers close to the steering committee of 14 creditor banks around the world said official talks with Brazil have concluded. The banks are now discussing how to allocate their portion of $5.2 billion in new loans to Brazil. The signing of the accord is imminent, they said, although as of Wednesday afternoon, it had not yet been consummated.

The lead banks will now attempt to sell the agreement to the 600 banks worldwide that have previously lent money to Brazil, the developing world's second largest creditor after Mexico.

"It will be a very, very hard sell," said Lawrence Cohn, money center bank analyst for Merrill Lynch & Co.

The Brazilian moratorium was a pivotal event in the international debt crisis, that began in 1982. This declaration convinced the largest banks in the U.S. to take massive reserves against their foreign debt, resulting in the banking industry's worst year since the Depression.

In the wake of the moratorium, large regional banks here turned their backs on this type of lending and moved to eliminate Third World debt from their books any way possible — through debt-for-equity swaps, sales to the secondary market, and outright chargeoffs.

Creditor banks have already received interest payments from Brazil for the fourth-quarter 1987 and first-quarter 1988 as part of a short-term financing ironed out earlier this year. But, pending the latest agreement, banks have not included these funds as income.

For the largest creditor banks, Brazil's return to the international financial fold provides needed relief, particularly as the prospect grows that billions of dollars in Argentine loans will become nonperforming this year.

"A comprehensive Brazilian agreement could thus go a long way toward bolstering worn capital bases and alleviating a psychological overhang for share prices of the banks most affected," said James J. McDermott Jr., executive vice president of Keefe, Bruyette & Woods Inc.

Under the accord, about $62 billion in medium-term and long-term Brazilian debt will be rescheduled over 20 years. During nine months of negotiations, bankers argued that the $5.2 billion in new loans should be linked to Brazil's compliance with economic targets expected to be set by the International Monetary Fund in August. Brazilian negotiators sought to avoid any hint that their country was going to operate under the thumb of the IMF.

Under a compromise worked out during the talks, Brazil will receive $4.6 billion in loans in two installments without having to meet IMF targets. A final disbursement of $600 million will be made only if Brazil meets the targets or if banks holding 85% of Brazil's loans agree to waive that requirement.

Creditors are also nearing a compromise with Brazil on the question of whether they are entitled to seize Brazilian assets held abroad if there should be another debt moratorium. Brazil had earlier balked at this proposal.

The accord reduces Brazil's interest payments on existing debt. The $62 billion in existing Brazilian debt will be rescheduled over 20 years at 0.8125 percentage point over prevailing domestic interest rates or the London interbank offered rate, depending on the individual bank's preference. At present, Brazil pays 1.7 percentage points over Libor.

The $5.2 billion in new loans will be pegged at the same interest rate as the old loans but have a maturity of 12 years. For five years, Brazil will not have to make any principal payments.

As inducements to attract U.S. regional banks to the package, there will be increased opportunities to convert Brazilian debt into equity. The potential for these transactions makes lending more attractive by providing banks with options for eliminating the debt from their books. Third World countries, concerned about foreign corporations' gaining control over their economies, have restricted the number of swaps available to banks.

Regionals Slam the Door

Even with these incentives, selling the agreement to other banks will be a problem, analysts and bankers said. Large U.S., Japanese, and European banks with vested interests in Brazil will agree to new lending. The 14 primary banks led by Citibank will make about 40% of the loans, analysts said. But regional U.S. banks, once active participants in international lending, are unlikely to come along this time.

"The chances are very slim if any," said Susan Carr, manager of investor relations at NCNB Corp., Charlotte, N.C., when asked if her bank plans to participate in the new Brazilian loan or future Third World credits.

"For the foreseeable future, no," said Bruce Crooks, spokesman for the Fleet/Norstar Financial Group, Providence, R.I., in response to the same question.

Mr. Cohn of Merrill Lynch said his best guess is that the steering committee will be able to attract no more than $4.5 billion in new loans for Brazil.

However, Stephen Berman, bank stock analyst for County Securities USA, said he thinks regional banks can be convinced to make new loans, particularly with the debt-for-equity incentives.

"What regionals say and what they do are not always the same," he said.

Mr. McDermott said that the agreement will add a total of about $1.6 billion, representing two years' interest, to the coffers of the 10 U.S. banks with the largest Brazilian exposures.

Over the next several months, the banks will have to decide whether to include the interest as income or use it to reduce the principal of existing Brazilian loans.

Mr. Cohn said most of the money center banks will record the interest as income. He said he would not be surprised if banks looking to exit from the Third World loan market — he mentioned First Chicago Corp., Continental Illinois Corp., and Security Pacific Corp. — decide to use the funds to reduce the principal.

Mr. Berman said using the funds to reduce principal will send a bad signal

Brazil: Page 23 ➟

How Brazilian Loan Payments Would Boost Bank Earnings

Dollar amounts in millions (except earnings per share)

	Brazilian Exposure 12/21/87	Brazilian Amount Nonperf. 3/31/88	Forgone Net Income 1987-1988[1]	Nonperf. Asset Ratio 3/31/88	Nonperf. Asset Ratio w/out Brazil	1988 EPS[2] w/out Brazil	1988 EPS with Brazil	% diff.
Citicorp	$4,300	$3,600	$388	4.5%	1.9%	$4.25	$5.50	29%
Chase Manhattan	$2,700	2,500	225	6.3	2.7	6.25	8.95	43
BankAmerica	2,700	2,100	331	7.2	4.0	2.20	4.20	91
Manufacturers Hanover	2,100	1,400	150	6.7	4.1	8.00	11.00	38
J.P. Morgan	1,900	1,400	151	4.9	1.1	5.40	6.25	16
Chemical	1,500	1,100	144	6.9	4.7	7.85	10.35	32
Bankers Trust	800	600	76	4.5	2.3	6.55	7.55	15
First Chicago	800	400	39	3.5	2.2	6.00	6.70	12
Security Pacific	600	400	56	4.0	3.2	5.55	6.05	9
Wells Fargo	600	400	54	4.2	3.0	8.60	9.60	12
Total	$18,000	$13,900	$1,614					
Average				5.3%	2.9%			30%

[1] Estimated forgone net income from Brazilian nonperforming loans in 1987 and 1988.

[2] Earnings per share adjusted to exclude any expected tax benefits associated with LDC loan-loss provisions taken in 1987.

Source: Keefe, Bruyette & Woods Inc.

Fed Rejects GAO Criticisms, Defends Reserves for Foreign Loans

By BARBARA A. REHM

Washington Bureau

WASHINGTON — The Federal Reserve Board on Wednesday rebuffed the General Accounting Office's critical review of international bank supervision by unanimously endorsing existing bank reserves against foreign loans.

Last month, congressional investigators at the GAO concluded in a study that U.S. banks are overstating the value of loans to Third World countries by at least $28 billion. Reserves for these loans should be increased to $49 billion from the paltry $2.3 billion that bank regulators have required to date, said the GAO.

Regulators should rely less on bank examiner judgments about loan repayment and more on the value assigned these loans by the secondary market, the GAO continued. Ignoring the devaluation of loans to foreign countries inflated first-quarter bank profits, the group added.

The Fed, while declining to comment on specific numbers, faulted any plans to use the secondary market to evaluate Third World loans.

"The secondary market basically reflects the sale price for assets that are being sold on an expedited basis by banks exiting the business of lending to developing countries," the central bank said. "It provides little useful information about ultimate collectibility of the loans being sold."

In response to the GAO's calls for more reserves against foreign loans, the Fed fell back on its work to improve overall capital levels. More than two years of work should be completed by yearend as the Fed and other bank regulators finish up an international effort to tie bank capital to asset risk.

"The emphasis on primary capital has been considered the more appropriate focus of supervisory attention," the Fed explained, "since the reserving process per se involves only a transfer of funds and does not increase the total resources available to banks to absorb losses."

The Office of the Comptroller of the Currency agrees with the Fed, according to Edwin J. Clock, deputy comptroller for international relations and chairman of the Interagency Country Exposure Review Committee. The committee, which includes representatives from all the banking agencies, assesses the riskiness of lending to specific countries.

The Comptroller's response to the GAO study will be similar to the Fed's and presented to Congress soon, Mr. Clock said in an interview.

Rep. Jim Leach, R-Iowa, who released the GAO study on May 12, responded Wednesday to the Fed's action: "Inconsistent regulation appears to be the bane of American banking."

The primary capital of the nation's largest 24 banks has increased $33 billion since 1982, the Fed said, adding that the ratio of problem loans to capital has fallen to 97% from 195%.

The GAO report said regulators should expand the number of loan classifications requiring reserves. Only foreign loans tagged "value-impaired" or "loss" require reserves or writedowns by banks. And only 2% of the $108 billion in outstanding foreign loans by U.S. banks fall into these categories.

But the Fed vetoed any increase in the number of categories requiring reserves. "The magnitude of any eventual loss is highly subjective," the Fed said. Bank management, not bank regulators, should decide whether a marginal borrower will remain current or default, the Fed argued.

Mr. Leach said the Fed's belief that banks are best suited to determine loan-loss reserves is a "nutty cop-out of regulatory accountability."

Regulators' slapping labels on loans "entails a significant risk of creating a self-fulfilling prophecy," according to the Fed. Bank examiners report when a bank's loans are concentrated in countries believed to be in poor financial shape, the Fed noted.

The Fed's response will be sent to the Senate and House government affairs committees. ■

Deregulation Requires Changing Leadership Skills

By JAMES H. DONNELLY JR.

THIS IS THE TIME of year when many bankers return to campus to attend banking schools. The industry's young and old come together as students and teachers in environments far removed from their everyday work lives.

During a period of almost 20 years, I have been fortunate to be a faculty member at many of these schools. Class discussions, informal seminars, and debates in faculty lounges and local pubs are the usual forums for airing and sharing common concerns.

Over the past several years, I have noticed a shift in the focus of many of the discussions. The major concerns, problems, and gripes seem to focus less and less on banking and more and more on managing. As a result, I have become convinced that what is holding back many banks has little to do with banking capability and everything to do with managing capability.

In 1985 and 1986, two published industry reports focused on the factors crucial to the success of banking in the decades ahead. Each report identified quality of management as the most important single factor that will, in the future, separate high-performing from low-performing banks.

But the reports did not go on to identify the meaning of quality management. Both emphasized that management behavior in competitive industries was different from that in regulated industries. But the reports did not specify that difference.

For years, I had heard the best and the brightest in the industry struggle with the same issue: What is effective management in the banking industry? Some individuals would say, "We need more training in management, not more training in banking."

Instinctively, they apparently recognized that management had not been a key success factor in the past, but that deregulation had altered the job of managing a bank. To be sure, a bank can fail because of poor-quality loans, economic decline, or any of the usual causes. But poor quality in management must now be added to the list.

Prior to deregulation, management-selection decisions ran little risk of failure. The required knowledge and skill thought to be associated with effective bank management were spread more or less equally among individuals in the industry. Besides, demonstrated skill in banking — not management — was the primary basis for selecting bank managers.

Since 1983, along with two of my university colleagues, Jim Gibson and Steve Skinner, I have been involved in an ongoing research project that focuses on how deregulation has altered the job of managing a bank.

In 1986, after three years of talking with hundreds of bankers and banking educators from all over the nation, we decided to undertake some formalized field research. Our goal was to identify the specific behaviors associated with effective bank management — that is, what effective bank managers do. We wanted to determine the educational methods that would develop these skills.

The project, funded by the Prochnow Educational Foundation of Madison, Wis., was completed earlier this year. While many of the results have important implications for management in banking, one in particular presents a challenge for educating our next generation of industry leaders. The set of skills required of an effective bank manager has enlarged because of deregulation, and the mix of three distinct skills within the set has shifted.

Greater technical skills are required, and these skills are different than they were. In addition, two types of skills of less importance before deregulation — conceptual and human skills — are now of equal importance to technical skills.

Technical skill is the most familiar in the industry, because it has always been the most important and required of the largest number of people. It involves specialized knowledge and analytical tools within a specialty. It also involves the capability to use the tools.

Most banking education programs focus almost entirely on the development of technical skills such as asset-liability management, commercial lending, installment lending, investment and trust administration, and technical-/functional skills such as marketing, human resources management, and investment analysis.

Future bankers must be technically proficient, and educational programs will be hard-pressed to keep current their curriculums. However, our results indicate clearly that managing the bank will require conceptual and human skills.

To be sure, a bank can fail because of poor-quality loans, economic decline, or any of the usual causes. But poor quality in management must now be added to the list.

— James H. Donnelly Jr.
Turner Professor of Marketing
University of Kentucky

Conceptual skill involves the ability to see the big picture and deal with high levels of abstract reasoning and analyses.

Bankers' day-to-day activities involve dynamic environmental forces, interaction with other organizations, information, and ideas. Bankers must read what parts of the environment are of strategic importance to their bank or unit and must create a vision that specifies the relationship between that bank or unit and the environment. Then they must develop and sustain a culture that reinforces the vision.

These tasks require skill in strategic analysis, organizational design, and organizational change. Yet bank managers have typically had little direct experience with this kind of abstraction. Little in the character and composition of the industry has created a natural setting for acquiring conceptual skills.

Human skill involves a person's ability to be effective interpersonally, as well as his or her ability to be an effective team builder and team member. The increasing importance of the human element is heard in the expression: "Banking is a people business." The skill pervades the manager's relationships not only with subordinates, but also with peers, superiors, customers, and external groups. It will require skill in leadership, team building, communication, and decision-making.

Previous experience conditioned many bank officers to believe that they alone could do the work of the bank, and that employees' contributions were minimal. Our results indicate that banks in the future will require good leadership at virtually all levels of the organization.

The challenge to those organizations that have historically been involved in banker education will be to develop bankers who are also manager/leaders. Any efforts to develop individuals for managerial and leadership positions in banking must recognize the changing nature of the industry.

But, more important, these efforts must recognize the changing nature of the positions themselves. Meeting this challenge will require education and training in each of the three skills — technical, conceptual, and human. ■

Mr. Donnelly is Turner Professor of Marketing at the University of Kentucky.

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

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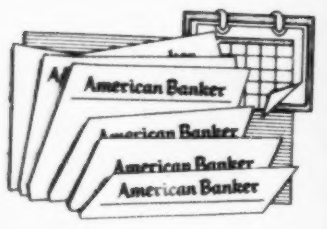
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- Former American Bankers Association president Orval Adams urged a return to the gold standard in a speech to the annual convention of the Wyoming Bankers Association. "Gold is a gift to the world from an all-wise creator," Mr. Adams said. "The gold standard is the automatic watchman on the tower of the government of free man, to guard against the poison of totalitarianism entering the bloodstream of sound money. No honest American will ever thumb his nose at Fort Knox."
- The Chicago Terminal Bank and the Industrial National Bank of Chicago announced they would merge to form the Chicago National Bank.

20 Years Ago

- The House Banking Committee approved bills to permit thrifts to refer to shares as "deposits" and dividends as "interest," and to allow them to raise capital by issuing notes, bonds, debentures, or other obligations.
- Congress enacted legislation to end the tax exemption on income from most industrial aid bonds. The proposal was supported by the Treasury Department. Treasury officials claimed that the industrial aid bonds had outlived their usefulness as a device for wooing job-creating industries to economically depressed areas. They said the bonds were chiefly used as a means of getting tax-exempt status for securities that actually were corporate bonds.

10 Years Ago

- The Federal Home Loan Bank Board proposed that acquisition by management of savings and loan association stock be limited to prevent insider windfall profits when thrifts convert from mutual to stock form.
- The House Banking Committee agreed to an amendment to prohibit revolving-door relationships between financial institutions and former regulators for two years after an agency head leaves office. The bill applied to future members of the Federal Deposit Insurance Corp., Federal Reserve Board, and Federal Home Loan Bank Board.

5 Years Ago

- Treasury Secretary Donald T. Regan granted a one-month delay in the scheduled start of tax withholding on interest and dividends after the Senate voted in favor of a Republican plan to repeal the withholding measure.
- President Reagan announced he would reappoint Paul A. Volcker chairman of the Federal Reserve Board.
- A Los Angeles consulting service criticized the quality of the average chief executive officer of the average new California thrift. The average tenure of a CEO was only about five months, according to David B. Laing and F. Douglas Nehls of Financial Charters and Acquisitions Inc., a result of executive incompetence and unrealistic expectations by thethrifts' founders. The consultants said new thrifts in California were being opened less frequently by groups of community businessmen, as was most often the case in the past, than by developers and builders, mortgage bankers, and syndicates.
- Mercantile Texas Corp., Dallas, and Southwest Bancshares Inc., Houston, said they would merge to form Mercantile Southwest Corp., the third largest banking company in Texas.
- The Federal Reserve Board voted unanimously to give BankAmerica Corp. permission to acquire Seafirst Corp.

1 Year Ago

- Comptroller of the Currency Robert L. Clarke backed Security Pacific National Bank's bid to sell mortgage-backed pass-through certificates. The comptroller's move cleared the way for a flood of asset-backed securities underwritten by national banks, and gave the securities industry a long-awaited opportunity to bring a lawsuit against the regulator.

— Domenica Trevor

First Annual Survey

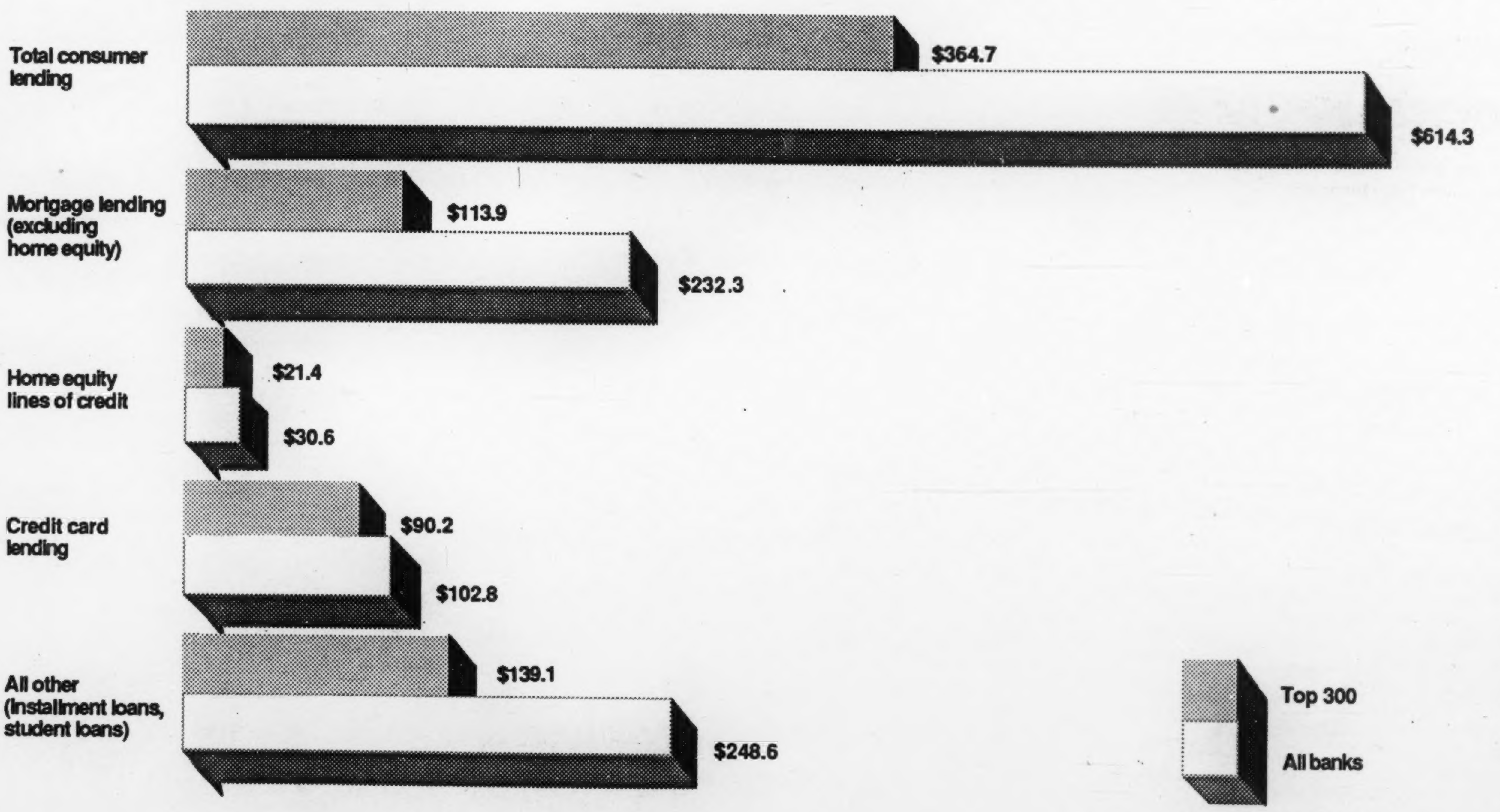
Top 300 Banks in Consumer Lending

Dec. 31, 1987 Compared with Dec. 31, 1986

American Banker ranks the top 300 banks in consumer lending on Dec. 31, 1987, based on federal regulatory reports of condition. Consumer lending is defined as lending to individuals to purchase real estate property (mortgage lending), including home equity lines of credit, lending through credit cards, and all other lending which includes installment lending (auto loans), student loans, and home improvement loans.

Consumer Lending at the Top 300 Banks Compared with All Banks

In billions of dollars as of Dec. 31, 1987



Source: American Banker 1988

Top 300 Banks in Lending to the Consumer

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/87		Total Consumer Loans			Home Equity Loans[1]	Total Mortgage Loans			Credit Card Loans		All Other Consumer Loans		Consumer Loans As % of Total Loans	
		12/31/87	12/31/86	% Chg.	12/31/87	12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	12/31/87	12/31/86	12/31/87	12/31/86
1	Citibank NA, New York	22,914,000	17,972,000	27.5	1,191,000	8,530,000	5,741,000	48.6	1,537,000	1,557,000	12,847,000	10,674,000	24.1	20.0
2	Bank of America NT&SA, San Francisco	17,789,000	19,669,000	-9.6	487,000	10,104,000	10,541,000	-4.1	4,122,000	5,247,000	3,563,000	3,881,000	32.0	30.7
3	Citibank (South Dakota) NA, Sioux Falls	11,637,479	9,876,688	17.8	0	1,427	2,118	-32.6	11,564,760	9,803,251	71,292	71,319	99.4	99.4
4	Wells Fargo Bank NA, San Francisco	11,349,445	12,106,006	-6.2	1,455,132	6,952,108	6,863,038	1.3	2,670,350	2,815,700	1,726,987	2,427,268	32.5	37.5
5	Security Pacific National Bank, Los Angeles	9,773,459	10,460,362	-6.6	341,824	6,201,068	6,470,286	-4.2	1,158,182	1,185,231	2,414,209	2,804,845	31.1	31.5
6	Chemical Bank, New York	6,019,000	4,928,000	22.1	194,000	2,135,000	1,606,000	32.9	1,472,000	1,258,000	2,412,000	2,064,000	16.7	13.5
7	Chase Manhattan Bank USA NA, Wilmington, Del.	5,944,693	5,123,672	16.0	37,006	37,006	42,864	-13.7	5,907,687	5,080,808	0	0	100.0	99.7
8	Chase Manhattan Bank NA, New York	5,880,175	5,538,861	6.2	327,685	2,720,288	1,973,344	37.9	171,598	133,325	2,988,289	3,432,192	11.9	10.6
9	Marine Midland Bank NA, Buffalo, N.Y.	5,779,381	5,879,395	-1.7	458,299	1,653,825	1,493,276	10.8	624,973	883,592	3,500,583	3,502,527	33.5	35.1
10	First Interstate Bank of California, Los Angeles	5,582,445	5,432,542	2.8	34,622	1,532,257	1,564,779	-2.1	996,946	994,354	3,053,242	2,873,409	40.7	36.3
11	Manufacturers Hanover Trust Co., New York	4,472,000	3,860,000	15.9	186,000	392,000	334,000	17.4	2,611,000	2,029,000	1,469,000	1,497,000	10.8	8.9
12	First Union National Bank of North Carolina, Charlotte	3,828,951	2,756,474	38.9	193,908	2,678,935	1,561,268	71.6	313,746	356,600	836,270	838,606	43.9	36.0
13	Boston Safe Deposit & Trust Co.	3,807,187	3,035,620	25.4	80,838	3,264,753	2,366,301	38.0	23,990	184,397	518,444	484,922	77.3	94.9
14	Sovran Bank NA, Richmond	3,206,912	3,426,978	-6.4	26,675	816,321	891,417	-8.4	689,910	659,992	1,700,681	1,875,569	40.7	47.9
15	Citibank Nevada NA, Las Vegas	3,197,097	2,562,388	24.8	1,386	5,187	1,153	349.9	3,191,800	2,561,077	110	158	100.0	100.0
16	Greenwood Trust Co., Newcastle, Del.	3,147,525	1,007,362	212.5	0	1,734	2,228	-22.2	3,135,774	1,004,362	10,017	772	99.7	99.9
17	Connecticut National Bank, Hartford	3,061,721	2,355,882	30.0	271,021	1,999,507	1,321,339	51.3	220,767	217,647	841,447	816,896	47.7	43.1
18	Southeast Bank NA, Miami	3,004,639	2,644,958	13.6	127,701	1,077,418	910,095	18.4	741,512	699,366	1,185,709	1,035,497	37.5	35.5
19	Crestar Bank, Richmond	2,913,090	2,537,920	14.8	123,347	755,314	603,677	25.1	540,764	524,541	1,617,012	1,409,702	43.0	43.7
20	Seattle-First National Bank	2,820,684	2,569,593	9.8	1,555	1,123,641	992,441	13.2	998,979	817,618	698,064	759,534	33.8	32.2
21	First National Bank of Chicago	2,789,073	4,452,113	-37.4	119,989	851,396	732,707	16.2	1,724,056	3,504,260	213,621	215,146	12.0	20.3
22	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	2,750,341	2,491,712	10.4	200,821	771,579	511,095	51.0	305,442	373,789	1,673,320	1,606,828	37.6	37.1
23	Citibank New York State, Perinton	2,748,579	2,802,421	-1.9	73,268	676,138	747,122	-9.5	186,341	271,649	1,886,100	1,783,650	89.6	70.0
24	Valley National Bank of Arizona, Phoenix	2,534,589	2,456,276	3.2	291,693	964,489	857,085	12.5	478,291	451,464	1,091,809	1,147,727	36.7	34.8
25	Connecticut Bank & Trust Co. NA, Hartford	2,438,811	2,292,809	6.4	472,213	1,094,602	819,481	33.6	272,550	255,379	1,071,659	1,217,949	38.2	38.6
26	Citizens & Southern National Bank, Atlanta	2,361,986	2,135,378	10.6	139,692	734,777	744,572	-1.3	379,179	284,658	1,248,030	1,106,148	31.5	31.8
27	FCC National Bank, Wilmington, Del.	2,313,839	1,132,963	104.2	280	280	165	69.7	2,311,520	1,130,044	2,039	2,754	100.0	99.7
28	First Fidelity Bank NA, Newark, N.J.	2,297,576	1,851,972	24.1	471,552	1,548,401	1,180,380	31.2	81,247	60,220	667,928	611,372	34.0	31.5
29	NCNB National Bank of North Carolina, Charlotte	2,203,052	1,764,571	24.8	343,481	1,149,453	566,923	102.8	472,441	622,830	581,158	574,818	23.8	20.4
30	NCNB National Bank of Florida, Tampa	2,134,990	2,001,541	6.7	62,245	581,809	553,574	5.1	146,123	135,752	1,407,058	1,312,215	39.3	39.0
31	Bank of New York	2,133,506	1,945,230	9.7	279,786	689,339	587,825	17.3	60,772	74,696	1,383,395	1,282,709	15.3	14.7
32	Chase Lincoln First Bank NA, Rochester, N.Y.	2,122,931	1,410,401	50.5	72,767	1,174,377	611,839	91.9	265,822	234,498	682,732	564,064	44.1	35.9
33	Bank of New York (Delaware), Wilmington	2,044,101	752,400	171.7	0	0	0	...	2,041,747	749,399	2,354	3,001	92.4	51.7
34	Signet Bank/Virginia, Richmond	1,938,823	1,529,311	26.8	260,823	377,587	156,396	141.4	1,099,045	931,730	462,191	441,185	46.4	42.5
35	Comerica Bank-Detroit	1,935,764	1,880,462	2.9	112,514	684,403	617,047	10.9	247,023	266,800	1,004,338	996,615	40.1	38.2
36	Michigan National Bank, Farmington Hills, Mich.	1,920,859	1,834,944	4.7	37,315	543,037	622,897	-12.8	906,558	727,914	471,264	484,133	33.5	33.3
37	AmeriTrust Co. NA, Cleveland	1,898,547	2,102,728	-9.7	31,322	799,440	879,074	-9.1	255,872	259,586	843,235	964,068	33.1	35.3
38	Huntington National Bank, Columbus, Ohio	1,842,861	1,852,589	-0.5	241,490	501,299	313,930	59.7	165,801	347,444	1,175,761	1,191,215	37.9	40.5
39	Maryland Bank NA, Newark, Del.	1,833,130	1,397,021	31.2	0	0	0	....	1,829,360	1,391,967	3,770	5,054	95.7	96.1
40	Banco Popular de Puerto Rico, San Juan	1,824,924	1,525,583	19.6	179,459	186,927	204,579	-8.6	244,833	196,501	1,393,164	1,124,503	65.8	67.6
41	BancOhio National Bank, Columbus	1,823,308	1,642,982	11.0	50,908	302,043	342,340	-11.8	769,559	580,711	751,706	719,931	53.8	53.1
42	First National Bank of Atlanta	1,819,951	1,618,297	12.5	94,057	448,434	360,021	24.6	854,207	868,251	517,310	390,025	39.7	34.8
43	National Bank of Detroit	1,772,615	1,406,608	26.0	6,903	996,089	710,048	40.3	40,277	40,248	736,249	656,312	23.3	18.4
44	First Interstate Bank of Arizona NA, Phoenix	1,734,217	1,767,129	-1.9	59,665	358,707	396,751	-9.6	300,022	324,728	1,075,488	1,045,650	37.7	39.5
45	Irving Trust Co., New York	1,712,416	1,109,805	54.3	936,295	937,276	279,408	235.5	231,109	142,089	544,031	688,308	13.8	9.5
46	Meridian Bank, Reading, Pa.	1,696,028	1,465,854	15.7	33,191	547,862	460,285	19.0	242,932	195,221	905,234	810,348	35.6	34.1
47	American Express Centurion Bank, Newark, Del.	1,650,443	222,762	640.9	2,968	2,968	2,249	32.0	1,647,475	220,513	0	0	100.0	100.0
48	California First Bank, San Francisco	1,646,600	1,663,907	-1.0	136,706	1,041,974	639,734	62.9	149,764	152,974	454,862	871,199	39.0	39.3
49	Pittsburgh National Bank	1,633,565	1,497,953	9.1	53,419	438,843	367,828	19.3	102,022	88,498	1,092,700	1,041,627	23.5	21.8
50	First National Bank of Boston	1,628,462	2,258,238	-27.9	172,060	610,514	999,125	-38.9	526,932	559,246	491,016	699,867	9.1	12.7
51	Florida National Bank, Jacksonville	1,608,185	1,437,913	11.8	65,128	370,544	319,192	16.1	92,228	120,003	1,145,413	998,718	35.7	32.3
52	Barnett Bank of South Florida NA, Miami	1,590,834	1,328,667	19.7	34,998	654,363	455,029	43.8	233,217	202,472	703,254	671,166	43.1	43.0
53	Rainier National Bank, Seattle	1,518,207	1,473,623	3.0	25,097	527,103	502,010	5.0	449,506	444,986	541,598	526,627	26.2	26.2
54	Citizens & Southern Nat'l Bank of Fla., Ft. Lauderdale	1,487,321	1,413,147	5.2	238,612	723,003	734,537	-1.6	107,036	106,189	657,282	572,421	46.7	50.3
55	First Bank NA, Minneapolis	1,448,331	1,387,606	4.4	96,585	563,588	458,070	23.0	233,102	230,889	651,641	698,647	15.8	13.8
56	AmSouth Bank Birmingham NA, Ala.	1,435,099	1,369,139	4.8	75,904	654,414	589,182	11.1	135,179	129,231	645,506	650,726	35.1	35.3
57	Society National Bank, Cleveland	1,429,381	1,426,723	0.2	144,990	592,723	574,670	3.1	226,514	221,060	610,144	630,993	43.5	43.3
58	First Florida Bank NA, Tampa	1,413,655	1,263,373	11.9	38,627	679,960	612,879	10.9	47,860	40,021	685,835	610,473	44.8	44.7
59	Shawmut Bank NA, Boston	1,407,671	1,348,126	4.4	0	569,321	586,681	-3.0	192,117	167,602	646,233	593,843	28.8	29.1
60	Maryland National Bank, Baltimore	1,382,111	1,042,565	32.6	118,309	412,005	195,735	110.5	352,111	314,300	617,995	532,530	23.6	20.9
61	Arizona Bank, Phoenix	1,370,985	1,196,489	14.6	50,551	729,375	565,925	28.9	196,558	207,168	445,052	423,396	37.3	36.5
62	Norstar Bank of Upstate NY, Albany	1,344,224	1,209,573	11.1	86,042	415,695	317,535	30.9	87,384	49,116	841,145	842,922	56.9	54.7
63	United States National Bank, Portland, Ore.	1,342,750	1,348,844	-0.5	17,016	420,415	419,500	0.2	376,359	336,488	545,976	592,856	25.6	27.2
64	First Tennessee Bank NA, Memphis	1,339,816	1,126,102	19.0	83,374	379,015	243,413	55.7	240,252	226,872	720,549	655,817	38.1	35.4
65	Bank of New England NA, Boston	1,326,142	1,410,761	-6.0	299,788	763,268	854,088	-10.6	125,697	123,173	437,177	433,500	13.1	16.9
66	Fidelity Bank NA, Malvern, Pa.	1,257,621	1,162,908	8.1	120,267	483,823	370,428	30.6	181,182	189,570	592,616	602,910	21.0	22.0
67	Mellon Bank NA, Pittsburgh	1,253,231	1,652,058	-24.1	88,034	378,297	653,202	-42.1	144,637	133,791	730,297	865,065	9.3	9.9
68	National City Bank, Cleveland	1,233,676	1,115,791	10.6	86,260	443,748	399,889	11.0	110,959	96,605	678,969	619,297	30.1	28.0
69	Union Bank, Los Angeles	1,221,019	1,125,128	8.5	5,475	361,581	330,115	9.5	132,409	123,893	727,029	671,120	18.7	16.5
70	Bank of Baltimore	1,219,658	779,959	56.4	34,691	634,462	370,640	71.2	31,569	22,207	553,627	387,112	64.1	67.9
71	Central Fidelity Bank, Richmond	1,217,159	1,135,768	7.2	39,767	404,580	346,454	16.8	252,181	271,419	560,398	517,895	43.3	47.2
72	First Union National Bank of Florida, Jacksonville	1,201,620	1,242,740	-3.3	77,890	551,580	485,599	13.6	134,844	143,692	515,196	613,449	37.0	38.2
73	South Carolina National Bank, Charleston	1,181,110	1,074,324	9.9	121,804	418,979	275,878	51.9	196,614	191,174	565,517	607,272	35.1	34.4
74	Manufacturers National Bank, Detroit	1,173,763	1,069,221	9.8	76,146	720,694	600,441	20.0	85,637	89,130	367,432	379,650	24.4	24.4
75	Banco de Ponce, P.R.	1,165,817	894,013	30.4	0	337,339	284,810	18.4	99,015	72,904	729,463	536,299	73.8	67.3
76	BayBank Middlesex, Burlington, Mass.	1,161,914	988,233	17.6	246,790	703,801	499,955	40.8	113,451	102,719	344,662	385,559	45.4	45.3
77	First Alabama Bank, Montgomery	1,155,808	1,092,684	5.8	71,387	439,864	354,888	23.9	100,213	105,308	615,731	632,488	44.0	44.1
78	Fleet National Bank, Providence, R.I.	1,133,721	1,199,231	-5.5	207,409	624,727	701,816	-11.0	149,862	138,895	359,132	358,520	22.7	27.2
79	National Westminster Bank USA, New York	1,120,766	994,928	12.6	53,646	245,211	243,542	0.7	386,440	393,358	489,115	358,028	13.2	12.9
80	Bank of Hawaii, Honolulu	1,119,210	1,011,133	10.7	121,420	586,010	461,146	27.1	146,727	137,971	386,473	412,016	34.4	37.2
81	Bank One Columbus NA, Ohio	1,115,909	964,229	15.7	28,040	138,227	97,495	41.8	459,558	302,417	518,124	564,317	46.3	46.5
82	Indiana National Bank, Indianapolis	1,100,817	920,408	19.6	20,957	297,342	259,759	14.5	314,954	290,587	488,521	370,062	37.1	34.7
83	Lomas Bank USA, Wilmington, Del.	1,099,127	654,689	67.9	10,141	11,917	2,000	495.9	1,087,210	652,689	0	0	100.0	99.9
84	Marine Midland Bank (Delaware) NA, Wilmington	1,081,053	806,448	34.1	0	47,071	76,839	-38.7	733,764	563,229	300,218	166,380	62.6	64.0
85	Norstar Bank NA, Buffalo, N.Y.	1,077,744	1,073,402	0.4	70,212	266,583	236,896	12.5	86,849	91,271	724,312	745,235	40.6	44.9
86	First Interstate Bank of Oregon NA, Portland	1,073,450	1,120,459	-4.2	32,471	271,704	368,227	-26.2	227,267	207,175	574,479	545,057	33.2	32.7
87	Citibank Maryland NA, Towson	1,058,194	996,029	6.2	0	88,458	8,150	985.4	966,260	984,693	3,476	3,186	100.0	100.0
88	First Virginia Bank, Falls Church	1,033,683	942,646	9.7	68,849	357,549	302,961	18.0	118,743	123,898	557,391	515,787	86.4	89.0
89	Mercantile Bank NA, St. Louis	1,027,655	1,016,702	1.1	73,792	340,403	225,943	50.7	284,265	405,779	402,987	384,980	33.3	33.7
90	Barnett Bank of Central Florida NA, Orlando	1,019,992	912,093	11.8	0	251,335	189,310	32.8	140,394	135,295	628,263	587,488	63.4	67.4
91	Sun Bank NA, Orlando	1,007,911	1,022,187	-1.4	75,814	327,589	327,462	0.0	296,526	304,217	383,796	390,508	40.2	43.8
92	Provident National Bank, Philadelphia	1,007,416	858,863	17.3	0	311,268	297,137	4.8	0	0	696,148	561,726	26.3	24.3
93	First National Bank of Maryland, Baltimore	1,003,630	849,575	18.1	143,876	595,480	420,466	41.6	31,191	21,677	376,959	407,432	32.9	30.8
94	Corestates Bank of Delaware NA, Wilmington	995,566	830,578	19.9	0	0	0	....	995,566	830,578	0	0	100.0	100.0
95	Barnett Bank of SW Florida, Sarasota	993,228	....	...	8,629	851,512	0	..	8,409	....	133,307	....	79.3	....
96	First Interstate Bank of Washington NA, Seattle	989,253	960,854	3.0	11,606	280,529	300,993	-6.8	256,968	277,389	451,756	382,472	47.6	46.6
97	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	988,434	790,122	25.1	0	47,560	44,423	7.1	65,145	28,916	875,729	716,783	33.1	30.6
98	Branch Banking & Trust Co., Wilson, N.C.	977,785	750,648	30.3	19,420	620,195	416,863	48.8	86,396	72,848	271,194	260,937	39.7	35.6
99	Dominion Bank NA, Roanoke, Va.	953,496	1,027,932	-7.2	86,907	485,663	539,807	-10.0	111,642	139,226	356,191	348,899	44.2	45.9
100	Midlantic National Bank/North, West Paterson, N.J.	947,227	881,613	7.4	123,269	379,210	376,322	0.8	103,654	106,314	464,363	398,977	42.6	45.0
	Totals for the Top 100 Banks‡	**$257.1**	**$231.7**	+11.0	**$14.0**	**$92.7**	**$78.8**	+17.6	**$72.8**	**$64.1**	**$91.6**	**$88.7**	....	....
	Totals for All FDIC-Insured Banks‡†	**$614.3**	**$558.2**	+10.1	**$30.6**	**$262.9**	**$222.5**	+18.2	**$102.8**	**$91.9**	**$248.6**	**$243.8**	....	....

Data Source: Data were provided by **ADP Data Services Division, New York,** from its data base of the Federal Regulatory report of condition (RC). ADP adjusts the 1986 data for mergers occurring in 1987. **Total Consumer Loans** are mortgage loans plus credit card loans plus all other consumer loans. **Mortgage loans** are loans secured by 1-4 family residential properties, including home equity loans. (Schedule RC-C, Column B-Domestic Offices, items 1.c.(1) + 1.c.(2).) **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (Schedule RC-C, Column B, item 1.c.(1).) **Credit card loans** include all extentions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. (Schedule RC-C, Column A-Consolidated Bank, item 6a.) **All other consumer loans** are loans to individuals for household, family, and other personal expenditures and include single payment, instalment, and student loans. (Schedule RC-C, Column A, item 6b.) **Consumer loans % of total loans** is the ratio of total consumer loans to total loans. **Total loans** are Loans and leases, net of unearned income. (RC-Balance Sheet, item 4.a.) **(1)—** Please note that home equity loans— which were reported by banks for the first time on the Report of Condition for Dec. 31, 1987— are included in the "Mortgage Loans" column. **(‡)—** In billions of dollars. **(†)—** Aggregate data are from the Federal Deposit Insurance Corp., Washington, D.C.

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Top 300 Banks in Lending to the Consumer

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/87		Total Consumer Loans			Home Equity Loans[1]	Total Mortgage Loans			Credit Card Loans		All Other Consumer Loans		Consumer Loans As % of Total Loans	
		12/31/87	12/31/86	% Chg.	12/31/87	12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	12/31/87	12/31/86	12/31/87	12/31/86
101	**First Union National Bank of Georgia, Atlanta**	943,330	1,143,690	-17.5	37,465	310,659	393,880	-21.1	64,825	62,796	567,846	687,014	39.1	43.8
102	**Barnett Bank of Pinellas Cty., St. Petersburg, Fla.**	938,917	264,753	254.6	19,143	733,269	122,209	500.0	44,861	38,737	160,787	103,807	64.9	52.3
103	**Union Trust Co., Stamford, Conn.**	925,369	819,750	12.9	17,814	406,449	397,024	2.4	127,788	110,455	391,132	312,271	43.2	46.5
104	**Wilmington Trust Co., Del.**	923,896	849,143	8.8	42,451	487,529	407,012	19.8	65,387	69,250	370,980	372,881	52.2	52.9
105	**Colonial National Bank USA, Wilmington, Del.**	922,505	613,639	50.3	0	149,769	6,616	2,163.7	521,896	433,683	250,840	173,340	97.4	100.0
106	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	915,092	867,051	5.5	97,667	259,984	147,466	76.3	57,097	52,697	598,011	666,888	56.1	57.2
107	**National Community Bank, Rutherford, N.J.**	906,716	698,598	29.8	129,833	746,209	534,412	39.6	3,000	2,951	157,507	161,235	39.0	39.2
108	**Deposit Guaranty National Bank, Jackson, Miss.**	904,478	863,901	4.7	22,268	310,127	322,715	-3.9	41,844	32,067	552,507	509,119	44.7	44.7
109	**Central Bank of the South, Birmingham, Ala.**	902,560	826,383	9.2	54,971	432,483	344,504	25.5	135,656	124,916	334,421	356,963	40.5	39.7
110	**Equitable Bank NA, Baltimore**	898,925	742,503	21.1	155,396	244,374	188,442	29.7	309,968	222,977	344,583	331,084	40.3	36.5
111	**Boatmen's National Bank, St. Louis**	897,753	904,176	-0.7	61,665	406,741	373,759	8.8	113,057	123,046	377,955	407,371	39.0	41.4
112	**Hibernia National Bank, New Orleans**	884,791	721,428	22.6	22,180	465,952	276,697	68.4	127,661	118,457	291,178	326,274	26.9	25.0
113	**First Fidelity Bank NA/North Jersey, Totowa**	878,631	758,077	15.9	164,481	632,438	400,387	58.0	14,044	50,923	232,149	306,767	60.2	54.4
114	**NCNB South Carolina, Columbia**	866,754	685,555	26.4	54,207	223,697	147,225	51.9	402,122	328,003	240,935	210,327	42.0	41.0
115	**First Deposit National Bank, Tilton, N.H.**	859,156	349,941	145.5	0	4,140	2,788	48.5	853,630	345,590	1,386	1,563	99.1	100.0
116	**Norwest Bank Minneapolis NA**	843,361	776,957	8.5	32,535	172,323	159,496	8.0	35,920	35,800	635,118	581,661	23.7	19.9
117	**Mellon Bank Delaware NA, Wilmington**	825,183	699,865	17.9	10,972	71,326	68,645	3.9	622,891	485,452	130,966	145,768	86.7	85.1
118	**First Fidelity Bank NA/South Jersey, Burlington Twp.**	815,018	732,618	11.2	112,949	285,135	256,944	11.0	10,362	10,480	519,521	465,194	75.2	77.1
119	**Sanwa Bank California, San Francisco**	805,337	776,766	3.7	3,640	366,904	188,622	94.5	39,443	38,736	398,990	549,408	21.2	21.9
120	**First Security Bank of Utah NA, Ogden**	802,831	750,656	7.0	88,268	439,919	362,470	21.4	89,250	92,879	273,662	295,307	42.6	39.5
121	**Harris Trust & Savings Bank, Chicago**	800,157	802,372	-0.3	55,422	187,925	192,784	-2.5	369,167	358,992	243,065	250,596	16.2	16.7
122	**Morgan Guaranty Trust Co., New York**	796,825	730,865	9.0	21,670	193,107	168,900	14.3	140	7,122	603,578	554,843	2.6	2.2
123	**Bank One Indianapolis NA**	792,518	948,338	-16.4	22,095	188,043	305,863	-38.5	208,349	247,179	396,126	395,296	31.2	36.4
124	**First RepublicBank Dallas NA**	783,347	893,565	-12.3	0	272,417	363,382	-25.0	71,567	72,358	439,363	457,826	5.7	5.9
125	**First Interstate Bank of Nevada NA, Reno**	775,732	804,691	-3.6	19,269	277,446	273,310	1.5	115,869	122,369	382,417	409,012	41.9	42.5
126	**Central Trust Co. NA, Cincinnati**	765,754	687,084	11.4	82,229	274,447	237,658	15.5	83,923	84,485	407,384	364,941	37.7	36.5
127	**Bankers Trust Co., New York**	764,586	1,170,826	-34.7	0	47,967	94,626	-49.3	30,240	28,566	686,379	1,047,634	3.1	4.1
128	**Trust Company Bank, Atlanta**	761,665	776,295	-1.9	41,751	168,098	132,076	27.3	143,755	158,165	449,812	486,054	22.7	23.4
129	**United Jersey Bank, Hackensack, N.J.**	753,570	673,569	11.9	134,679	346,278	290,622	19.2	159,136	124,850	248,156	258,097	28.5	29.4
130	**Citizens & Southern National Bank, Charleston, S.C.**	750,778	720,972	4.1	109,256	250,679	184,599	35.8	67,713	126,590	432,386	409,783	36.6	37.9
131	**Key Bank NA, Albany, N.Y.**	747,032	688,778	8.5	26,788	186,014	162,115	14.7	65,503	58,089	495,515	468,574	51.5	50.9
132	**Fifth Third Bank, Cincinnati**	744,780	588,159	26.6	26,722	166,516	100,344	65.9	118,611	129,237	459,653	358,578	34.9	35.9
133	**Princeton Bank, N.J.**	744,697	656,822	13.4	76,514	328,306	273,638	20.0	86,691	91,014	329,700	292,170	66.3	65.7
134	**First American Bank of Virginia, McLean**	737,614	625,124	18.0	0	248,097	226,668	9.5	73,984	65,623	415,533	332,833	34.6	34.1
135	**First Security Bank Idaho NA, Boise**	730,639	693,721	5.3	26,692	337,948	280,148	20.6	64,644	67,076	328,047	346,497	56.4	54.9
136	**BayBank Norfolk County Trust Co., Dedham, Mass.**	725,493	627,896	15.5	122,094	417,442	296,557	40.8	52,065	46,902	255,986	284,437	64.7	63.3
137	**First Hawaiian Bank, Honolulu**	724,017	716,006	1.1	36,981	361,311	360,207	0.3	85,952	83,420	276,754	272,379	43.0	43.8
138	**Toledo Trust Co., Ohio**	703,987	705,789	-0.3	28,472	180,005	200,055	-10.0	74,592	65,286	449,390	440,448	35.1	38.9
139	**Chase Bank of Maryland, Baltimore**	701,730	294,509	138.3	113,712	554,940	236,728	134.4	18,078	3,147	128,712	54,634	91.3	67.5
140	**Security Bank & Trust Co., Southgate, Mich.**	693,087	664,696	4.3	16,098	131,292	103,264	27.1	383,963	360,248	177,832	201,184	81.1	82.4
141	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	692,199	616,059	12.4	24,434	364,579	283,575	28.6	99,768	131,399	227,852	201,085	34.5	34.5
142	**Sun Bank Miami NA**	687,791	585,302	17.5	33,153	162,567	149,195	9.0	9,396	9,589	515,828	426,518	49.5	46.4
143	**Tokai Bank of California, Los Angeles**	687,569	322,038	113.5	0	21,928	21,579	1.6	715	121	664,926	300,338	42.2	38.6
144	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	687,374	595,941	15.3	22,675	312,297	272,751	14.5	20,320	21,713	354,757	301,477	43.3	42.1
145	**Bank South NA, Atlanta**	683,961	605,627	12.9	70,155	291,633	171,287	70.3	65,273	68,011	327,055	366,329	28.1	28.6
146	**Zions First National Bank, Salt Lake City, Utah**	683,218	702,519	-2.7	44,280	192,607	215,082	-10.4	59,991	52,100	430,620	435,337	38.7	38.9
147	**Key Bank of Central NY, Syracuse**	673,993	545,436	23.6	11,290	176,718	120,676	46.4	38,292	39,314	458,983	385,446	63.9	62.8
148	**Barnett Bk of Palm Beach Cty., W. Palm Bch, Fla.**	671,861	627,239	7.1	0	351,113	295,708	18.7	65,196	61,531	255,552	270,000	61.6	60.0
149	**Trustmark National Bank, Jackson, Miss.**	660,022	577,750	14.2	12,437	251,902	211,452	19.1	49,438	43,754	358,682	322,544	41.1	38.5
150	**Sovran Bank/Maryland, Bethesda**	659,348	565,046	16.7	112,978	326,905	262,953	24.3	9,836	6,055	322,607	296,038	28.7	28.8
151	**Equibank, Pittsburgh**	657,336	925,504	-29.0	39,473	236,572	182,723	29.5	70,358	400,016	350,406	342,765	41.8	54.3
152	**First National Bank, Cincinnati**	650,178	496,073	31.1	43,430	221,443	115,571	91.6	96,435	70,383	332,300	310,119	36.7	35.8
153	**Bank of New England - West NA, Springfield, Mass.**	649,945	487,462	33.3	54,691	229,164	148,852	54.0	42,188	39,916	378,593	298,694	49.1	44.6
154	**Bank One Dayton NA, Ohio**	647,117	575,556	12.4	25,770	135,094	123,328	9.5	174,273	171,980	337,750	280,248	49.6	49.1
155	**First Wisconsin National Bank, Milwaukee**	647,080	650,287	-0.5	32,175	169,187	170,879	-1.0	360,392	358,388	117,501	121,020	24.7	23.2
156	**Signet Bank/Maryland, Baltimore**	641,827	563,625	13.9	102,282	226,278	145,976	55.0	38,982	117,052	376,567	300,597	29.2	28.0
157	**Continental Illinois National B & T Co., Chicago**	639,830	551,657	16.0	24,490	182,811	148,730	22.9	5,794	5,796	451,225	397,131	3.1	2.6
158	**Liberty National Bank & Trust Co., Louisville, Ky.**	631,580	583,762	8.2	28,887	92,692	92,316	0.4	59,732	64,921	479,156	426,525	47.3	45.4
159	**Midlantic National Bank/South, Mt. Laurel, N.J.**	631,072	569,039	10.9	58,901	148,146	155,025	-4.4	4,824	5,596	478,102	408,418	37.9	37.4
160	**Midlantic National Bank, Newark, N.J.**	626,327	516,696	21.2	183,707	266,881	196,647	35.7	9,328	9,791	350,118	310,258	16.7	15.0
161	**Continental Bank, Norristown, Pa.**	625,616	559,422	11.8	21,134	390,724	309,399	26.3	63,883	66,400	171,009	183,623	23.5	23.2
162	**Barclays Bank of New York NA**	618,532	523,603	18.1	156,856	386,736	282,707	36.8	11,322	10,946	220,474	229,950	30.0	30.4
163	**Bank of Boston Connecticut, Waterbury**	617,412	512,859	20.4	100,147	402,173	267,043	50.6	59,531	44,736	155,708	201,080	33.2	35.2
164	**Rhode Island Hospital Trust Nat'l Bk, Providence**	614,281	641,426	-4.2	82,401	268,712	345,985	-22.3	81,459	82,452	264,110	212,989	31.4	33.6
165	**Mellon Bank (East) NA, Philadelphia**	608,598	580,938	4.8	30,551	220,524	227,399	-3.0	42,117	45,819	345,957	307,720	18.6	16.0
166	**First Pennsylvania Bank NA, Philadelphia**	606,658	525,842	15.4	70,956	212,437	121,977	74.2	734	3,075	393,487	400,790	16.5	14.6
167	**Society Bank NA, Dayton, Ohio**	605,624	565,278	7.1	27,038	332,621	336,347	-1.1	29,935	30,331	243,068	198,600	52.9	51.2
168	**Sovran Bank/Central South, Nashville, Tenn.**	599,907	489,569	22.5	35,600	220,979	149,307	48.0	85,350	83,104	293,578	257,158	33.7	31.0
169	**Riggs National Bank, Washington, D.C.**	596,465	431,602	38.2	165,475	355,933	224,784	58.3	35,014	32,993	205,518	173,825	19.0	15.3
170	**Sun Bank South Florida NA, Fort Lauderdale**	596,112	518,972	14.9	38,438	322,649	258,029	25.0	33,846	35,172	239,617	225,771	53.7	55.2
171	**Citizens First National Bank, Ridgewood, N.J.**	595,990	543,744	9.6	116,410	444,935	391,573	13.6	37,976	25,082	113,079	127,089	36.8	39.7
172	**Horizon Bank NA, Morristown, N.J.**	595,686	586,603	1.5	138,476	319,863	267,513	19.6	156,814	171,534	119,009	147,556	46.7	52.1
173	**Centerre Bank NA, St. Louis**	590,612	541,003	9.2	27,723	390,069	298,420	30.7	64,475	120,756	136,068	121,827	30.5	25.0
174	**City National Bank, Beverly Hills**	587,030	552,323	6.3	30,961	109,989	74,227	48.2	26,041	13,800	451,000	464,296	29.6	34.0
175	**Citibank Arizona, Phoenix**	584,484	556,450	5.0	52,627	522,875	493,511	6.0	40,199	41,512	21,410	21,427	84.0	83.9
176	**First City Bank Sioux Falls NA, S.D.**	584,234	588,555	-0.7	0	0	0		583,950	587,949	284	606	100.0	100.0
177	**Bank of Delaware, Wilmington**	575,806	540,050	6.6	40,681	244,734	217,918	12.3	46,803	60,078	284,269	262,054	50.0	50.9
178	**Bank of California NA, San Francisco**	573,048	558,110	2.7	49,332	456,248	450,490	1.3	65,106	56,327	51,694	51,293	15.7	18.5
179	**United Bank & Trust Co., Hartford, Conn.**	571,512	487,786	17.2	84,764	327,024	213,893	52.9	11,286	10,469	233,202	263,424	44.6	43.8
180	**Norstar Bank, Hempstead, N.Y.**	570,846	451,640	26.4	70,122	134,755	109,530	23.0	40,381	38,428	395,710	303,682	45.9	44.1
181	**City Loan Bank, Columbus, Ohio**	569,251	415,719	36.9	0	247,173	175,829	40.6	0	0	322,078	239,890	99.3	98.5
182	**Republic National Bank, New York**	566,030	660,270	-14.3	730	153,783	278,051	-44.7	32,869	36,619	379,378	345,600	15.1	16.9
183	**Norwest Bank South Dakota NA, Sioux Falls**	558,547	450,043	24.1	4,623	98,863	106,767	-7.4	21,399	13,751	438,285	329,525	55.2	48.6
184	**United Carolina Bank, Whiteville, N.C.**	556,499	485,819	14.5	31,551	230,166	196,640	17.0	31,776	32,277	294,557	256,902	42.5	41.4
185	**Society Bank of Eastern Ohio NA, Canton**	556,308	477,947	16.4	32,691	225,989	203,064	11.3	40,340	40,561	289,979	234,322	61.5	60.5
186	**First American National Bank, Nashville, Tenn.**	554,924	393,308	41.1	51,400	174,685	83,504	109.2	178,746	134,089	201,493	175,715	29.3	22.1
187	**First Seneca Bank, Butler, Pa.**	554,495	496,412	11.7	18,371	249,758	201,920	23.7	27,980	28,374	276,757	266,118	77.6	75.4
188	**Third National Bank, Nashville, Tenn.**	553,540	474,597	16.6	18,936	216,421	157,153	37.7	64,158	55,685	272,961	261,759	29.0	25.4
189	**Bank One Cleveland NA**	547,476	439,289	24.6	21,082	85,235	58,252	46.3	44,482	53,881	417,759	327,156	49.2	44.8
190	**Bank of the West, San Francisco**	547,264	501,586	9.1	18,481	212,670	159,013	33.7	57,134	58,487	277,460	284,086	51.4	48.5
191	**New Jersey National Bank, Pennington, N.J.**	536,987	631,837	-15.0	159,378	320,270	270,455	18.4	0	157,749	216,717	203,633	32.2	43.6
192	**Barnett Bank of Jacksonville NA, Fla.**	535,968	470,680	13.9	13,013	205,166	144,683	41.8	137,649	129,261	193,153	196,736	47.0	46.5
193	**Merchants National Bank & Trust Co., Indianapolis**	532,207	448,658	18.6	110,421	153,388	99,162	54.7	59,394	60,907	319,425	288,589	32.4	28.2
194	**MBank Dallas NA**	529,547	575,482	-8.0	0	355,927	381,432	-6.7	10,953	9,474	162,667	184,576	9.5	8.9
195	**Northern Trust Co., Chicago**	528,146	423,463	24.7	62,462	407,644	268,714	51.7	16,605	15,819	103,897	138,930	14.6	11.5
196	**Central Carolina Bank & Trust Co. NA, Durham, N.C.**	525,608	423,406	24.1	70,988	296,594	225,709	31.4	73,936	66,043	155,078	131,654	50.6	49.5
197	**Citizens Bank & Trust Co., Riverdale, Md.**	524,585	524,249	0.1	0	98,372	89,751	9.6	10,121	7,911	416,092	426,587	53.8	63.8
198	**Hibernia Bank, San Francisco**	524,445	532,061	-1.4	45,176	449,932	429,836	4.7	2,191	14,339	72,322	87,886	49.9	51.9
199	**Idaho First National Bank, Boise**	523,724	525,768	-0.4	15,613	112,681	133,304	-15.5	71,618	64,297	339,425	328,167	34.9	35.3
200	**Union National Bank, Pittsburgh**	521,336	542,285	-3.9	3,022	132,257	140,283	-5.7	75,636	66,311	313,443	335,691	36.9	40.9
	Totals for the Top 200 Banks‡	**$325.7**	**$293.3**	**+11.1**	**$19.0**	**$119.8**	**$100.6**	**+19.0**	**$82.5**	**$73.6**	**$123.4**	**$119.0**	....	....
	Totals for All FDIC-Insured Banks‡†	**$614.3**	**$558.2**	**+10.1**	**$30.6**	**$262.9**	**$222.5**	**+18.2**	**$102.8**	**$91.9**	**$248.6**	**$243.8**	....	....

Data Source: Data were provided by **ADP Data Services Division, New York,** from its data base of the Federal Regulatory report of condition (RC). ADP adjusts the 1986 data for mergers occurring in 1987. **Total Consumer Loans** are mortgage loans plus credit card loans plus all other consumer loans. **Mortgage loans** are loans secured by 1-4 family residential properties, including home equity loans. (Schedule RC-C, Column B-Domestic Offices, items 1.c.(1) + 1.c.(2).) **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (Schedule RC-C, Column B, item 1.c.(1).) **Credit card loans** include all extentions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. (Schedule RC-C, Column A-Consolidated Bank, item 6a.) **All other consumer loans** are loans to individuals for household, family, and other personal expenditures and include single payment, instalment, and student loans. (Schedule RC-C, Column A, item 6b.) **Consumer loans % of total loans** is the ratio of total consumer loans to total loans. **Total loans** are Loans and leases, net of unearned income. (RC-Balance Sheet, item 4.a.) **(¹)**— Please note that home equity loans— which were reported by banks for the first time on the Report of Condition for Dec. 31, 1987— are included in the "Mortgage Loans" column. **(‡)**— In billions of dollars. **(†)**— Aggregate data are from the Federal Deposit Insurance Corp., Washington, D.C.

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Top 300 Banks in Lending to the Consumer

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/87		Total Consumer Loans			Home Equity Loans[1]	Total Mortgage Loans			Credit Card Loans		All Other Consumer Loans		Consumer Loans As % of Total Loans	
		12/31/87	12/31/86	% Chg.	12/31/87	12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	12/31/87	12/31/86	12/31/87	12/31/86
201	**European American Bank, New York**	518,433	721,064	-28.1	14,066	167,660	185,459	-9.6	206,475	292,015	144,298	243,590	13.0	17.7
202	**SouthTrust Bank, Birmingham, Ala.**	513,744	457,091	12.4	25,237	165,684	105,270	57.4	109,183	106,102	238,877	245,719	29.1	27.8
203	**Merchants Bank NA, Allentown, Pa.**	502,293	424,477	18.3	24,491	255,914	189,199	35.3	33,290	26,541	213,089	208,737	46.5	47.6
204	**Puget Sound National Bank, Tacoma, Wash.**	499,287	395,878	26.1	3,561	65,043	27,867	133.4	47,943	44,729	386,301	323,282	36.6	32.3
205	**Old National Bank of Washington, Spokane (a)**	498,939	495,672	0.7	2,496	204,946	222,813	-8.0	83,272	83,772	210,721	189,087	37.4	38.9
206	**Hamilton Bank, Lancaster, Pa.**	497,232	445,620	11.6	32,599	245,862	199,152	23.5	0	0	251,370	246,468	24.0	21.6
207	**Delaware Trust Co., Wilmington**	494,684	402,268	23.0	94,804	182,526	118,380	54.2	111,017	84,593	201,141	199,295	66.2	63.2
208	**Commerce Bank St. Louis NA, Clayton**	492,884	457,880	7.6	39,832	218,475	183,293	19.2	45,347	49,194	229,062	225,393	47.6	47.8
209	**First National Bank, Akron, Ohio**	491,957	406,964	20.9	18,096	220,100	143,549	53.3	42,072	45,731	229,785	217,684	52.1	51.8
210	**Central Jersey Bank & Trust Co., Freehold Twp.**	489,293	402,731	21.5	70,337	340,578	197,766	72.2	9,260	8,181	139,455	196,784	56.2	55.3
211	**First Eastern Bank NA, Wilkes-Barre, Pa.**	488,668	427,908	14.2	6,445	290,204	243,079	19.4	12,977	8,347	185,487	176,482	38.4	37.5
212	**Valley National Bank, Passaic, N.J.**	487,838	534,564	-8.7	37,549	240,458	264,902	-9.2	32,719	24,942	214,661	244,720	50.9	56.0
213	**First National Bank of Commerce, New Orleans**	486,595	438,446	11.0	12,433	91,260	75,415	21.0	260,019	232,160	135,316	130,871	40.8	39.8
214	**Norwest Bank Des Moines NA, Iowa**	476,448	385,430	23.6	181	24,581	26,657	-7.8	330,104	249,154	121,763	109,619	59.9	52.7
215	**First Omni Bank NA, Millsboro, Del.**	474,697	463,297	2.5	222	365	81	350.6	473,395	462,409	937	807	98.7	98.7
216	**Chase Bank, Mentor, Ohio**	473,115	203,768	132.2	733	461,959	189,784	143.4	82	0	11,074	13,984	74.5	69.4
217	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	471,414	459,571	2.6	28,808	268,398	258,045	4.0	35,521	21,937	167,495	179,589	39.3	44.4
218	**Ohio Citizens Bank, Toledo**	469,773	393,776	19.3	19,293	116,544	137,368	-15.2	27,936	30,839	325,293	225,569	54.6	57.9
219	**Union Planters National Bank, Memphis**	458,269	395,325	15.9	11,185	242,400	207,306	16.9	33,290	30,298	182,579	157,721	32.6	32.5
220	**Peoples National Bank, Seattle (a)**	447,975	499,277	-10.3	14,467	151,765	169,430	-10.4	89,142	89,370	207,068	240,477	30.4	30.6
221	**Pennbank, Warren, Pa.**	444,587	408,421	8.9	11,679	172,293	161,985	6.4	19,512	15,815	252,782	230,621	58.0	55.2
222	**National State Bank, Elizabeth, N.J.**	443,856	281,563	57.6	56,916	299,314	128,945	132.1	5,499	31,318	139,043	121,300	33.4	25.5
223	**Sun Bank of Tampa Bay, Fla.**	440,239	411,768	6.9	16,161	203,198	194,229	4.6	10,861	10,528	226,180	207,011	49.8	45.9
224	**American Security Bank NA, Washington, D.C.**	439,502	304,444	44.4	24,161	185,149	134,931	37.2	41,662	37,917	212,691	131,596	14.0	10.4
225	**Philadelphia National Bank**	435,529	528,010	-17.5	52,348	153,864	98,768	55.8	0	0	281,665	429,242	8.6	10.4
226	**First American Bank NA, Washington, D.C.**	428,628	325,923	31.5	41,984	227,944	166,339	37.0	21,140	18,275	179,544	141,309	37.3	34.4
227	**Texas Commerce Bank NA, Houston**	428,028	538,941	-20.6	0	158,786	193,110	-17.8	14,249	14,951	254,993	330,880	6.0	6.6
228	**Barclays Bank of California, San Francisco**	426,741	418,390	2.0	15,360	112,157	101,545	10.5	190,760	134,136	123,824	182,709	46.2	46.4
229	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	420,697	380,608	10.5	17,460	191,161	134,828	41.8	71,900	83,728	157,636	162,052	28.8	31.8
230	**MBank Houston NA**	420,651	452,441	-7.0	0	256,652	264,480	-3.0	7,080	7,486	156,919	180,475	13.6	13.5
231	**State Street Bank & Trust Co., Boston**	418,910	402,442	4.1	9,918	17,140	6,737	154.4	297,736	294,068	104,034	101,637	19.4	17.9
232	**Barnett Bank of Tampa NA, Fla.**	418,536	310,986	34.6	10,333	250,885	148,523	68.9	46,094	42,318	121,557	120,145	42.4	43.2
233	**Southern National Bank, Lumberton, N.C.**	415,425	337,984	22.9	64,695	168,098	88,332	90.3	40,829	45,425	206,498	204,227	29.7	28.1
234	**First National Bank, Omaha, Neb.**	408,076	276,802	47.4	11,637	28,785	25,886	11.2	343,812	220,799	35,479	30,117	61.2	52.9
235	**Central Bank, San Francisco**	404,472	444,408	-9.0	4,646	25,843	33,435	-22.7	4,630	5,260	373,999	405,713	47.2	48.1
236	**First National Bank, Louisville, Ky.**	403,391	359,729	12.1	30,979	153,715	110,602	39.0	9,171	10,703	240,505	238,424	16.0	14.9
237	**Arlington Trust Co., Lawrence, Mass.**	402,592	349,300	15.3	26,578	184,332	123,857	48.8	36,448	34,291	181,812	191,152	40.7	40.6
238	**First National Bank, Toms River, N.J.**	399,969	362,065	10.5	74,729	195,189	155,349	25.6	30,432	24,784	174,348	181,932	33.0	31.5
239	**First of America Bank - Detroit NA**	397,728	388,739	2.3	1,688	102,854	109,804	-6.3	40,693	39,899	254,181	239,036	51.5	51.4
240	**NBD Genesee Bank NA, Flint, Mich.**	395,345	374,605	5.5	29,895	171,009	161,508	5.9	15,375	11,765	208,961	201,332	66.2	68.2
241	**Barclays Bank of Delaware NA, Wilmington**	395,297	249,928	58.2	0	0	0	...	387,196	248,634	8,101	1,294	100.0	100.0
242	**Bank One Youngstown NA, Ohio**	394,307	484,629	-18.6	10,336	120,307	77,497	55.2	119,797	111,358	154,203	295,774	50.3	53.3
243	**Chittenden Trust Co., Burlington, Vt.**	393,761	323,442	21.7	17,519	272,374	206,194	32.1	28,617	22,865	92,770	94,383	50.6	44.7
244	**First Union National Bank, Greenville, S.C.**	393,643	364,375	8.0	23,126	148,256	125,760	17.9	40,060	38,642	205,327	199,973	52.5	52.1
245	**Summit Trust Co., N.J.**	389,685	315,924	23.3	63,401	274,348	221,052	24.1	5,877	6,133	109,460	88,739	45.3	38.4
246	**Bank of Mississippi, Tupelo**	387,354	352,988	9.7	0	126,529	116,280	8.8	15,184	9,736	245,641	226,972	51.5	51.1
247	**National City Bank, Akron, Ohio**	386,639	319,974	20.8	31,144	94,490	52,599	79.6	9,813	8,781	282,336	258,594	56.3	53.6
248	**United Bank of Denver NA**	385,675	387,908	-0.6	24,039	115,452	99,198	16.4	176,860	185,766	93,363	102,944	28.9	28.1
249	**Barnett Bank of Pasco Cty, Holiday, Fla.**	381,264	250,344	52.3	4,189	203,720	131,325	55.1	16,033	13,957	161,511	105,062	65.2	57.6
250	**RepublicBank Delaware, Newark**	377,442	374,574	0.8	0	0	0	...	377,442	374,574	0	0	100.0	100.0
251	**Commonwealth Bk & Tr Co. NA, Williamsport, Pa.**	377,433	369,769	2.1	1,734	164,647	161,625	1.9	17,428	14,210	195,358	193,934	58.9	59.6
252	**Casco Northern Bank NA, Portland, Me.**	376,129	319,515	17.7	26,263	199,558	167,223	19.3	5,682	992	170,889	151,300	32.7	32.0
253	**Bank One Akron NA, Ohio**	369,193	360,582	2.4	31,403	54,261	38,468	41.1	61,883	65,386	253,049	256,728	52.0	53.4
254	**Baybank Harvard Trust Co., Cambridge, Mass.**	367,767	291,690	26.1	69,951	259,928	186,579	39.3	26,689	23,082	81,150	82,029	41.0	39.0
255	**Commonwealth National Bank, Harrisburg, Pa.**	367,346	363,981	0.9	0	96,295	99,469	-3.2	38,292	40,906	232,759	223,606	38.9	43.3
256	**First Nat'l Bank of Central Jersey, Bridgewater Twp**	360,750	340,156	6.1	67,406	215,811	180,028	19.9	12,192	15,408	132,747	144,720	49.3	52.8
257	**Jefferson National Bank, Charlottesville, Va.**	359,709	345,196	4.2	13,102	202,339	192,689	5.0	4,642	4,452	152,728	148,055	54.7	58.7
258	**PNC National Bank, Wilmington, Del.**	358,056	305,098	17.4	23,504	23,504	4,045	481.1	324,460	300,826	10,092	227	87.8	93.2
259	**Equibank Delaware NA, Wilmington**	356,919	.....	...	0	0	.....	...	356,919	.....	0	.....	99.9	.....
260	**Chase Bank of Arizona, Phoenix**	356,614	111,426	220.0	14,682	286,149	56,422	407.2	10,428	10,196	60,037	44,808	45.1	19.8
261	**United States Trust Co., New York**	353,013	337,545	4.6	28,069	184,027	130,686	40.8	0	75	168,986	206,784	36.5	23.6
262	**NBD Delaware Bank, Wilmington**	352,939	343,357	2.8	0	0	0	...	352,939	343,357	0	0	100.0	100.0
263	**Union Bank & Trust Co. NA, Grand Rapids, Mich.**	352,566	280,045	25.9	14,022	83,329	42,862	94.4	37,054	42,440	232,183	194,743	49.2	45.6
264	**Citizens Commercial & Svgs Bank, Flint, Mich.**	350,835	353,241	-0.7	7,395	201,616	188,806	6.8	28,842	28,387	120,377	136,048	48.6	51.2
265	**M&I Marshall & Ilsley Bank, Milwaukee**	350,445	288,647	21.4	15,115	211,415	158,523	33.4	21,097	22,641	117,933	107,483	24.6	20.4
266	**Summit Bank, Fort Wayne, Ind.**	350,326	321,451	9.0	28,708	181,316	149,989	20.9	38,780	37,829	130,230	133,633	35.8	36.3
267	**Westamerica Bank NA, San Rafael, Calif.**	348,471	312,836	11.4	53,357	127,888	61,638	107.5	54,838	70,265	165,745	180,933	36.0	38.5
268	**First National Bank of Albuquerque, N.M.**	347,254	333,175	4.2	44,395	117,120	82,818	41.4	112,363	121,057	117,771	129,300	47.4	47.2
269	**United Counties Trust Co., Cranford, N.J.**	347,036	.....	...	53,514	192,922	.....	...	65,658	.....	88,456	.....	71.3	.....
270	**Citytrust, Bridgeport, Conn.**	345,319	376,486	-8.3	17,691	171,884	197,586	-13.0	16,617	14,623	156,818	164,277	17.2	18.8
271	**Marine Bank, Warren, Pa.**	342,394	292,542	17.0	21,078	175,301	130,898	33.9	685	0	166,408	161,644	49.9	47.4
272	**Central Bank, Denver**	341,945	360,316	-5.1	282	30,170	33,435	-9.8	271,236	285,283	40,539	41,598	46.7	53.4
273	**First National Bank, Toledo, Ohio**	340,969	315,427	8.1	21,022	79,151	64,223	23.2	37,408	31,474	224,410	219,730	55.1	56.1
274	**San Diego Trust & Savings Bank, Calif.**	340,959	314,597	8.4	28,863	155,971	127,094	22.7	56,749	59,043	128,239	128,460	52.9	46.6
275	**United Penn Bank, Wilkes-Barre, Pa.**	340,589	308,965	10.2	10,008	207,832	180,823	14.9	0	0	132,757	128,142	47.7	46.0
276	**First RepublicBank Houston NA**	338,746	368,529	-8.1	0	137,672	139,810	-1.5	6,359	6,898	194,715	221,821	14.0	12.2
277	**United Bank of Arizona, Phoenix**	338,131	331,206	2.1	29,672	234,182	208,181	12.5	21,916	22,204	82,033	100,821	19.1	19.4
278	**Barnett Bank of Manatee Cty. NA, Bradenton, Fla.**	337,498	255,822	31.9	162,167	166,897	95,890	74.1	28,126	23,272	142,475	136,660	69.0	71.5
279	**Key Bank of Western New York NA, Jamestown**	336,868	293,403	14.8	2,819	43,251	44,077	-1.9	82,083	50,089	211,534	199,237	56.4	57.3
280	**Sunburst Bank, Grenada, Miss.**	336,797	304,341	10.7	13,379	138,462	98,941	39.9	3,437	0	194,898	205,400	46.8	46.4
281	**First National Bank of Wilmington, Del.**	334,647	310,434	7.8	0	3,170	1,654	91.7	323,056	294,474	8,421	14,306	100.0	100.0
282	**Provident Bank, Cincinnati**	328,295	281,259	16.7	24,350	64,521	33,708	91.4	5,663	8,099	258,111	239,452	30.0	31.3
283	**American Nat'l Bk & Tr Co., Chattanooga, Tenn.**	326,194	332,935	-2.0	8,186	101,801	86,832	17.2	44,369	44,545	180,024	201,558	46.6	46.3
284	**First Jersey National Bank, Jersey City, N.J.**	325,692	270,921	20.2	65,156	97,765	86,760	12.7	103,895	96,285	124,032	87,876	18.2	18.1
285	**Northern Central Bank, Williamsport, Pa.**	324,711	320,518	1.3	5,797	164,708	149,973	9.8	8,513	8,005	151,490	162,540	64.1	65.5
286	**Shawmut Worcester Cty Bank NA, Worcester, Mass.**	323,939	251,708	28.7	97,673	237,888	210,791	12.9	5,560	5,352	80,491	35,565	34.1	31.6
287	**BayBank Valley Trust Co., Springfield, Mass.**	322,027	234,013	37.6	30,719	160,949	85,209	88.9	38,362	36,517	122,716	112,287	40.9	33.7
288	**Maine National Bank, Portland**	319,133	246,448	29.5	38,798	186,711	126,781	47.3	32,217	34,028	100,205	85,639	45.2	46.1
289	**Lincoln National Bank & Trust Co., Fort Wayne, Ind.**	319,022	299,048	6.7	11,183	96,736	82,500	17.3	22,413	24,986	199,873	191,562	43.4	47.5
290	**Key Bank of Puget Sound, Seattle**	318,824	213,982	49.0	6,074	112,903	79,064	42.8	56,056	38,692	149,865	96,226	57.1	40.6
291	**Key Bank of Oregon, Portland**	318,507	291,739	9.2	1,686	110,793	115,884	-4.4	33,523	32,720	174,191	143,135	40.3	38.7
292	**First Interstate Bancard NA, Simi Valley, Calif.**	317,879	355,283	-10.5	0	0	0	.....	317,879	355,283	0	0	100.0	100.0
293	**Gallatin National Bank, Uniontown, Pa.**	314,923	263,294	19.6	7,453	139,017	112,098	24.0	7,761	5,706	168,145	145,490	59.9	55.0
294	**Norwest Bank Nebraska NA, Omaha**	314,450	320,065	-1.8	2,367	68,034	90,631	-24.9	25,245	15,600	221,171	213,834	41.4	39.3
295	**Amboy-Madison National Bank, Old Bridge Twp, N.J.**	311,799	257,489	21.1	53,359	287,351	233,836	22.9	252	349	24,196	23,304	74.8	77.3
296	**NBC Bank - San Antonio NA, Tex.**	310,804	356,245	-12.8	0	52,476	72,298	-27.4	0	40,734	258,328	243,213	29.4	28.7
297	**Dominion Bank of Northern Virginia NA, Vienna**	307,153	214,710	43.1	40,550	115,752	39,009	196.7	51,817	56,519	139,584	119,182	66.0	59.2
298	**Bank of New England Old Colony NA, Providence, R.I.**	301,957	319,037	-5.4	52,100	249,490	286,401	-12.9	25,982	12,160	26,485	20,476	39.4	47.3
299	**Trust Company of New Jersey, Jersey City**	300,524	274,296	9.6	24,270	93,429	78,509	19.0	6,813	7,557	200,282	188,230	29.4	32.0
300	**First American Bank of New York**	298,724	273,988	9.0	18,227	154,687	133,823	15.6	22,031	18,960	122,006	121,205	41.7	37.8
	Totals for the Top 300 Banks‡	**$364.7**	**$327.8**	**+11.3**	**$21.4**	**$135.3**	**$112.8**	**+19.9**	**$90.2**	**$80.3**	**$139.2**	**$134.7**	....	....
	Totals for All FDIC-Insured Banks‡†	**$614.3**	**$558.2**	**+10.1**	**$30.6**	**$262.9**	**$222.5**	**+18.2**	**$102.8**	**$91.9**	**$248.6**	**$243.8**	....	....

Data Source: Data were provided by **ADP Data Services Division, New York,** from its data base of the Federal Regulatory report of condition (RC). ADP adjusts the 1986 data for mergers occurring in 1987. **Total Consumer Loans** are mortgage loans plus credit card loans plus all other consumer loans. **Mortgage loans** are loans secured by 1-4 family residential properties, including home equity loans. (Schedule RC-C, Column B-Domestic Offices, items 1.c.(1) + 1.c.(2).) **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (Schedule RC-C, Column B, item 1.c.(1).) **Credit card loans** include all extentions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. (Schedule RC-C, Column A-Consolidated Bank, item 6a.) **All other consumer loans** are loans to individuals for household, family, and other personal expenditures and include single payment, installment, and student loans. (Schedule RC-C, Column A, item 6b.) **Consumer loans % of total loans** is the ratio of total consumer loans to total loans. **Total loans** are Loans and leases, net of unearned income. (RC-Balance Sheet, item 4.a.) **(1)—** Please note that home equity loans— which were reported by banks for the first time on the Report of Condition for Dec. 31, 1987— are included in the "Mortgage Loans" column. **(‡)—** In billions of dollars. **(†)—** Aggregate data are from the Federal Deposit Insurance Corp., Washington, D.C. **(a)—** On 2/1/88, Peoples National Bank and Old National Bank merged under Peoples' charter and with a new title, U.S. Bank of Washington NA.

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Top 300 Banks in Lending to the Consumer

Listed Georgraphically by Order of Size within States

Rank 1987		Consumer Loans 1987	Consumer Loans 1986	% Chg.
	ALABAMA			
56	AmSouth Bank Birmingham NA	1,435,099	1,369,139	4.8
77	First Alabama Bank, Montgomery	1,155,808	1,092,684	5.8
109	Central Bank of the South, Birmingham	902,560	826,383	9.2
202	SouthTrust Bank of Alabama NA, Birmingham	513,744	457,091	12.4
	ARIZONA			
24	Valley National Bank of Arizona, Phoenix	2,534,589	2,456,276	3.2
44	First Interstate Bank of Arizona NA, Phoenix	1,734,217	1,767,129	-1.9
61	Arizona Bank, Phoenix	1,370,985	1,196,489	14.6
175	Citibank Arizona, Phoenix	584,484	556,450	5.0
260	Chase Bank of Arizona, Phoenix	356,614	111,426	220.0
277	United Bank of Arizona, Phoenix	338,131	331,206	2.1
	CALIFORNIA			
2	Bank of America NT&SA, San Francisco	17,789,000	19,669,000	-9.6
4	Wells Fargo Bank NA, San Francisco	11,349,445	12,106,006	-6.2
5	Security Pacific National Bank, Los Angeles	9,773,459	10,460,362	-6.6
10	First Interstate Bank of California, Angeles	5,582,445	5,432,542	2.8
48	California First Bank, San Francisco	1,646,600	1,663,907	-1.0
69	Union Bank, Los Angeles	1,221,019	1,125,128	8.5
119	Sanwa Bank California, San Francisco	805,337	776,766	3.7
143	Tokai Bank of California, Los Angeles	687,569	322,038	113.5
174	City National Bank, Beverly Hills	587,030	552,323	6.3
178	Bank of California NA, San Francisco	573,048	558,110	2.7
190	Bank of the West, San Francisco	547,264	501,586	9.1
198	Hibernia Bank, San Francisco	524,445	532,061	-1.4
228	Barclays Bank of California, San Francisco	426,741	418,390	2.0
235	Central Bank, San Francisco	404,472	444,408	-9.0
267	Westamerica Bank NA, San Rafael	348,471	312,836	11.4
274	San Diego Trust & Savings Bank	340,959	314,597	8.4
292	First Interstate Bancard NA, Simi Valley	317,879	355,283	-10.5
	COLORADO			
248	United Bank of Denver NA	385,675	387,908	-0.6
272	Central Bank, Denver	341,945	360,316	-5.1
	CONNECTICUT			
17	Connecticut National Bank, Hartford	3,061,721	2,355,882	30.0
25	Connecticut Bank & Trust Co. NA, Hartford	2,438,811	2,292,809	6.4
103	Union Trust Co., Stamford	925,369	819,750	12.9
163	Bank of Boston Connecticut, Waterbury	617,412	512,859	20.4
179	United Bank & Trust Co., Hartford	571,512	487,786	17.2
270	Citytrust, Bridgeport	345,319	376,486	-8.3
	DELAWARE			
7	Chase Manhattan Bank USA NA, Wilmington	5,944,693	5,123,672	16.0
16	Greenwood Trust Co., Newcastle	3,147,525	1,007,362	212.5
27	FCC National Bank, Wilmington	2,313,839	1,132,963	104.2
33	Bank of New York (Delaware), Wilmington	2,044,101	752,400	171.7
39	Maryland Bank NA, Newark	1,833,130	1,397,021	31.2
47	American Express Centurion Bank, Newark	1,650,443	222,762	640.9
83	Lomas Bank USA, Wilmington	1,099,127	654,689	67.9
84	Marine Midland Bank (Delaware) NA, Wilmington	1,081,053	806,448	34.1
94	Corestates Bank of Delaware NA, Wilmington	995,566	830,578	19.9
104	Wilmington Trust Co., Wilmington	923,896	849,143	8.8
105	Colonial National Bank USA, Wilmington	922,505	613,639	50.3
117	Mellon Bank Delaware NA, Wilmington	825,183	699,865	17.9
177	Bank of Delaware, Wilmington	575,806	540,050	6.6
207	Delaware Trust Co., Wilmington	494,684	402,268	23.0
215	First Omni Bank NA, Millsboro	474,697	463,297	2.5
241	Barclays Bank of Delaware NA, Wilmington	395,297	249,928	58.2
250	RepublicBank Delaware, Newark	377,442	374,574	0.8
258	PNC National Bank, Wilmington	358,056	305,098	17.4
259	Equibank Delaware NA, Wilmington	356,919	0	-100.0
262	NBD Delaware Bank, Wilmington	352,939	343,357	2.8
281	First National Bank of Wilmington	334,647	310,434	7.8
	DISTRICT OF COLUMBIA			
169	Riggs National Bank, Washington	596,465	431,602	38.2
224	American Security bank NA, Washington	439,502	304,444	44.4
226	First American Bank NA, Washington	428,628	325,923	31.5
	FLORIDA			
18	Southeast Bank NA, Miami	3,004,639	2,644,958	13.6
30	NCNB National Bank of Florida, Tampa	2,134,990	2,001,541	6.7
51	Florida National Bank, Jacksonville	1,608,185	1,437,913	11.8
52	Barnett Bank of South Florida NA, Miami	1,590,834	1,328,667	19.7
54	Citizens & Southern NB of Fla., Ft. Lauderdale	1,487,321	1,413,147	5.2
58	First Florida Bank NA, Tampa	1,413,655	1,263,373	11.9
72	First Union National Bank Florida, Jacksonville	1,201,620	1,242,740	-3.3
90	Barnett Bank of Central Florida NA, Orlando	1,019,992	912,093	11.8
91	Sun Bank NA, Orlando	1,007,911	1,022,187	-1.4
95	Barnett Bank of SW Florida, Sarasota	993,228	0	-100.0
102	Barnett Bank of Pinellas Cty., St. Petersburg	938,917	264,753	254.6
142	Sun Bank Miami NA	687,791	585,302	17.5
148	Barnett Bank of Palm Beach Cty., W. Palm Beach	671,861	627,239	7.1
170	Sun Bank South Florida NA, Fort Lauderdale	596,112	518,972	14.9
192	Barnett Bank of Jacksonville NA	535,968	470,680	13.9
223	Sun Bank of Tampa Bay	440,239	411,768	6.9
232	Barnett Bank of Tampa NA	418,536	310,986	34.6
249	Barnett Bank of Pasco County, Holiday	381,264	250,344	52.3
278	Barnett Bank of Manatee Cty. NA, Bradenton.	337,498	255,822	31.9
	GEORGIA			
26	Citizens & Southern National Bank, Atlanta	2,361,986	2,135,378	10.6
42	First National Bank of Atlanta	1,819,951	1,618,297	12.5
101	First Union National Bank of Georgia, Atlanta	943,330	1,143,690	-17.5
128	Trust Company Bank, Atlanta	761,665	776,295	-1.9
145	Bank South NA, Atlanta	683,961	605,627	12.9
	HAWAII			
80	Bank of Hawaii, Honolulu	1,119,210	1,011,133	10.7
137	First Hawaiian Bank, Honolulu	724,017	716,006	1.1
	IDAHO			
135	First Security Bank Idaho NA, Boise	730,639	693,721	5.3
199	Idaho First National Bank, Boise	523,724	525,768	-0.4
	ILLINOIS			
21	First National Bank of Chicago	2,789,073	4,452,113	-37.4
121	Harris Trust & Savings Bank, Chicago	800,157	802,372	-0.3
157	Continental Illinois National B&T Co., Chicago	639,830	551,657	16.0
195	Northern Trust Co., Chicago	528,146	423,463	24.7
	INDIANA			
82	Indiana National Bank, Indianapolis	1,100,817	920,408	19.6
123	Bank One Indianapolis NA	792,518	948,338	-16.4
193	Merchants National Bank & Trust Co., Indianapolis	532,207	448,658	18.6
266	Summit Bank, Fort Wayne	350,326	321,451	9.0
289	Lincoln National Bank & Trust Co., Fort Wayne	319,022	299,048	6.7
	IOWA			
214	Norwest Bank Des Moines NA	476,448	385,430	23.6
	KENTUCKY			
96	Citizens Fidelity Bank & Trust Co., Louisville	988,434	790,122	25.1
158	Liberty National Bank & Trust Co., Louisville	631,580	583,762	8.2
236	First National Bank, Louisville	403,391	359,729	12.1
	LOUISIANA			
112	Hibernia National Bank, New Orleans	884,791	721,428	22.6
213	First National Bank of Commerce, New Orleans	486,595	438,446	11.0
	MAINE			
252	Casco Northern Bank NA, Portland	376,129	319,515	17.7
288	Maine National Bank, Portland	319,133	246,448	29.5
	MARYLAND			
60	Maryland National Bank, Baltimore	1,382,111	1,042,565	32.6
70	Bank of Baltimore	1,219,658	779,959	56.4
87	Citibank Maryland NA, Towson	1,058,194	996,029	6.2
93	First National Bank of Maryland, Baltimore	1,003,630	849,575	18.1
110	Equitable Bank NA, Baltimore	896,925	742,503	21.1
139	Chase Bank of Maryland, Baltimore	701,730	294,509	138.3
150	Sovran Bank/Maryland, Bethesda	659,348	565,046	16.7
156	Signet Bank/Maryland, Baltimore	641,827	563,625	13.9
197	Citizens Bank & Trust Co., Riverdale	524,585	524,249	0.1
	MASSACHUSSETTS			
13	Boston Safe Deposit & Trust Co., Boston	3,807,187	3,035,620	25.4
50	First National Bank of Boston	1,628,462	2,258,238	-27.9
59	Shawmut Bank NA, Boston	1,407,671	1,348,126	4.4
65	Bank of New England NA, Boston	1,326,142	1,410,761	-6.0
76	BayBank Middlesex, Burlington	1,161,914	988,233	17.6
136	BayBank Norfolk County Trust Co., Dedham	725,493	627,896	15.5
153	Bank of New England - West NA, Springfield	649,945	487,462	33.3
231	State Street Bank & Trust Co., Boston	418,910	402,442	4.1
237	Arlington Trust Co., Lawrence	402,592	349,300	15.3
254	Baybank Harvard Trust Co., Cambridge	367,767	291,690	26.1
286	Shawmut Worcester Cty Bank NA, Worcester	323,939	251,708	28.7
287	Baybank Valley Trust Co., Springfield	322,027	234,013	37.6
	MICHIGAN			
35	Comerica Bank-Detroit	1,935,764	1,880,462	2.9
36	Michigan National Bank, Farmington Hills	1,920,859	1,834,944	4.7
43	National Bank of Detroit	1,772,615	1,406,608	26.0
74	Manufacturers National Bank, Detroit	1,173,763	1,069,221	9.8
140	Security Bank & Trust Co., Southgate	693,087	664,696	4.3
229	Old Kent Bank & Trust Co., Grand Rapids	420,697	380,608	10.5
239	First of America Bank - Detroit NA	397,728	388,739	2.3
240	NBD Genesee Bank NA, Flint	395,345	374,605	5.5
263	Union Bank & Trust Co. NA, Grand Rapids	352,566	280,045	25.9
264	Citizens Commercial & Svgs Bank, Flint	350,835	353,241	-0.7
	MINNESOTA			
55	First Bank NA, Minneapolis	1,448,331	1,387,606	4.4
116	Norwest Bank Minneapolis NA	843,361	776,957	8.5
	MISSISSIPPI			
108	Deposit Guaranty National Bank, Jackson	904,478	863,901	4.7
149	Trustmark National Bank, Jackson	660,022	577,750	14.2
246	Bank of Mississippi, Tupelo	387,354	352,988	9.7
280	Sunburst Bank, Grenada	336,797	304,341	10.7
	MISSOURI			
89	Mercantile Bank NA, St. Louis	1,027,655	1,016,702	1.1
111	Boatmen's National Bank, St. Louis	897,753	904,176	-0.7
173	Centerre Bank NA, St. Louis	590,612	541,003	9.2
208	Commerce Bank St. Louis NA, Clayton	492,884	457,880	7.6
	NEBRASKA			
234	First National Bank, Omaha	408,076	276,802	47.4
294	Norwest Bank Nebraska NA, Omaha	314,450	320,065	-1.8
	NEVADA			
15	Citibank Nevada NA, Las Vegas	3,197,097	2,562,388	24.8
125	First Interstate Bank of Nevada NA, Reno	775,732	804,691	-3.6
	NEW HAMPSHIRE			
115	First Deposit National Bank, Tilton	859,156	349,941	145.5

Top 300 Banks in Lending to the Consumer

Listed Georgraphically by Order of Size within States

Rank 1987		Consumer Loans		
		1987	1986	% Chg.
	NEW JERSEY			
28	First Fidelity Bank NA, Newark	2,297,576	1,851,972	24.1
100	Midlantic National Bank/North, West Paterson	947,227	881,613	7.4
107	National Community Bank, Rutherford	906,716	698,598	29.8
113	First Fidelity Bank NA/North Jersey, Totowa	878,631	758,077	15.9
118	First Fidelity Bank NA/South Jersey, Burlington Twp.	815,018	732,618	11.2
129	United Jersey Bank, Hackensack	753,570	673,569	11.9
133	Princeton Bank	744,697	656,822	13.4
159	Midlantic National Bank/South, Mt. Laurel	631,072	569,039	10.9
160	Midlantic National Bank, Newark	626,327	516,696	21.2
171	Citizens First National Bank, Ridgewood	595,990	543,744	9.6
172	Horizon Bank NA, Morristown	595,686	586,603	1.5
191	New Jersey National Bank, Pennington	536,987	631,837	-15.0
210	Central Jersey Bank & Trust Co., Freehold Twp.	489,293	402,731	21.5
212	Valley National Bank, Passaic	487,838	534,564	-8.7
222	National State Bank, Elizabeth	443,856	281,563	57.6
238	First National Bank, Toms River	399,969	362,065	10.5
245	Summit Trust Co.	389,685	315,924	23.3
256	First Nat'l Bank of Central Jersey, Bridgewater Twp.	360,750	340,156	6.1
269	United Counties Trust Co., Cranford	347,036	0	-100.0
284	First Jersey National Bank, Jersey City	325,692	270,921	20.2
295	Amboy-Madison National Bank, Old Bridge Twp	311,799	257,489	21.1
299	Trust Company of New Jersey, Jersey City	300,524	274,296	9.6
	NEW MEXICO			
268	First National Bank of Albuquerque	347,254	333,175	4.2
	NEW YORK			
1	Citibank NA, New York	22,914,000	17,972,000	27.5
6	Chemical Bank, New York	6,019,000	4,928,000	22.1
8	Chase Manhattan Bank NA, New York	5,880,175	5,538,861	6.2
9	Marine Midland Bank NA, Buffalo	5,779,381	5,879,395	-1.7
11	Manufacturers Hanover Trust Co., New York	4,472,000	3,860,000	15.9
23	Citibank New York State, Perinton	2,748,579	2,802,421	-1.9
31	Bank of New York	2,133,506	1,945,230	9.7
32	Chase Lincoln First Bank NA, Rochester	2,122,931	1,410,401	50.5
45	Irving Trust Co., New York	1,712,416	1,109,805	54.3
62	Norstar Bank of Upstate NY, Albany	1,344,224	1,209,573	11.1
79	National Westminster Bank USA, New York	1,120,766	994,928	12.6
85	Norstar Bank NA, Buffalo	1,077,744	1,073,402	0.4
122	Morgan Guaranty Trust Co., New York	796,825	730,865	9.0
127	Bankers Trust Co., New York	764,586	1,170,826	-34.7
131	Key Bank NA, Albany	747,032	688,778	8.5
141	Manufacturers & Traders Trust Co., Buffalo	692,199	616,059	12.4
147	Key Bank of Central NY, Syracuse	673,993	545,436	23.6
162	Barclays Bank of New York NA	618,532	523,603	18.1
180	Norstar Bank Hempstead	570,846	451,640	26.4
182	Republic National Bank, New York	566,030	660,270	-14.3
201	European American Bank, New York	518,433	721,064	-28.1
261	United States Trust Co., New York	353,013	337,545	4.6
279	Key Bank of Western New York NA, Jamestown	336,868	293,403	14.8
300	First American Bank of New York	298,724	273,988	9.0
	NORTH CAROLINA			
12	First Union National Bank, Charlotte	3,828,951	2,756,474	38.9
22	Wachovia Bank & Trust Co. NA, Winston-Salem	2,750,341	2,491,712	10.4
29	NCNB National Bank of North Carolina, Charlotte	2,203,052	1,764,571	24.8
98	Branch Banking & Trust Co., Wilson	977,785	750,648	30.3
106	First-Citizens Bank & Trust Co., Raleigh	915,092	867,051	5.5
184	United Carolina Bank, Whitevile	556,499	485,819	14.5
196	Central Carolina Bank & Trust Co. NA, Durham	525,608	423,406	24.1
233	Southern National Bank, Lumberton	415,425	337,984	22.9
	OHIO			
37	AmeriTrust Co. NA, Cleveland	1,898,547	2,102,728	-9.7
38	Huntington National Bank, Columbus	1,842,861	1,852,589	-0.5
41	BancOhio National Bank, Columbus	1,823,308	1,642,982	11.0
57	Society National Bank, Cleveland	1,429,381	1,426,723	0.2
68	National City Bank, Cleveland	1,233,676	1,115,791	10.6
81	Bank One Columbus NA	1,115,909	964,229	15.7
126	Central Trust Co. NA, Cincinnati	765,754	687,084	11.4
132	Fifth Third Bank, Cincinnati	744,780	588,159	26.6
138	Toledo Trust Co.	703,987	705,789	-0.3
152	First National Bank, Cincinnati	650,178	496,073	31.1
154	Bank One Dayton NA	647,117	575,556	12.4
167	Society Bank NA, Dayton	605,624	565,278	7.1
181	City Loan Bank, Columbus	569,251	415,719	36.9
185	Society Bank of Eastern Ohio NA, Canton	556,308	477,947	16.4
189	Bank One Cleveland NA	547,476	439,289	24.6
209	First National Bank, Akron	491,957	406,964	20.9
216	Chase Bank, Mentor	473,115	203,768	132.2
218	Ohio Citizens Bank, Toledo	469,773	393,776	19.3
242	Bank One Youngstown NA	394,307	484,629	-18.6
247	National City Bank, Akron	386,639	319,974	20.8
253	Bank One Akron NA	369,193	360,582	2.4
273	First National Bank, Toledo	340,969	315,427	8.1
282	Provident Bank, Cincinnati	328,295	281,259	16.7
	OREGON			
63	United States National Bank, Portland	1,342,750	1,348,844	-0.5
86	First Interstate Bank of Oregon NA, Portland	1,073,450	1,120,459	-4.2
291	Key Bank of Oregon, Portland	318,507	291,739	9.2

Rank 1987		Consumer Loans		
		1987	1986	% Chg.
	PENNSYLVANIA			
46	Meridian Bank, Reading	1,696,028	1,465,854	15.7
49	Pittsburgh National Bank	1,633,565	1,497,953	9.1
66	Fidelity Bank NA, Malvern	1,257,621	1,162,908	8.1
67	Mellon Bank NA, Pittsburgh	1,253,231	1,652,058	-24.1
92	Provident National Bank, Philadelphia	1,007,416	858,863	17.3
144	Northeastern Bank of Pennsylvania, Wilkes-Barre	687,374	595,941	15.3
151	Equibank, Pittsburgh	657,336	925,504	-29.0
161	Continental Bank, Norristown	625,616	559,422	11.8
165	Mellon Bank (East) NA, Philadelphia	608,598	580,938	4.8
166	First Pennsylvania Bank NA, Philadelphia	606,658	525,842	15.4
187	First Seneca Bank, Butler	554,495	496,412	11.7
200	Union National Bank, Pittsburgh	521,336	542,285	-3.9
203	Merchants Bank NA, Allentown	502,293	424,477	18.3
206	Hamilton Bank, Lancaster	497,232	445,620	11.6
211	First Eastern Bank NA, Wilkes-Barre	488,668	427,908	14.2
217	Dauphin Deposit Bank & Trust Co., Harrisburg	471,414	459,571	2.6
221	Pennbank, Warren	444,587	408,421	8.9
225	Philadelphia National Bank	435,529	528,010	-17.5
251	Commonwealth Bk & Tr Co. NA, Williamsport	377,433	369,769	2.1
255	Commonwealth National Bank, Harrisburg	367,346	363,981	0.9
271	Marine Bank, Warren	342,394	292,542	17.0
275	United Penn Bank, Wilkes-Barre	340,589	308,965	10.2
285	Northern Central Bank, Williamsport	324,711	320,518	1.3
293	Gallatin National Bank, Uniontown	314,923	263,294	19.6
	PUERTO RICO			
40	Banco Popular de Puerto Rico, San Juan	1,824,924	1,525,583	19.6
75	Banco de Ponce	1,165,817	894,013	30.4
	RHODE ISLAND			
78	Fleet National Bank, Providence	1,133,721	1,199,231	-5.5
164	Rhode Island Hospital Trust Nat'l Bank, Providence	614,281	641,426	-4.2
298	Bank of New England Old Colony NA, Providence	301,957	319,037	-5.4
	SOUTH CAROLINA			
73	South Carolina National Bank, Charleston	1,181,110	1,074,324	9.9
114	NCNB South Carolina, Columbia	866,754	685,555	26.4
130	Citizens & Southern National Bank, Charleston	750,778	720,972	4.1
244	First Union National Bank, Greenville	393,643	364,375	8.0
	SOUTH DAKOTA			
3	Citibank (South Dakota) NA, Sioux Falls	11,637,479	9,876,688	17.8
176	First City Bank Sioux Falls NA	584,234	588,555	-0.7
183	Norwest Bank South Dakota NA, Sioux Falls	558,547	450,043	24.1
	TENNESSEE			
64	First Tennessee Bank NA, Memphis	1,339,816	1,126,102	19.0
168	Sovran Bank/Central South, Nashville	599,907	489,569	22.5
186	First American National Bank, Nashville	554,924	393,308	41.1
188	Third National Bank, Nashville	553,540	474,597	16.6
219	Union Planters National Bank, Memphis	458,269	395,325	15.9
283	American Nat'l Bk & Tr Co., Chattanooga	326,194	332,935	-2.0
	TEXAS			
124	First RepublicBank Dallas NA	783,347	893,566	-12.3
194	MBank Dallas NA	529,547	575,482	-8.0
227	Texas Commerce Bank NA, Houston	428,028	538,941	-20.6
230	MBank Houston NA	420,651	452,441	-7.0
276	First RepublicBank Houston NA	338,746	368,529	-8.1
296	NBC Bank - San Antonio NA	310,804	356,245	-12.8
	UTAH			
120	First Security Bank of Utah NA, Ogden	802,831	750,656	7.0
146	Zions First National Bank, Salt Lake City	683,218	702,519	-2.7
	VERMONT			
243	Chittenden Trust Co., Burlington	393,761	323,442	21.7
	VIRGINIA			
14	Sovran Bank NA, Richmond	3,206,912	3,426,978	-6.4
19	Crestar Bank, Richmond	2,913,090	2,537,920	14.8
34	Signet Bank/Virginia, Richmond	1,938,823	1,529,311	26.8
71	Central Fidelity Bank, Richmond	1,217,159	1,135,768	7.2
88	First Virginia Bank, Falls Church	1,033,683	942,646	9.7
99	Dominion Bank NA, Roanoke	953,496	1,027,932	-7.2
134	First American Bank of Virginia, McLean	737,614	625,124	18.0
257	Jefferson National Bank, Charlottesville	359,709	345,196	4.2
297	Dominion Bank of Northern Virginia NA, Vienna	307,153	214,710	43.1
	WASHINGTON			
20	Seattle-First National Bank	2,820,684	2,569,593	9.8
53	Rainier National Bank, Seattle	1,518,207	1,473,623	3.0
96	First Interstate Bank of Washington NA, Seattle	989,253	960,854	3.0
204	Puget Sound National Bank, Tacoma	499,287	395,878	26.1
205	Old National Bank of Washington, Spokane	498,939	495,672	0.7
220	Peoples National Bank, Seattle	447,975	499,277	-10.3
290	Key Bank of Puget Sound, Seattle	318,824	213,982	49.0
	WISCONSIN			
155	First Wisconsin National Bank, Milwaukee	647,080	650,287	-0.5
265	M&I Marshall & Ilsley Bank, Milwaukee	350,445	288,647	21.4

Top 200 Banks in Home Equity Loans

Based on Federal Regulatory Report of Condition data for Dec. 31, 1987 (dollar amounts in thousands)

Rank 12/87		Home Equity Loans 12/31/87	Mortgage Loans 12/31/87	Equity Loans/ Mortgage Loans (%)
1	**Wells Fargo Bank NA, San Francisco**	1,455,132	6,952,108	20.93
2	**Citibank NA, New York**	1,191,000	8,530,000	13.96
3	**Irving Trust Co., New York**	936,295	937,276	99.90
4	**Bank of America NT&SA, San Francisco**	487,000	10,104,000	4.82
5	**Connecticut Bank & Trust Co. NA, Hartford**	472,213	1,094,602	43.14
6	**First Fidelity Bank NA NJ, Newark**	471,552	1,548,401	30.45
7	**Marine Midland Bank NA, Buffalo, N.Y.**	458,299	1,653,825	27.71
8	**NCNB National Bank of North Carolina, Charlotte**	343,481	1,149,453	29.88
9	**Security Pacific National Bank, Los Angeles**	341,824	6,201,068	5.51
10	**Chase Manhattan Bank NA, New York**	327,685	2,720,288	12.05
11	**Bank of New England NA, Boston**	299,788	763,268	39.28
12	**Valley National Bank of Arizona, Phoenix**	291,693	964,489	30.24
13	**Bank of New York**	279,786	689,339	40.59
14	**Connecticut National Bank, Hartford**	271,021	1,999,507	13.55
15	**Signet Bank/Virginia, Richmond**	260,823	377,587	69.08
16	**BayBank Middlesex, Burlington, Mass.**	246,790	703,801	35.07
17	**Huntington National Bank, Columbus, Ohio**	241,490	501,299	48.17
18	**Citizens & Southern Nat'l Bk of Fla., Ft. Lauderdale**	238,612	723,003	33.00
19	**Fleet National Bank, Providence, R.I.**	207,409	624,727	33.20
20	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	200,821	771,579	26.03
21	**Chemical Bank, New York**	194,000	2,135,000	9.09
22	**First Union National Bank, Charlotte, N.C.**	193,908	2,678,935	7.24
23	**Manufacturers Hanover Trust Co., New York**	186,000	392,000	47.45
24	**Midlantic National Bank, Newark**	183,707	266,881	68.83
25	**Banco Popular de Puerto Rico, San Juan**	179,459	186,927	96.00
26	**Bankeast Savings Bank & Trust Co., Rochester, N.H.**	176,729	177,466	99.58
27	**First National Bank, Boston**	172,060	610,514	28.18
28	**Riggs National Bank, Washington, D.C.**	165,475	355,933	46.49
29	**First Fidelity Bank NA, Totowa. N.J.**	164,481	632,438	26.01
30	**Barnett Bank of Manatee Cty. NA, Bradenton, Fla.**	162,167	166,897	97.17
31	**New Jersey National Bank, Pennington**	159,378	320,270	49.76
32	**Barclays Bank of New York NA**	156,856	386,736	40.56
33	**Equitable Bank NA, Baltimore**	155,396	244,374	63.59
34	**Society National Bank, Cleveland**	144,990	592,723	24.46
35	**First National Bank of Maryland, Baltimore**	143,876	595,480	24.16
36	**Citizens & Southern National Bank, Atlanta**	139,692	734,777	19.01
37	**Atlantic Bank, New York**	139,257	139,257	100.00
38	**Horizon Bank NA, Morristown, N.J.**	138,476	319,863	43.29
39	**California First Bank, San Francisco**	136,706	1,041,974	13.12
40	**United Jersey Bank, Hackensack**	134,679	346,278	38.89
41	**National Community Bank, Rutherford, N.J.**	129,833	746,209	17.40
42	**Southeast Bank NA, Miami**	127,701	1,077,418	11.85
43	**Crestar Bank, Richmond**	123,347	755,314	16.33
44	**Midlantic National Bank/North, West Paterson, N.J.**	123,269	379,210	32.51
45	**BayBank Norfolk Cty Trust Co., Dedham, Mass.**	122,094	417,442	29.25
46	**South Carolina National Bank, Charleston**	121,804	418,979	29.07
47	**Bank of Hawaii, Honolulu**	121,420	586,010	20.72
48	**Fidelity Bank NA, Malvern, Pa.**	120,267	483,823	24.86
49	**First National Bank, Chicago**	119,989	851,396	14.09
50	**Maryland National Bank, Baltimore**	118,309	412,005	28.72
51	**Citizen First National Bank, Ridgewood, N.J.**	116,410	444,935	26.16
52	**Chase Bank of Maryland, Baltimore**	113,712	554,940	20.49
53	**Sovran Bank Maryland, Bethesda**	112,978	326,905	34.56
54	**First Fidelity Bank NA/S Jersey, Burlington Twp, N.J.**	112,949	285,135	39.61
55	**Comerica Bank - Detroit**	112,514	684,403	16.44
56	**Merchants National Bank & Trust Co., Indianapolis**	110,421	153,388	71.99
57	**Citizens & Southern National Bank, Charleston, S.C.**	109,256	250,679	43.58
58	**Signet Bank/Maryland, Baltimore**	102,282	226,278	45.20
59	**First of America Bank - Michigan NA, Kalamazoo**	101,806	104,067	97.83
60	**Bank of Boston Connecticut, Waterbury, Conn.**	100,147	402,173	24.90
61	**Shawmut Worcester Cty Bank NA, Worcester, Mass.**	97,673	237,888	41.06
62	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	97,667	259,984	37.57
63	**First Bank NA, Minneapolis**	96,585	563,588	17.14
64	**Delaware Trust Co., Wilmington**	94,804	182,526	51.94
65	**First National Bank, Atlanta**	94,057	448,434	20.97
66	**First Security Bank of Utah NA, Ogden**	88,268	439,919	20.06
67	**Mellon Bank NA, Pittsburgh**	88,034	378,297	23.27
68	**Dominion Bank NA, Roanoke, Va.**	86,907	485,663	17.89
69	**National City Bank, Cleveland**	86,260	443,748	19.44
70	**Norstar Bank of Upstate New York, Albany**	86,042	415,695	20.70
71	**United Bank & Trust Co., Hartford, Conn.**	84,764	327,024	25.92
72	**First Tennessee Bank NA, Memphis**	83,374	379,015	22.00
73	**Rhode Island Hospital Trust Nat'l Bank, Providence**	82,401	268,712	30.67
74	**Central Trust Co. NA, Cincinnati**	82,229	274,447	29.96
75	**Boston Safe Deposit & Trust Co.**	80,838	3,264,753	2.48
76	**United Jersey Bank Franklin State, Franklin Twp, N.J.**	80,452	137,611	58.46
77	**First Union National Bank, Jacksonville, Fla.**	77,890	551,580	14.12
78	**Princeton Bank, N.J.**	76,514	328,306	23.31
79	**Manufacturers National Bank, Detroit**	76,146	720,694	10.57
80	**AmSouth Bank Birmingham NA, Ala.**	75,904	654,414	11.60
81	**Sun Bank NA, Orlando, Fla.**	75,814	327,589	23.14
82	**First National Bank of Toms River, N.J.**	74,729	195,189	38.29
83	**Mercantile Bank NA, St. Louis**	73,792	340,403	21.68
84	**Citibank New York State, Perinton**	73,268	676,138	10.84
85	**Chase Lincoln First Bank NA, Rochester, N.Y.**	72,767	1,174,377	6.20
86	**Bucks County Bank & Trust Co., Perkasie, Pa.**	71,865	151,140	47.55
87	**First Alabama Bank, Montgomery**	71,387	439,864	16.23
88	**Central Carolina Bank & Trust Co. NA, Durham, N.C.**	70,988	296,594	23.93
89	**First Pennsylvania Bank NA, Philadelphia**	70,956	212,437	33.40
90	**Central Jersey Bank & Trust Co., Freehold Twp**	70,337	340,578	20.65
91	**Norstar Bank NA, Buffalo, N.Y.**	70,212	266,583	26.34
92	**Bank South NA, Atlanta**	70,155	291,633	24.06
93	**Norstar Bank, Hempstead, N.Y.**	70,122	134,755	52.04
94	**BayBank Harvard Trust Co., Cambridge, Mass.**	69,951	259,928	26.91
95	**First Virginia Bank, Falls Church**	68,849	357,549	19.26
96	**First Nat'l Bk of Central Jersey, Bridgewater Twp**	67,406	215,811	31.23
97	**Midlantic National Bank, Neptune Twp, N.J.**	65,269	138,909	46.99
98	**First Jersey National Bank, Jersey City**	65,156	97,765	66.65
99	**Florida National Bank, Jacksonville**	65,128	370,544	17.58
100	**Southern National Bank, Lumberton, N.C.**	64,695	168,098	38.49
	Totals for the Top 100 Banks	**17,690,169**	**88,113,234**	**20.08**
101	**Dominion Bank Greater Hamptons NA, Norfolk, Va.**	64,252	131,506	48.86
102	**Summit Trust Co., N.J.**	63,401	274,348	23.11
103	**BayBank Southeast NA, Hyannis, Mass.**	62,775	162,351	38.67
104	**Northern Trust Co., Chicago**	62,462	407,644	15.32
105	**NCNB National Bank of Florida, Tampa**	62,245	581,809	10.70
106	**Boatmen's National Bank, St. Louis**	61,665	406,741	15.16
107	**United Jersey Bank South NA, Cherry Hill**	60,890	145,627	41.81
108	**First Interstate Bank Arizona NA, Phoenix**	59,665	358,707	16.63
109	**Midlantic National Bank South, Mt. Laurel, N.J.**	58,901	148,146	39.76
110	**BayBank Boston NA**	57,154	175,274	32.61
111	**National State Bank, Elizabeth, N.J.**	56,916	299,314	19.02
112	**Commerce National Bank, Lexington, Ky.**	56,041	56,041	100.00
113	**Harris Trust & Savings Bank, Chicago**	55,422	187,925	29.49
114	**Central Bank of the South, Birmingham**	54,971	432,483	12.71
115	**First Jersey National Bank South, Atlantic City**	54,844	122,537	44.76
116	**Bank of New England - West NA, Springfield, Mass.**	54,691	229,164	23.87
117	**Peoples Bank NA, Providence, R.I.**	54,659	209,805	26.05
118	**NCNB South Carolina, Columbia**	54,207	223,697	24.23
119	**National Westminster Bank USA, New York**	53,646	245,211	21.88
120	**United Counties Trust Co., Cranford, N.J.**	53,514	192,922	27.74
121	**Pittsburgh National Bank**	53,419	438,843	12.17
122	**Amboy-Madison National Bank, Old Bridge Twp, N.J.**	53,359	287,351	18.57
123	**Westamerica Bank NA, San Rafael, Calif.**	53,357	127,888	41.72
124	**Citibank Arizona, Phoenix**	52,627	522,875	10.06
125	**Philadelphia National Bank**	52,348	153,864	34.02
126	**Bank of New England Old Colony NA, Providence, R.I.**	52,100	249,490	20.88
127	**First American National Bank, Nashville**	51,400	174,685	29.42
128	**BancOhio National Bank, Columbus**	50,908	302,043	16.85
129	**United Jersey Bank NA, Princeton**	50,659	127,568	39.71
130	**Arizona Bank, Phoenix**	50,551	729,375	6.93
131	**Bank of California NA, San Francisco**	49,332	456,248	10.81
132	**St. Joseph Bank & Trust Co., South Bend, Ind.**	48,633	48,633	100.00
133	**Maplewood Bank & Trust Co., Maplewood, N.J.**	46,337	46,337	100.00
134	**Commercial Security Bank, Ogden, Utah**	45,480	127,489	35.67
135	**Trust Bank, Hialeah, Fla.**	45,382	45,382	100.00
136	**Hibernia Bank, San Francisco**	45,176	449,932	10.04
137	**Mid American Bank & Trust Co., Louisville, Ky.**	44,627	65,194	68.45
138	**First National Bank, Albuquerque, N.M.**	44,395	117,120	37.91
139	**Zion First National Bank, Salt Lake City**	44,280	192,607	22.99
140	**Dominion Bank Richmond NA**	44,163	103,408	42.71
141	**First National Bank, Cincinnati**	43,430	221,443	19.61
142	**American National Bank, Bakersfield, Calif.**	43,104	43,104	100.00
143	**United Jersey Bank Northwest, Dover, N.J.**	42,815	59,795	71.60
144	**Wilmington Trust Co., Del.**	42,451	487,529	8.71
145	**First American Bank NA, Washington, D.C.**	41,984	227,944	18.42
146	**Trust Company Bank, Atlanta**	41,751	168,098	24.84
147	**United Jersey Bank/Mid State, Hazlet Twp**	41,425	51,555	80.35
148	**Broad National Bank, Newark, N.J.**	41,112	86,310	47.63
149	**Bank of Delaware, Wilmington**	40,681	244,734	16.62
150	**Dominion Bank of Northern Virginia, Vienna**	40,550	115,752	35.03
151	**Commerce Bank St. Louis NA, Clayton**	39,832	218,475	18.23
152	**Central Fidelity Bank, Richmond**	39,767	404,580	9.83
153	**Prudential Bank & Trust Co., Atlanta**	39,753	46,555	85.39
154	**Equibank, Pittsburgh**	39,473	236,572	16.69
155	**Maine National Bank, Portland**	38,798	186,711	20.78
156	**First Florida Bank NA, Tampa**	38,627	679,960	5.68
157	**Sun Bank South Florida NA, Fort Lauderdale**	38,438	322,649	11.91
158	**Valley National Bank, Passaic, N.J.**	37,549	240,458	15.62
159	**BayBank Merrimack Valley NA, Andover, Mass.**	37,483	117,687	31.85
160	**First Union National Bank, Clarkston, Ga.**	37,465	310,659	12.06
161	**Michigan National Bank, Farmington Hills**	37,315	543,037	6.87
162	**Guaranty Bank & Trust Co., Worcester, Mass.**	37,179	148,024	25.12
163	**Chase Manhattan Bank USA NA, Wilmington, Del.**	37,006	37,006	100.00
164	**First Hawaiian Bank, Honolulu**	36,981	361,311	10.24
165	**NBD Highland Park NA, Ill.**	36,692	36,692	100.00
166	**Citizens Trust Co., Providence, R.I.**	36,195	48,374	74.82
167	**Sovran Bank Central South, Nashville**	35,600	220,979	16.11
168	**Barnett Bank of South Florida NA, Miami**	34,998	654,363	5.35
169	**Bank New England Essex, Peabody, Mass.**	34,741	81,076	42.85
170	**Bank of Baltimore**	34,691	634,462	5.47
171	**First Interstate Bank of California, Los Angeles**	34,622	1,532,257	2.26
172	**Lehigh Valley Bank, Bethlehem, Pa.**	34,161	75,395	45.31
173	**Meridian Bank, Reading, Pa.**	33,191	547,862	6.06
174	**Sun Bank Miami NA**	33,153	162,567	20.39
175	**National Bank of Alaska, Anchorage**	33,045	108,363	30.49
176	**Society Bank of Eastern Ohio NA, Canton**	32,691	225,989	14.47
177	**Hamilton Bank, Lancaster, Pa.**	32,599	245,862	13.26
178	**Norwest Bank Minneapolis NA**	32,535	172,323	18.88
179	**First Interstate Bank Portland NA, Ore.**	32,471	271,704	11.95
180	**First Wisconsin National Bank, Milwaukee**	32,175	169,187	19.02
181	**First Jersey National Bank Central, Trenton**	31,682	56,598	55.98
182	**United Carolina Bank, Whiteville, N.C.**	31,551	230,166	13.71
183	**Midlantic National Bank Sussex & ME, Newton, N.J.**	31,502	42,193	74.66
184	**Shawmut Bank of Hampshire Cty NA, Amherst, Mass.**	31,492	46,260	68.08
185	**Bank One Akron NA, Ohio**	31,403	54,261	57.87
186	**AmeriTrust Co. NA, Cleveland**	31,322	799,440	3.92
187	**National City Bank, Akron, Ohio**	31,144	94,490	32.96
188	**First National Bank, Louisville, Ky.**	30,979	153,715	20.15
189	**City National Bank, Beverly Hills**	30,961	109,989	28.15
190	**BayBank Valley Trust Co., Springfield, Mass.**	30,719	160,949	19.09
191	**Mellon Bank (East) NA, Philadelphia**	30,551	220,524	13.85
192	**Marquette Bank Minneapolis NA**	30,332	189,994	15.96
193	**NBD Genesee Bank, Flint, Mich.**	29,895	171,009	17.48
194	**United Bank of Arizona, Phoenix**	29,672	234,182	12.67
195	**First Security Nat'l Bank & Trust Co., Lexington, Ky.**	29,527	58,919	50.11
196	**Scarsdale National Bank & Trust Co., N.Y.**	29,494	141,283	20.88
197	**Liberty National Bank & Trust Co., Louisville, Ky.**	28,887	92,692	31.16
198	**San Diego Trust & Savings Bank, Calif.**	28,863	155,971	18.51
199	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	28,808	268,398	10.73
200	**Summit Bank, Fort Wayne, Ind.**	28,708	181,316	15.83
	Totals for the Top 200 Banks	**21,937,044**	**112,080,570**	**19.57**
	Totals for All FDIC-Insured Banks	**30,639,000**	**262,949,000**	**11.65**

Data Source: Data were provided by **ADP Data Services Division, New York,** from its data base of the Federal regulatory report of condition (RC). **Home equity loans** are revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit. (Schedule RC-C, Column B, item 1.c.(1).) **Mortgage loans** are loans secured by 1-4 family residential properties, including home equity loans. (Schedule RC-C, Column B-Domestic Offices, items 1.c.(1) + 1.c.(2).) **Equity Loans/Mortgage Loans (%):** Ratio of home equity loans to total mortgage loans.

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Scale Tips Toward Consumer Lending

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switch to consumer lending is the result of a continuing trend over a period of years. They point to the loss of the Fortune 500 market from bank lending.

John Lyons, managing partner with Lyons Zomback & Ostrowski, said the move away from commercial lending as developed over the past 10 to 12 years.

"Larger corporations have been drifting away from bank borrowing," and relying more on other and cheaper forms of borrowing, such as commercial paper, said Mr. Lyons. "Big banks have been losing their bread-and-butter business . . . the Fortune 500 borrowers. They're not borrowing from banks but from each other," through the commercial paper markets. "The big banks are losing their business to the securities markets."

Thomas A. Durkin, chief economist for American Financial Services Association, a consumer finance industry trade group, agreed. But he noted that "some of the banks' credit activities do not show up on the balance sheet. Items such as bankers acceptances, credit facilities, commercial paper are all off-balance-sheet items."

"With the Supreme Court decision allowing banks to enter the security markets," Mr. Durkin said, "there may be a reverse in the [negative] trend of the big banks dealing with corporate clients."

Mr. Durkin also pointed out the possibility that heavy merger activity "may have brought more retail-oriented banks into [the ranks] of the top 300 commercial banks." Further, banks have been active in mortgage and real estate lending, a component of consumer lending that has jumped 57.1% since 1983, or 9.5% on an annualized basis. "Banks have been finding home equity loans and second mortgages to be very profitable products."

Citibank Is the Top Consumer Bank

Citibank — the nation's top bank in deposits, assets, and commercial loans —is No. 1 in consumer loans as well. The giant money center bank reported $22.9 billion in total consumer loans at yearend 1987, an increase of 27.5% from the year before.

Consumer loans accounted for 24.1% of Citibank's total loans last year, a significant increase from the previous year's ratio of 20%. Conversely, Citibank's commercial loans dropped 10.6% in 1987 to $35.6 billion. This accounted for 33.5% of total loans, down from 39.7% in 1986.

The banking subsidiaries of Citicorp — Citibank's parent and the nation's top bank holding company — dominated the rankings. Among the top 25 banks in consumer loans, four were Citicorp subsidiaries.

Commercial Bank Loans to the Consumer

Yearend 1983 to yearend 1987 ($ Billions)

	1983	1984	1985	1986	1987	Annual Growth
Mortgage loans[1]	$167.3	$181.6	$198.7	$222.5	$262.9	9.46%
Credit card loans	17.2	61.2	78.1	91.9	102.8	42.99
All other[2]	207.4	205.6	230.5	243.8	248.6	3.69
Total consumer loans:	**391.9**	**448.4**	**507.3**	**558.2**	**614.3**	**9.41**

(1)— Mortgage loans are 1-4 family real estate loans, including home equity loans. (2)— Includes loans to individuals for household, family, and other personal expenditures and include single payment, installment, and student loans. Annual growth: This is the compounded annual growth rate over the five-year period Dec. 31, 1983 to Dec. 31, 1987.

Source: Data are from the Federal Deposit Insurance Corp. and are for all FDIC-insured banks.

In addition to top-ranked Citibank, Citibank (South Dakota) NA, Sioux Falls, ranked third with $11.6 billion in consumer loans; Citibank Nevada NA, Las Vegas, was 15th with $3.2 billion; and Citibank New York State, Perinton, was 23d with $2.7 billion. Combined, these four banks had $40.4 billion in consumer loans, or 6.6% of consumer loans held by all banks.

Wells Fargo was the top bank in home equity loans, with $1.5 billion. These loans accounted for 20.9% of Wells' mortgage loans. As mentioned earlier, this is the first time these loans are being reported as a separate item on the call report, and there are no comparable year-ago figures.

Wells is followed by Citibank NA with $1.2 billion, or 14% of its mortgage loans; Irving Trust Co., New York, $936.3 million, or 99.9%; Bank of America NT&SA, San Francisco, $487.7 million, or 4.82%; and Connecticut Bank and Trust Co. NA, Hartford, $472.2 million, or 43.4%.

The top 200 banks in home equity loans had $21.9 billion in these loans on Dec. 31, or 72% of the $30.6 billion held by all commercial banks at yearend 1987. Home equity loans accounted for 19.6% of all mortgage loans for the top 200 banks, while these loans accounted for 11.7% of the mortgage loan portfolio of the entire commercial bank industry.

Other Survey Findings

- Credit card loans at all banks have been the fastest-growing component of consumer lending since 1983. While the subject will be dealt with more fully in the Sept. 26 edition, the breakdown in today's survey reveals that the compounded annual rate of growth of credit card loans over the past five years was 43%, compared with 9.5% for mortgage loans and 3.7% for all other consumer loans.

Credit card loans have grown sixfold since 1983, from $17.2 billion on Dec. 31, 1983, to $102.8 billion at yearend 1987. Last year, credit card loans accounted for 16.7% of consumer loans at all banks, up from 4.4% in 1983.

- Total consumer loans of the top 300 commercial banks accounted for 59.5% of consumer loans at all banks. The top 300 also held 49% of mortgage loans (excluding home equity loans); 69.9% of home equity loans; 88.5% of credit card loans; and 56% of all other consumer loans.

- The bank with the largest gain in consumer loans was American Express Centurion Bank, Newark, Del. The limited-purpose subsidiary of American Express Co. ranked 47th, with $1.7 billion in total consumer loans, an increase of 640.9% from the previous year. Virtually all of the bank's loans were in the form of credit card loans (99.8%), with the remainder as home equity loans.

Another top gainer was Barnett Bank of Pinellas County, St. Petersburg, Fla. Reporting $938.9 million, it was No. 102, an increase of 254.6%, from 1986; 78.1% of the loans were mortgage loans.

Chase Bank of Arizona was No. 261, booking $356.6 million in consumer loans — a rise of 220%; 80.2% were mortgage loans. Greenwood Trust Co., Newcastle, Del., ranked 16th, with $3.1 billion, 99.6% in credit card loans.

- Pennsylvania had the highest number of banks in today's listings, with 24. Following Pennsylvania were New York and Ohio, with 23 each, New Jersey with 22, Delaware with 21, and Florida with 19.

The listing of the top 300 banks in consumer loans appears on pages 14-20 of today's edition. These tables show the consumer loans for 1987 and 1986 for each bank; a breakdown of the consumer loan components, including home equity loans; a geographical breakdown of the top 300 banks in consumer lending; and the top 200 commercial banks in home equity loans.

Federal regulators define home equity loans as revolving, open-end loans secured by one-family to four-family residential properties, extended under lines of credit. ■

Bank of New York Accuses Irving Of Stalling on Bid

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Some banking industry analysts believed that Irving's board did not respond immediately to the offer because it was anticipating an increased offer from the Italian bank. So far, however, BCI has not raised its bid for 51% of Irving, which is valued by analysts at $73 to $74 per Irving share.

After its meeting, Irving's board said it was "pleased that Bank of New York had made the revised offer," but various aspects of the bid, it said, "require further clarification."

If further negotiations are not possible, Mr. Bacot said, Bank of New York will seek an expedited ruling on its challenge to a portion of Irving's poison pill shareholder rights plan. If successful, it will buy as much as possible of Irving at the old price through a tender offer and operate it as a separate subsidiary.

The conditions set by Irving for further talks are (1) a favorable ruling by the Fed on the special dividend, (2) a special session of Bank of New York shareholders to obtain two-thirds approval for the stock portion of the deal, (3) an end to Bank of New York's court challenges, and (4) a promise not to oppose BCI's application to the Fed for permission to acquire control of Irving.

"As the Irving board must appreciate, your position is unacceptable," Mr. Bacot told Mr. Luke in his letter. "We had come to the meeting hoping to reach an amicable resolution, but your position leaves us no room for negotiation."

Mr. Bacot noted in an interview on Wednesday that Irving had not offered to drop takeover defenses — principally the poison pill — or waive antitakeover provisions of New York State law even if Bank of New York accepted the Irving conditions.

"So we said, 'How long could this take?' " Mr. Bacot related. "They said two months, three months, up to six months. You'll just have to rely on us as long as this auction goes on.

"Obviously, time is of no consideration to them," the Bank of New York chairman said. "But it is to us, since I doubt that under any circumstances the Fed is going to let this all casually go on and on. They just won't do it.

"In the Fed's ruling [last month, granting a 45-day extension] they made it clear that this is not to be dragged out," Mr. Bacot said. "But it's clear to us that Irving's strategy is to drag it out as long as they can."

He said that Martin Lipton, a New York lawyer representing Irving, had characterized the request during the meeting by suggesting that Bank of New York "put itself totally in the hands of the Irving directors."

"How do you negotiate under those circumstances?" Mr. Bacot asked. "They say trust us, but knowing how they acted for eight and a half months, it is hard to see — if they had the ability to dismiss us — why they wouldn't do just that." ■

Sale of Stock May Benefit American S&L

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than any other single thrift, with 301,594 shares valued at approximately $85 per share. The Federal Home Loan Bank Board is trying to sell the $32 billion thrift to an investment group headed by Robert Bass, a Texas billionaire. Negotiations are scheduled to end one way or the other the first week of July.

Three Citicorp thrift subsidiaries — Citicorp Savings of Florida, Citicorp Savings of California, and Citicorp Savings of Washington, D.C. — owned a total of 428,828 shares as of this month.

Observers say congressional action would also help Freddie Mac by making it more difficult for politicians to draw on its resources, if more money is required to bail out the Federal Savings and Loan Insurance Corp.

Freddie Mac recently limited the number of shares its market makers could hold at any one time, when the price began a 24-point climb in reaction to Mr. D'Amato's June 6 bill. On June 13, speculation boosted the price from $77 per share to $92; it fell back to $82 by the close.

Administration officials reportedly have discussed the liquidation of Freddie Mac, a congressionally chartered mortgage corporation owned by the thrift industry, to provide the FSLIC with the billions it may require to close some 400 insolvent thrifts. Though denied by officials, many analysts see the D'Amato bill as an attempt to make the concept too costly and difficult to implement.

Under existing laws, only S&Ls and market makers may own Freddie Mac preferred stock, which is listed on the New York Stock Exchange. Freddie Mac common may be owned only by the 12 Federal Home Loan banks.

Freddie Mac's top 20 stockholders as of June were American S&L, Calif., 301,594 shares; Great American First Savings, Calif., 240,377; Great Western Savings, Calif., 226,707.

Main Line Federal Savings, Pa., 150,000 shares; American Savings, Calif. (not American Savings and Loan of Stockton), 150,000; Citicorp Savings of Florida, 150,000; Citicorp Savings of California, 150,000.

World Savings and Loan, Calif., 150,000 shares; Imperial Savings and Loan Association, Calif., 150,000; Mutual Savings and Loan Association, Calif., 150,000; Great American First Savings, Calif., 150,000.

First Federal of Michigan, 145,000 shares; California Federal Savings, 144,092; First Federal Savings and Loan, Ariz., 119,496; Citicorp Savings of Washington, D.C. (formerly National Permanent Bank) 128,828.

The First Federal Savings Bank, Ohio, 123,609 shares; Georgia Federal Savings and Loan, 120,541; Great Lakes Federal Savings, Mich., 116,162; Commercial Federal Savings, Neb., 113,599; Security Savings and Loan, Wis., 112,633. ■

Dallas Home Loan Bank May Get Qualified Opinion

Continued from Page 1

surance Corp. to make good on the loans in the event of default has prompted accounting firm Deloitte, Haskins & Sells to delay issuing an opinion on the Dallas Home Loan Bank's 1987 results, pending release of the annual audit of the FSLIC by the General Accounting Office.

Officials at the Dallas bank do not rule out a qualified opinion but say it would not hurt bank operations. "We have been candid with those interested in the financial strength of the Dallas bank," said George Barclay, the bank's president. If Deloitte does issue a qualified opinion, he said, "it won't have that much of an impact."

On the other hand, some industry experts warn that an accounting disclaimer might affect the consolidated borrowing ability of the 12 district banks as investors demand higher interest rates on Federal Home Loan bank obligations.

And they say the affair should serve as a warning to anyone in Congress who thinks the FSLIC crisis can be reversed without further legislation.

A qualified opinion by an auditor signals limitations to the audit or exceptions the auditor takes to the statements. Giving a member institution of a federal agency a qualified accounting opinion "would be like saying that the emperor has no clothes," said John Kris, an associate director at Moody's Investors Service. "It should prompt action in Congress to solve FSLIC's problem."

In the meantime, the accounting crisis poses a dilemma for Deloitte. The firm cannot back down from a similar tough stance it took last year. But it has not found comfort in the General Accounting Office's preliminary report, which states that the FSLIC's insolvency deepened to $13.7 billion from $6.3 billion in 1987 despite the Competitive Equality Banking Act, which granted the Bank Board $10.8 billion in extra borrowing authority over three years.

"I'm sure that Deloitte is wrestling with the issue," said Tom Bloom, a former chief accountant at the Bank Board's office of regulatory policy, oversight, and supervision.

Bruised Expectations

Behind the scenes, sources say, there are some bruised expectations on both sides of the issue.

A year ago, Deloitte put its foot down when the Federal Home Loan Bank of Dallas was carrying $1 billion of uncollateralized loans on its books and the FSLIC was perilously close to insolvency. To deal with the crisis, the FSLIC wired $1 billion in cash to the Dallas bank, thereby erasing the bank's exposure and prompting Deloitte to issue a clean opinion on the bank's 1986 financial statements.

Last December, however, the Federal Home Loan Bank of Dallas turned around and bought back $500 million of the questioned obligations from the FSLIC. That put Deloitte back at square one in efforts to certify the financial soundness of the bank in 1987.

And the firm looked a little foolish for assuming that the Dallas bank wouldn't work itself into the same jam as last year. "It was relatively dumb for the accounting firm to think the Dallas FHLB wouldn't do that," said one Big Eight accountant who specializes in thrift audits.

On the other side of the fence, Bank Board officials are dismayed that Deloitte has not taken more comfort from the passage of the Competitive Equality Banking Act.

"The feeling at the Bank Board was that once we got the extra $10.8 billion, [the unsecured advances] wouldn't be a problem," said one Bank Board source. "We were a little surprised when Deloitte balked."

Now that it has, however, the ball is in Deloitte's court. A replay of last year's cash infusion from the the FSLIC is out, given the Dallas bank's demonstrated propensity to reverse course.

"I doubt that a repeat of last year will be acceptable to Deloitte," said Edward Montgomery, chairman of the thrift accounting section at Arthur Young & Co. The Bank Board's belief is that complete results from the GAO audit of the FSLIC will encourage Deloitte to give the Dallas bank a clean report card.

Frederick Wolf, director of the GAO's accounting and financial management division, "made optimistic noises that the FSLIC is not in danger of imminent collapse" in testimony before the House Banking Committee, said Noel Fahey, senior vice president of the U.S. League of Savings Institutions.

"Wolf hoped that would assuage the fears of Deloitte," Mr. Fahey said.

If that proves not to be the case, the Dallas Home Loan Bank could obtain some form of additional guarantees on the uncollateralized obligations, such as a letter of credit, Mr. Montgomery said.

As Deloitte deliberates, the Federal Home Loan Bank of Dallas is on the street with a 1987 report that is devoid of an auditor's certification. "Obviously, it's a matter of concern" Mr. Fahey said. ■

DAILY FINANCIALS

Wednesday June 22, 1988

Money Market

Federal funds range 7½%-7⅝%
Prime rate (5/12/88) 9.00%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral (5/27/88) 8.50%

Bankers acceptances offering rate, discount (6/22)
30 days: 7.33 60 days: 7.35 90 days: 7.38
120 days: 7.50 150 days: 7.42 180 days: 7.40

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (6/22)
14 days: 7.00 30 days: 7.30 60 days: 7.35
90 days: 7.35 120 days: 7.40 150 days: 7.50
180 days: 7.55 270 days: 7.75 360 days: 7.90

Commercial paper, dealer Aaa, discount (6/22)
30 days: N.A. 60 days: N.A. 90 days: N.A.

Commercial paper, directly placed, discount (6/22)
5-14 days: N.A. 15-29 days: N.A.
30-59 days: N..A. 60-89 days: N.A.
90-179 days: N.A. 180-270 days: N.A.

Treasury-bill rates, secondary market, bid (6/22)
90 days: 6.52 180 days: 6.79 1 year: 6.99

Eurodollar deposits, London bid (6/22)
Overnight: $7\tfrac{5}{16}$ 7 days: 7⅝ 1 month: $7\tfrac{9}{16}$
3 mos.: 7⅝ 6 mos.: 7¾ 1 year: 8⅛

NIBOR: N.A. **LIBOR:** N.A.

The Bond Buyer Municipal Bond Index

	6/22/88	6/21/88	6/15/88
Index	88.23	88.09	89.18
Yield to Par Call	8.26	8.33	8.13
Yield to Maturity	8.06	8.10	7.97

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Sept.'88	93.38	93.30	93.35	+11	6.65
Dec. '88	93.10	93.00	93.02	+10	6.98
Mar. '89	92.90	92.82	92.83	+ 9	7.17
Jun. '89	92.61	.....	92.70	+10	7.30
Sept.'89	92.61	.....	92.58	+10	7.42
Dec. '89	92.52	.....	92.49	+10	7.51
Mar. '90	92.45	.....	92.42	+10	7.68

As of the previous day's close; Total no. of contracts traded: 7,691 total open interest: 18,758 and change in open interest: + 71

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
June 22:	292.5	1988:	294.3	227.7	292.5
June 21:	284.6	1987:	401.7	212.0	234.6
June 20:	283.2	1986:	388.7	331.2	331.3
June 17:	283.2	1985:	344.2	242.7	344.2
June 16:	286.2	1984:	269.6	178.4	246.3

* Based on midday prices.

MasterCard Plans Charity Campaign

Continued from Back Page

1986 could be attributed to "Choose." All credit card activity was up. The competing bank card group, Visa International, enjoyed a 27% boom of its own, possibly fueled by equally memorable cause-related advertising tied to the 1988 Olympic Games.

Come Oct. 1, when the 1988 "Choose" program goes into full swing, the Summer Olympics will be over and Visa's advertising will enter a new phase. It may give "Choose" an opening it lacked last year, though it remains to be seen what Visa strategists have up their sleeves for the fourth quarter.

"If [Visa's campaign] runs its course by the fall, it would be terrific for MasterCard, but, in any event, our consumer research shows that charities have a wider and more motivating appeal than the Olympics," Mr. Dimsey said.

American Express Co., which reported an 18% increase in card and travelers check sales last year, introduced the cause-related marketing concept in the early 1980s but has since changed its advertising focus.

After donating several million dollars to numerous causes, including the Statue of Liberty renovation, American Express is now stressing consumer protection plans to encourage card usage in retail stores. ■

Brazil Debt Plan Faces Resistance

Continued from Page 2

to the Third World nations, many of which have adopted austerity measures in order to attract financing.

"If you collect the money and immediately use it to pay down principal, it's very negative psychologically," he said. "It shows the banks are just cutting and running."

Mr. McDermott said removal of Brazilian loans from nonaccrual status will dramatically improve large banks' ratios of nonperforming loans to total loans. For the 10 banks with the biggest exposures to Brazil, the ratio would drop to 2.9% from 5.3%; at Citicorp, the ratio would fall to 1.9% from 4.5% and at J.P. Morgan & Co. to 1.1% from 4.9%, Mr. McDermott said.

The additional interest income would boost the top 10 banks' earnings per share this year by an average 30%. BankAmerica would feel the biggest benefit, with its estimated earnings per share nearly doubling. Earnings per share at Chase Manhattan Corp. would be boosted by 43%, while Manufacturers Hanover Corp.'s profits would be increased by 38%, according to the Keefe Bruyette analyst. ■

Shareholders Approve Nashua Federal Merger

NASHUA, N.H. — Shareholders of First Federal Bank of Nashua have approved the bank's merger with New Hamphire Savings Bank Corp., Concord.

State and federal regulatory approvals have been granted, including the transfer of First Federal Bank's deposit coverage from the Federal Savings and Loan Insurance Corp. to the Federal Deposit Insurance Corp. ■

May 19, 1988

Union Savings
and Loan Association
Phoenix, Arizona

has been acquired by

Nevada Savings
and Loan Association
Las Vegas, Nevada

a subsidiary of
Southwest Gas Corporation

The undersigned initiated this transaction
and acted as financial advisor to
Union Savings and Loan Association.

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6/24/88 C0175-1 A

20-MORTGAGE LEADERS — TABLES BEGIN ON P. 13

American Banker

The Daily Financial Servi

VOL. CLIII NO. 123 Friday, June 24, 1988 153rd Year

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Today

The Bank Board said there was no legal authority for interstate banking in Nebraska when it denied the application of the Commercial Federal Savings and Loan Association, Omaha, to establish a branch in Iowa. — 2

A Senate bill to lift ownership restrictions on Freddie Mac preferred stock could be a first step toward privatizing the government mortgage agency. — 2

Bank of New York's sweetened offer for Irving Bank Corp. expired without a favorable reply, and the suitor said it would pursue its original offer through the courts. — 2

The FSLIC is not insolvent in terms of "reality," according to Bank Board Chairman M. Danny Wall, and he called the GAO's estimate of a $13.4 billion deficit flawed. — 2

Proposed tax changes would affect thrifts more than banks, as cuts for dividends received could hurt S&Ls in need of capital. — 3

Japanese banks are expected to issue between 1 trillion and 2 trillion yen in equity to meet new capital adequacy guidelines. An accompanying table shows recent equity financing by major Japanese banks. — 18

Harmonizing Japan's banking laws with U.S. regulations will not guarantee American entry into the Japanese market. — 18

IDS Certificate Co., Minneapolis, expects to sell nearly $1 billion in uninsured certificates of deposit this year. — 24

Executive Changes — 16
In the News — 3

COMMENT

An American perspective on the consolidation of European markets by 1992 is offered by Dennis Weatherstone, head of J.P. Morgan. — 4

THRIFTS & MORTGAGES

The Baupost Group hopes to continue its prosperous investment in thrift stocks. The Cambridge, Mass., investors averaged a return on assets of 20% to 33% between 1983 and yearend 1987. — 6

Media reporters were reproached by M. Danny Wall for what the Bank Board chairman called ignorance of thrift industry operations. — 6

Mortgage-backed securities jumped nearly 30% during May, while new debt and equity issues by thrift institutions rose 15%. For the fifth consecutive month, more than half of all new thrift issues were mortgage-backed securities. — 8

Worth Repeating

We're a little like a dinosaur that survived radiation and is lumbering down Main Street.

Frank Skillern, president of Minneapolis-based IDS Certificate Co., on the success of its 960-year-old uninsured CD. [Page 24]

FDIC Forecasts 2 Texas Bailouts, To Surprise of Bank Executives

By BARBARA A. REHM
Washington Bureau

WASHINGTON — The Federal Deposit Insurance Corp. plans to bail out Texas American Bancshares Inc., Fort Worth, and National Bancshares Corporation of Texas, San Antonio, by yearend, according to a press statement and the text of a speech scheduled to be delivered today by FDIC Chairman L. William Seidman.

The FDIC's decision to announce the planned rescues of major Texas banks is highly unusual. Normally, the agency does not admit it has agreed to a rescue until the deal is sealed.

In April, Texas American and National Bancshares said they were considering a plan to merge. The combined bank would get some cash from the FDIC and private investors to start fresh, the banks explained.

Texas American and National Bancshares were caught off guard by the news of the FDIC statements on Thursday.

"We haven't heard them tell us that," said Texas American spokeswoman Gail Cooksey. "Apparently, you're telling us something we don't know."

Richard W. Calvert, chairman of National Bancshares' board, said in a phone interview yesterday, "It's news to me. I hadn't heard that." National

FDIC: Page 23 ➝

California First, Activists Reach Loan Pact

By MICHAEL A. ROBINSON
West Coast Bureau

SAN FRANCISCO — In one of the largest accords of its kind, California First Bank reached an agreement with dozens of minority and community groups to provide at least $84 million in loans to low-income areas of California through 1990.

Representatives of a broad array of activist groups said Thursday that the agreement with California First was the first of its kind involving a U.S. financial institution controlled by a foreign bank. The Bank of Tokyo Ltd. owns 77% of California First, the Meiji Mutual Life Insurance Co., Tokyo, owns 6%, and the remainder is publicly held.

The agreement under the federal Community Reinvestment Act came after several weeks of negotiations between the bank and three coalitions representing about 90 community groups in California: Minorities Investing for the Future, the California Reinvestment Committee, and the Associa-

California First: Page 19 ➝

Top Agreements On Local Lending

Funds committed by banks under Community Reinvestment Act

First Chicago	$120 million
California First	84 million
Meridian Bancorp	60 million
Carteret Savings	53 million
Fidelity Bank	50 million
Maryland National	50 million

Source: Center for Community Change

First Data Adds To Its Share Of Card Market

American Express Affiliate Buying Bank-Owned Group

By JEFFREY KUTLER

NEW YORK — First Data Resources Inc., a subsidiary of American Express Co., has announced another in a series of acquisitions that will increase its already dominant share of the bank card processing market.

First Data said it has reached an agreement in principle to acquire Eastern States, the largest of the bank-owned associations that process MasterCard and Visa accounts for their members. The purchase terms were not disclosed. A definitive agreement still must be drafted and presented to the companies' boards.

Pending approval of the deal, Eastern States would add almost 8 million accounts to the 25 million currently being serviced by First Data at its headquarters in Omaha and three regional computer centers.

That would boost First Data's share of the approximately 150 million domestic MasterCard and Visa accounts to about 21% from 16%. It is an irony not lost on bankers who have criticized American Express Co. for competing against banks while also getting rich off them.

First Data has been affiliated with American Express since 1980. It was founded in 1971 by P.E. Esping, an Omaha-based entrepreneur.

Citibank, Bank of America, and several other leading credit card banks have back-office operations comparable in size to First Data Resources'. But the American Express affiliate is well

American Express: Page 11 ➝

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June 24, 1988, American Banker

An American View of Europe's Consolidation in 1992

By DENNIS WEATHERSTONE

With the European Community in the process of dismantling intra-European trade barriers by Dec. 31, 1992, international business leaders are gauging the impact of a true Common Market. The following remarks on the issue were made by Dennis Weatherstone, president of J.P. Morgan & Co., before the Swiss-American Chamber of Commerce in Zurich on June 20.

□

NOWHERE WILL the changes promised by the 1992 integration be more profound, or have more far-reaching effects, than in financial services. More competition will force greater efficiency, leading to lower costs and wider choices for consumers. And financial liberalization will benefit all sectors of the economy that rely on the capital markets.

If savings can be better mobilized and credit can be better allocated throughout Europe, business opportunities opened up by the move to a single market can be realized more quickly and easily. Investment will rise and, down the road, we may start to see the high rates of unemployment in the Community decline. Although Switzerland and the United States, neither a member of the European Community, technically will be observers of these changes, they will significantly affect those two countries, and others beyond European Community borders.

We in the U.S. would do well to benefit from the example of deliberate reform that Europe is poised to provide over the next four years.

— Dennis Weatherstone
President
J.P. Morgan & Co.

So today I will focus my remarks on financial services. I readily admit that I find finance a source of endless fascination, and I suspect that it is of more than passing interest to an audience in Zurich, perhaps the Continent's foremost financial center.

A unified market for financial services, embracing 320 million people, glimmers on the 1992 horizon. To create this market, the European Community must eliminate remaining capital controls, harmonize taxes and regulations that discriminate against other member states, and establish a regulatory framework that will permit financial firms to expand and sell a full menu of wholesale and retail services freely across borders — that will permit them to become, in effect, European universal banks.

Under the guiding principle of mutual recognition of supervisory authority, banks will be supervised principally by their home market regulator, rather than by a central regulatory authority or by the regulators of their host countries. To even out the playing field, the European Community plans to establish minimal prudential regulations for banks, including harmonized capital standards and accounting policies.

That will do for facts . . . How do all these proposed changes appear to an American? What might they mean? And more specifically, what might they mean for various market participants, nations, and other interested parties?

Admirable Agreement on Basic Issues

First of all, the general sense of agreement among the countries of the European Community on fundamental financial market issues is impressive. As a veteran of the continuing Glass-Steagall wars in the U.S., I express my admiration with some feeling for the effort to transcend local interests and traditions in order to achieve a greater good — in this case, the eventual creation of a more efficient European market for financial services.

We have had less success across the Atlantic in forging consensus on a similar goal, in many ways more modest: namely, allowing financial firms to engage in both banking and securities activities nationwide, in the interest of creating a more efficient financial services market in the U.S. And we have just one country to deal with, not 12!

It is entirely proper, of course, to be skeptical that the European Community's member states will follow through on all of the planned reforms. The U.K. for one is reluctant to surrender supervision of London's foreign banking community to home country regulators.

Moreover, under current proposals, host countries would retain supervisory authority over bank liquidity and other factors deemed necessary for monetary control, and over foreign banks' securities activities. As a result, host country regulators have some leeway to work against the thrust of European Communitywide regulation if they choose to do so. Still, we are betting that the momentum toward unification will continue to build.

We in the U.S. would do well to benefit from the example of deliberate reform that Europe is poised to provide over the next four years. But, happily for those of us who think change in our own market is long overdue, the integration of European financial markets may also directly increase the pressure for reform in the U.S. — and other nonmember states — through demands for reciprocity.

The European Commission has reserved the right to deny applications from third-country banks to obtain an European Community banking license or to acquire an ownership interest in a Community bank, if the Commission believes that banks of any member state are not receiving reciprocal treatment. Significantly, the reciprocity language in the guidelines is vague, giving the Commission wide scope for enforcement.

Insistence on Reciprocity

All the signals suggest that the European Commission will not be shy about seeking reciprocity. Earlier this month the Commission asked member states to begin applying the proposed reciprocity provisions even though they have not yet been formally adopted by the Community. The U.S. and Japan will probably feel the pinch of reciprocity demands the most, since they permit far fewer securities, insurance, and investment activities for banks within their borders than do most European countries. Australia, Canada, and even Switzerland also may be affected because of continued restrictions on the entry of foreign banks to their markets.

Any deregulation that results from demands for reciprocity may strengthen the ability of New York and Tokyo to compete with the European Community's financial centers.

Perhaps ironically, any deregulation that results from demands for reciprocity may strengthen the ability of New York and Tokyo to compete with the European Community's financial centers, and particularly with London. The potential return of some dollar business to New York and yen business to Tokyo at the expense of London should parallel the repatriation of home-currency business to European financial centers. Banks and securities firms in these centers have a natural advantage over their London-based brethren in being closer to home-currency issuers, borrowers, and investors.

This trend toward decentralization, if it develops, would contradict the view that the wholesale market for financial services, in contrast to the retail market, will not be much affected by 1992. The theory is that financial services used by corporations, such as trade finance, commercial lending, and securities underwriting, are already subject to intense foreign competition in most countries. Over the past 20 years, however, cross-border financial flows have been heavily influenced by taxes and regulation.

Borrowers and investors, as you know, flocked to London in the 1970s and early 1980s mainly because London was free from the withholding taxes, reserve requirements, interest rate ceilings, and product restrictions that hampered the growth of business on the Continent, and in New York and Tokyo. And today, France, Italy, the Netherlands, and Spain are beginning to reap the benefits of having taken steps to liberalize their capital markets over the past few years: business that had migrated abroad is flowing back.

I doubt that the growth of domestic markets will sound the death knell for the London-based Euromarkets, however. London is likely to remain a major international financial center, provided that changes adopted in London in light of regulatory and tax harmonization in the European Community do not impose onerous costs on financial dealings with investors from outside the Community.

Too Soon for a Single Currency

Looking ahead, any movement towards a single European central bank and a single European currency may again cause international finance to gravitate towards a single financial center, located most likely close to the central bank. But, realistically, a full-fledged European central bank belongs to the realm of the future.

A European currency replacing national currencies would indeed be the crowning achievement of European integration, but it would require the member countries to give up control over monetary policy, and reduce their control over fiscal policy within national borders. They have shown no inclination to surrender power to that extent. For my money, there seems little point in pursuing this remote goal now; instead, the step-by-step improvement of economic policy coordination and patient dismantling of barriers between national economies is challenge enough.

What about the currency markets, assuming we continue to have marks and francs with us for the foreseeable future? The European Community members' commitment last week in Luxembourg to remove most remaining capital controls within two years is sure to create more pressures within the European Monetary System. This in turn will require more frequent realignments — or broader control bands — unless policymakers realize their stated objective to improve macroeconomic coordination.

More volatility and frequent realignments might well argue for an increase in the use of the European currency unit within the community, a trend that Europewide business activity may also encourage. Invoicing in ECUs, for instance, is becoming more appealing; and the market for financial products denominated in ECUs may expand as restrictions on holding ECUs are removed.

I'd like to turn now to the prospect of business restructuring in European fi-

Required Reading: Page 20 ➜

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1st Tennessee Calls Off Deal with Large Thrift

By ANDREA BENNETT
Washington Bureau

CHICAGO — First Tennessee National Corp. called off the acquisition of a large Tennessee savings and loan when it learned the thrift plans a substantial boost to its loan-loss reserve.

First Tennessee, based in Memphis, is the state's second largest bank holding company, with assets of about $5.9 billion. The company terminated the proposed acquisition of Metropolitan Federal Savings and Loan Association, Nashville, following completion of its due-diligence review. Metropolitan, with about $1 billion in assets, is Tennessee's second largest savings and loan.

The nonbinding deal, announced in April, was valued at about $127.9 million. It was called off after First Tennessee asked to reopen negotiations, Metropolitan said, when the thrift disclosed the addition to reserves in its fiscal fourth quarter, ending June 30. Metropolitan Federal said its board unanimously rejected the request to renegotiate.

In announcing the termination, Metropolitan Federal also said that the increased regulatory problems of merging a healthy thrift with a commercial banking company were prolonging the time for completing a possible merger.

"I don't agree with that assessment," said Lee Welch, First Tennessee's executive vice president and general counsel. "I think it [the merger] was doable. The regulatory environment had nothing to do with it."

Metropolitan Federal announced this week it expects to report a loss for the fourth quarter because of the $21 million addition to its loan-loss reserve, raising reserves from 0.89% of loans as of March 31 to about 1.95% of total loans.

The thrift did not specify the expected fourth-quarter loss. However, Merilyn Herbert, senior vice president, said Metropolitan Federal will probably report a loss for the fiscal year of $6 million to $7 million. Metropolitan Federal earned $7.7 million for the first nine months of the fiscal year.

The boost in the reserves primarily reflects problems with loans for investor-owned commercial real estate projects that have been affected by the Tax Reform Act of 1986, she said.

Ms. Herbert described the boost in loan-loss reserves as a "one-time thing." She pointed out the thrift will have an equity-to-assets ratio of 7.3% following the addition, more than double the level required for thrifts.

"We're a very strong institution. We expect to have good earnings for the next fiscal year," she said. ■

Hanover in $475 Million Offering Backed by Credit Cards

By EVELYN WALLACE
The Bond Buyer

NEW YORK — Manufacturers Hanover Corp. joined the fast-moving asset-backed securities market this week with an offering of certificates backed by credit cards.

The $475 million offering of Manufacturers Hanover Amortizing Revolving Card Certificates makes Manufacturers the third money center bank to publicly securitize its card receivables. BankAmerica Corp. and First Chicago Corp. have also securitized the receivables.

The issue was comanaged by Manufacturers Hanover Trust Co. and lead-managed by Salomon Brothers Inc.

Volume in the asset-backed market this year has totaled just over $6 billion so far this year, according *Asset Sales Report*, an *American Banker* newsletter. That is more than double the $2.7 billion tallied for the same period in 1987.

The five-year Manufacturers Hanover issue has an expected average life of 2.35 years and carries a coupon of 8.85%. It was offered at 99.79 to yield 8.95%, 70 basis points above comparable Treasuries.

The issue is expected to be part of a program of future securitizations, but no specific agenda has been set, said Mark Scanlon, vice president of corporate finance at Manufacturers. The bank has a $2.6 billion portfolio of credit card receivables.

Both Moody's Investors Service and Standard & Poor's Corp. rated the issue triple-A, largely on the basis of a 13% letter of credit from Union Bank of Switzerland. ■

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(2.) What do you like **best** about the feature?

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(3.) What do you like **least** about it?

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(4.) How do you use the feature?

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Name (optional)______________________
Title and Company____________________
Address_____________________________
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2d Mortgages Grew in 1987 At Top Thrifts

By PHIL ROOSEVELT

NEW YORK — The top 300 thrifts in second mortgages increased their holdings of these loans by 7.1% last year. But second mortgages made up a slightly smaller percentage of the group's total mortgage credit outstanding than in 1986, according to an *American Banker* survey.

City Federal Savings Bank, Bedminster, N.J., retained the top spot, with $757.8 million in second mortgages at the end of 1987. Citicorp Savings of Florida, Miami, and Sears Savings Bank, Glendale, Calif., retained the No. 2 and No. 3 posts, respectively.

John Atherton, president and deputy chief executive of City Federal, attributed the thrift's lead to a four-year-old push in home equity lines of credit, the dominant form of second mortgages. "We got in early and had an opportunity to build market share," he said.

City Federal, which concentrates on the New Jersey and Florida markets, had a 1.82% drop in aggregate second mortgage holdings in 1987. But home equity lines outstanding grew by 35%, and the thrift continues to originate about $25 million a month in those loans, City Federal said.

The survey was based on Federal Home Loan Bank Board data on second mortgages, as reported by member thrifts. Second mortgages accounted for 2.7% of total mortgage loans held by the top 300 at the end of 1987, down from 2.86% a year earlier.

Among all thrifts insured by the Federal Savings and Loan Insurance Corp., second mortgages outstanding dropped 2.07% during the year to $14.3 billion, according to the Bank Board data.

But SMR Research Corp., Budd Lake, N.J., said the Bank Board data are misleading. A study by SMR shows that the thrift industry actually increased its second mortgage holdings by a full 40% last year, to $42 billion.

Jeffrey Tuchman, a vice president at SMR, said the Bank Board figures understate second mortgage activity by failing to count second mortgages held by thrifts with first mortgages collateralized by the same properties.

In addition, he said, thrifts often report their home equity lines of credit as consumer or home improvement loans, rather than second mortgages — a practice that a Bank Board official said is allowable.

Richard Pickering, deputy director of policy and economic research at the Bank Board, said its second mortgage information "is still of value even though we know there is this peculiarity in reporting." He said he doubted the Bank Board data were as seriously skewed as the SMR study might suggest.

Some of the confusion may soon be alleviated. Beginning with the quarter ending in June, Mr. Pickering said, the Bank Board will require thrifts to disclose their holdings of home equity lines of credit, regardless of whether the thrifts consider the loans second mortgages or consumer credit.

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Top 300 Thrifts in Second Mortgage Loans

Based on the Quarterly Financial Report to the FHLBB for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank		Second Mortgage Loans			Total Mortgage Loans		Ratio: 2nd Mtg. Loans/Total	
12/31/87		12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	12/31/87	12/31/86
1	**City Federal Savings Bank, Bedminster, N.J.**	757,836	771,856	-1.82	9,199,789	8,979,930	8.24	8.60
2	**Citicorp Savings of Florida, FS&LA, Miami**	623,417	557,380	11.85	2,293,222	2,398,595	27.19	23.24
3	**Sears Savings Bank, Glendale, Calif.**	474,560	435,183	9.05	3,704,245	4,964,459	12.81	8.77
4	**Glendale FS & LA, Calif.**	437,315	308,519	41.75	18,284,767	14,054,176	2.39	2.20
5	**TCF Banking & Savings, FA, Minneapolis**	355,780	304,516	16.83	4,122,974	4,319,183	8.63	7.05
6	**California FS & LA, Los Angeles**	276,125	187,843	47.00	17,539,251	15,945,352	1.57	1.18
7	**San Jacinto Savings Assn., Bellaire, Tex.**	266,722	296,877	-10.16	1,890,350	1,994,074	14.11	14.89
8	**St. Paul Federal Bank for Savings, Chicago**	240,243	111,340	115.77	2,476,752	2,153,288	9.70	5.17
9	**Household Bank, FSB, Newport Beach, Calif.**	226,686	247,622	-8.45	2,691,070	1,856,738	8.42	13.34
10	**Gibraltar Savings Assn., Houston**	225,947	47,867	372.03	4,047,804	2,966,847	5.58	1.61
11	**Long Island Savings Bank, FSB, Syosset, N.Y.**	219,620	18,010	1,119.43	1,930,990	1,711,706	11.37	1.05
12	**Coast SavingsLoan Assn., Los Angeles**	215,131	228,731	-5.95	9,262,229	6,900,967	2.32	3.31
13	**Dime Savings Bank of New York, FSB, Garden City**	204,941	126,593	61.89	9,386,406	6,331,080	2.18	2.00
14	**Western Federal Savings & Loan Assn., Dallas**	195,241	366,577	-46.74	1,169,478	1,939,711	16.69	18.90
15	**Great American First Savings Bank, San Diego, Calif.**	174,785	30,734	468.70	8,854,127	8,173,524	1.97	0.38
16	**Murray Savings Assn., Dallas**	166,062	194,538	-14.64	1,009,761	897,254	16.45	21.68
17	**Goldome Savings Assn., St. Petersburg, Fla.**	165,372	119,155	38.79	1,095,274	1,216,737	15.10	9.79
18	**Western Federal Savings & Loan Assn., Marina Del Rey, Calif.**	159,711	160,458	-0.47	1,795,459	1,524,141	8.90	10.53
19	**Pacific First Federal Savings Bank, Tacoma, Wash.**	155,782	118,371	31.60	3,777,937	3,371,783	4.12	3.51
20	**First Nationwide Bank, FSB, San Francisco**	148,764	179,993	-17.35	12,471,574	10,898,857	1.19	1.65
21	**American Savings & Loan Assn., Stockton, Calif.**	146,729	346,002	-57.59	28,593,439	29,706,763	0.51	1.16
22	**First Texas Savings Assn., Dallas**	145,160	308,207	-52.90	2,323,711	2,646,660	6.25	11.65
23	**Home Federal Savings & Loan Assn., San Diego, Calif.**	130,566	179,181	-27.13	12,104,354	10,109,572	1.08	1.77
24	**Pomona First Federal Savings & Loan Assn., Calif.**	124,529	133,852	-6.97	1,060,113	960,159	11.75	13.94
25	**Fulton Federal Savings & Loan Assn., Atlanta**	123,200r	105,500r	16.78	2,085,170	1,583,194	5.91	6.66
26	**American Savings Bank, FSB, New York**	116,497	55,048	111.63	3,056,169	2,775,673	3.81	1.98
27	**Far West Savings & Loan Assn., Newport Beach, Calif.**	115,138	75,140	53.23	3,143,789	2,503,515	3.66	3.00
28	**Dixie Savings & Loan Assn., New Orleans, LA**	112,834	91,722	23.02	1,331,652	1,051,999	8.47	8.72
29	**Citicorp Savings, FS & LA, San Francisco**	112,780	310,716	-63.70	5,492,094	3,832,574	2.05	8.11
30	**Fidelity Federal Savings & Loan Assn., Glendale, Calif.**	108,655	166,902	-34.90	3,431,268	2,958,580	3.17	5.64
31	**Merabank, FSB, Phoenix**	106,485	45,199	135.59	5,106,887	4,947,751	2.09	0.91
32	**Imperial Savings Assn., San Diego, Calif.**	102,407	10,651	861.48	7,562,642	6,480,891	1.35	0.16
33	**Essex Savings Bank, Inc., Elizabeth City, N.C.**	102,228	81,846	24.90	153,891	92,136	66.43	88.83
34	**Loyola Federal Savings & Loan Assn., Baltimore**	102,153	97,518	4.75	1,402,293	1,264,297	7.28	7.71
35	**Westwood Savings & Loan Assn., Los Angeles**	100,542	53,049	89.53	386,041	361,166	26.04	14.69
36	**Shadow Lawn Savings & Loan Assn., Long Branch, N.J.**	99,970	62,672	59.51	595,877	544,306	16.78	11.51
37	**American Savings & Loan Assn., Salt Lake City, Utah**	96,837	134,713	-28.12	1,491,206	2,022,434	6.49	6.66
38	**Resource Savings Assn., Denison, Tex.**	94,524	91,008	3.86	390,675	402,840	24.20	22.59
39	**Berkeley Federal Savings & Loan Assn., Millburn, N.J.**	94,269	.....	...	755,696	587,769	12.47	...
40	**Dominion Federal Savings & Loan Assn., Tysons, Va.**	92,776	54,549	70.08	1,745,078	1,576,566	5.32	3.46
41	**First Jersey Savings & Loan Assn., Wyckoff, N.J.**	87,609	116,318	-24.68	270,052	291,106	32.44	39.96
42	**Perpetual Savings Bank, FSB, McLean, Va.**	85,731	57,746	48.46	3,085,243	2,950,842	2.78	1.96
43	**Skokie Federal Savings & Loan Assn., Ill.**	82,246	75,613	8.77	766,483	783,807	10.73	9.65
44	**Great Western Bank, FSB, Beverly Hills**	81,134	124,589	-34.88	23,863,713	20,519,912	0.34	0.61
45	**University Savings Assn., Houston**	80,274	62,877	27.67	2,874,776	2,928,196	2.79	2.15
46	**Valley Federal Savings & Loan Assn., Van Nuys, Calif.**	77,478	116,115	-33.27	2,898,081	2,108,248	2.67	5.51
47	**First Federal of Michigan, Detroit**	75,781	114,393	-33.75	8,338,824	7,869,701	0.91	1.45
48	**Beverly Hills Savings, FS & LA, Calif.**	75,384	76,857	-1.92	854,558	1,272,882	8.82	6.04
49	**Citizens Savings Bank, FSB, Providence, R.I.**	73,436	41,768	75.82	1,153,642	912,894	6.37	4.58
50	**Stockton Savings Assn., Dallas**	72,822	85,624	-14.95	434,179	423,113	16.77	20.24
51	**Monroe Savings Bank, FSB, Rochester, N.Y.**	71,304	54,085	31.84	470,080	472,766	15.17	11.44
52	**Lyon Savings, FS & LA, Hinsdale, Ill.**	67,795	.....	...	1,741,901	.....	3.89	...
53	**Security Federal Savings & Loan Assn., Columbia, S.C.**	65,094	46,361	40.41	631,423	677,675	10.31	6.84
54	**Decatur Federal Savings & Loan Assn., Ga.**	61,252	40,018	53.06	1,828,373	1,582,121	3.35	2.53
55	**Lincoln Federal Savings & Loan Assn., Westfield, N.J.**	60,500	100,434	-39.76	773,573	862,968	7.82	11.64
56	**Numerica Savings Bank, FSB, Manchester, N.H.**	58,924	37,691	56.33	507,794	416,468	11.60	9.05
57	**Southwest Savings & Loan Assn., Phoenix**	58,495	70,799	-17.38	1,740,343	1,645,197	3.36	4.30
58	**First Federal Savings Bank of California, Santa Monica**	55,162	66,905	-17.55	1,674,894	1,293,255	3.29	5.17
59	**Brookside Savings & Loan Assn., Pasadena, Calif.**	54,593	56,241	-2.93	401,081	401,949	13.61	13.99
60	**Penn Savings Bank, FSB, Wyomissing, Pa.**	53,869	.....	...	730,313	499,093	7.38	...
61	**Investors Savings & Loan Assn., Millburn, N.J.**	53,525	48,170	11.12	297,152	652,066	18.01	7.39
62	**Empire of America, FSB, Buffalo, N.Y.**	52,841	22,658	133.21	6,246,372	3,676,551	0.85	0.62
63	**South Carolina Federal Savings & Loan Assn., Columbia**	51,405	39,522	30.07	514,787	505,950	9.99	7.81
64	**Lakeland Savings Bank SLA, Succasunna, N.J.**	46,405	32,062	44.74	230,358	173,788	20.14	18.45
65	**Investors Savings Bank, Richmond**	46,291	23,993	92.94	1,614,546	1,227,151	2.87	1.96
66	**Briercroft Savings Assn., Austin, Tex.**	43,876	66,124	-33.65	512,455	456,738	8.56	14.48
67	**American Savings Bank, FSB, Honolulu**	42,364	.....	...	1,025,086	.....	4.13	...
68	**Lincoln Savings Bank, FSB, Brooklyn, New York**	42,238	24,491	72.46	1,885,021	1,889,684	2.24	1.30
69	**Homestead Savings, FS & LA, San Francisco**	41,806	1,615	2,488.61	3,938,435	4,103,657	1.06	0.04
70	**Gibraltar Savings, Beverly Hills**	41,676	79,302	-47.45	10,810,378	8,570,562	0.39	0.93
71	**Gibraltar Savings & Loan Assn., Mendham, N.J.**	41,398	35,417	16.89	84,083	90,770	49.23	39.02
72	**Newport Balboa Savings, FA, Newport Beach, Calif.**	41,189	53,938	-23.64	443,336	323,786	9.29	16.66
73	**County Savings Bank, Santa Barbara, Calif.**	40,642	48,292	-15.84	1,090,570	758,665	3.73	6.37
74	**Talman Home Federal Savings & Loan Assn., Chicago**	39,844	41,953	-5.03	4,780,435	4,093,958	0.83	1.02
75	**Downey Savings & Loan Assn., Costa Mesa, Calif.**	39,393	45,455	-13.34	2,261,369	1,687,371	1.74	2.69
76	**Citicorp Savings of Illinois, FS&LA, Chicago**	39,268	55,300	-28.99	4,090,554	4,517,956	0.96	1.22
77	**First Federal Savings & Loan Assn. of America, Honolulu**	38,605	45,290	-14.76	594,487	549,922	6.49	8.24
78	**Boston Five Cents Savings Bank, FSB**	38,298	10,034	281.68	1,809,732	1,477,911	2.12	0.68
79	**Sooner Federal Savings & Loan Assn., Tulsa, Okla.**	38,220	.....	...	1,074,681	1,101,892	3.56	...
80	**Old Stone Bank, FSB, Providence, R.I.**	36,386	12,831	183.58	2,577,921	2,126,118	1.41	0.60
81	**Guardian Savings & Loan Assn., Long Beach, Calif.**	36,216	179	20,132.40	304,848	197,676	11.88	0.09
82	**Prospect Park Savings & Loan Assn., West Paterson, N.J.**	36,106	23,771	51.89	386,119	296,893	9.35	8.01
83	**First Keystone Federal Savings Bank, Chester, Pa.**	35,985	33,389	7.78	272,754	239,851	13.19	13.92
84	**Redlands Federal Savings & Loan Assn., Calif.**	35,585	39,758	-10.50	587,478	508,638	6.06	7.82
85	**Leader Federal Savings & Loan Assn., Memphis, Tenn.**	34,894	37,056	-5.83	1,485,021	1,328,297	2.35	2.79
86	**French Market Homestead, FSA, Metairie, La.**	34,680	.....	...	225,503	.....	15.38	...
87	**Western Financial Savings Bank, Orange, Calif.**	34,354	19,704	74.35	897,025	709,959	3.83	2.78
88	**Crestmont Federal Savings & Loan Assn., Edison Township, N.J.**	34,314	21,865	56.94	1,349,218	1,017,046	2.54	2.15
89	**San Francisco Federal Savings & Loan Assn.**	33,691	52,724	-36.10	2,580,510	2,010,033	1.31	2.62
90	**First Federal Savings & Loan Assn., San Antonio, Texas**	33,637	38,492	-12.61	567,930	553,083	5.92	6.96
91	**Long Beach Savings & Loan Assn., Calif.**	33,104	42,855	-22.75	445,060	344,741	7.44	12.43
92	**Benjamin Franklin Savings Assn., Houston**	32,865	15,738	108.83	1,430,941	1,387,637	2.30	1.13
93	**Albany Savings Bank, FSB, N.Y.**	32,618	21,411	52.34	1,158,295	1,021,839	2.82	2.10
94	**Capital Federal Savings & Loan Assn., Sacramento, Calif.**	32,330	49,615	-34.84	815,180	695,997	3.97	7.13
95	**First Western Savings Assn., Las Vegas, Nev.**	32,034	48,498	-33.95	902,805	746,300	3.55	6.50
96	**Bay Financial Savings Bank, Tampa, Fla.**	31,237	30,212	3.39	80,307	81,172	38.90	37.22
97	**Capitol Federal Savings & Loan Assn., Aurora, Colo.**	31,213	8,202	280.55	1,061,582	1,001,549	2.94	0.82
98	**South Savings & Loan Assn., Slidell, La.**	31,079	38,290	-18.83	232,661	261,046	13.36	14.67
99	**Georgia Federal Bank, FSB, Atlanta**	31,039	5,083	510.64	2,815,025	2,238,132	1.10	0.23
100	**First Network Savings Bank, Los Angeles**	30,819	33,189	-7.14	111,114	91,245	27.74	36.37
	Totals for the Top 100	**10,840,672**	**9,806,550**	**10.55**	**317,845,964**	**279,635,070**	**3.41**	**3.51**
	Totals for All FSLIC-Insured Thrifts	**14,307,000**	**14,610,000**	**-2.07**	**881,816,000**	**813,845,000**	**1.62**	**1.80**

Data Source: All data are taken from the Quarterly Financial Report to the Federal Home Loan Bank Board. Most of the thrifts reporting to the FHLBB are FSLIC-insured institutions. Most FDIC-insured thrifts are excluded. Data were provided by **ADP Data Services Division, New York. Second Mortgage Loans** are all mortgage loans secured by junior liens, except those where the institution holds all prior liens. **Total Mortgage Loans** are the unpaid balance of all mortgage loans and contracts held as assets of the bank. Included are first and second mortgages and mortgage-backed pass-through securities. **Ratio:2nd Mtg. Loans/Total** is second mortgage loans expressed as a percentage of the institution's total mortgage loans and contracts. **N.A.— Not available. (r)—** Revised by the thrift

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Top 300 Thrifts in Second Mortgage Loans

Based on the Quarterly Financial Report to the FHLBB for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank 12/31/87		Second Mortgage Loans 12/31/87	12/31/86	% Chg.	Total Mortgage Loans 12/31/87	12/31/86	Ratio: 2nd Mtg. Loans/Total 12/31/87	12/31/86
101	Southern California Savings & Loan Assn., FS&LA, Beverly Hills	30,405	48,092	-36.78	1,084,954	776,346	2.80	6.19
102	Regency Savings Bank, FSB, Ann Arbor, Mich.	30,065	48,846	-38.45	173,315	237,661	17.35	20.55
103	Mercury Savings & Loan Assn., Huntington Beach, Calif.	29,672	37,843	-21.59	1,917,874	1,459,564	1.55	2.59
104	First Federal Savings & Loan Assn., Raleigh, N.C.	28,063	19,990	40.39	553,250	530,472	5.07	3.77
105	Security Savings & Loan Assn., Jackson, Miss.	27,871	35,046	-20.47	323,768	248,946	8.61	14.08
106	Virginia Beach Federal Savings & Loan Assn.	27,672	42,579	-35.01	697,693	664,205	3.97	6.41
107	Yorkwood Savings & Lona Assn., Maplewood, N.J.	27,572	19,934	38.32	179,566	154,480	15.35	12.90
108	Lakeview Savings & Loan Assn., Paterson, N.J.	27,571	21,679	27.18	120,126	92,319	22.95	23.48
109	Pathway Financial, FA, Chicago	27,489	28,385	-3.16	756,830	785,435	3.63	3.61
110	World Savings & Loan Assn., FS&LA, Oakland, Calif.	27,215	45,381	-40.03	11,419,799	10,683,740	0.24	0.42
111	Sacramento Savings & Loan Assn., Calif.	27,202	15,917	70.90	1,578,906	1,281,919	1.72	1.24
112	Pan American Savings Bank, San Mateo, Calif.	26,979	39,652	-31.96	219,444	187,055	12.29	21.20
113	Unity Savings & Loan Assn., Beverly Hills	26,954	38,365	-29.74	345,237	327,103	7.81	11.73
114	Home Savings of America, FA, Los Angeles	26,764	53,568	-50.04	24,879,075	19,866,825	0.11	0.27
115	First Federal Savings & Loan Assn., Jacksonville, Fla.	26,094	48,125	-45.78	960,541	904,804	2.72	5.32
116	Bell Savings & Loan Assn., FS&LA, San Mateo, Calif.	25,906	29,108	-11.00	797,927	918,546	3.25	3.17
117	Meritor Savings, FA, Winter Haven, Fla.	25,841	343	7,433.82	580,323	518,971	4.45	0.07
118	Washington Federal Savings & Loan Assn., Seattle	25,754	.....	...	1,343,863	1,121,255	1.92	...
119	Benjamin Franklin Federal Savings & Loan Assn., Portland, Ore.	25,614	28,569	-10.34	3,542,721	3,466,377	0.72	0.82
120	Somerset Savings & Loan Assn., Bound Brook, N.J.	25,509	16,689	52.85	259,334	220,738	9.84	7.56
121	Chevy Chase Savings Bank, FSB, Md.	24,220	26,855	-9.81	2,553,440	2,228,394	0.95	1.21
122	Beneficial Savings Bank, FSB, Orlando, Fla.	23,634	13,301	77.69	59,742	29,632	39.56	44.89
123	Pelican Homestead & Savings Assn., Metairie, La.	23,189	10,915	112.45	1,171,526	712,468	1.98	1.53
124	Home Owners Federal Savings & Loan Assn., Boston	23,078	471	4,799.79	1,695,275	843,002	1.36	0.06
125	Yorkridge-Calvert Savings & Loan Assn., Pikesville, Md.	22,087	8,403	162.85	503,197	434,221	4.39	1.94
126	Germantown Trust Savings Bank, Tenn.	21,981	34,978	-37.16	113,851	139,757	19.31	25.03
127	International Savings & Loan Assn., Ltd., Honolulu	21,802	25,660	-15.04	354,578	321,800	6.15	7.97
128	Columbia Savings & Loan Assn., Beverly Hills	21,621	14,672	47.36	4,927,391	4,225,624	0.44	0.35
129	Bayshore Savings Assn., La Porte, Tex.	21,480	27,822	-22.79	46,504	47,364	46.19	58.74
130	First Federal Savings & Loan Assn., Pittsburgh	20,023	16,192	23.66	1,917,165	1,848,303	1.04	0.88
131	First Federal Savings & Loan Assn., Rochester, N.Y.	19,873	21,370	-7.01	3,932,008	3,481,993	0.51	0.61
132	Citicorp Savings of Washington, D.C., FS&LA	19,742	18,985	3.99	703,712	816,350	2.81	2.33
133	Milford Federal Savings & Loan Assn., Mass.	19,237	17,664	8.91	168,510	133,503	11.42	13.23
134	North Jersey Savings & Loan Assn., Passaic, N.J.	19,227	23,943	-19.70	276,122	324,977	6.96	7.37
135	Bay View Federal Savings & Loan Assn., San Mateo, Calif.	19,203	40,095	-52.11	1,820,269	1,437,219	1.05	2.79
136	John Hanson Savings & Loan Assn., Inc., Beltsville, Md.	18,981	13,996	35.62	912,328	589,088	2.08	2.38
137	Washington Federal Savings Bank, Washington, D.C.	18,440	12,855	43.45	904,459	745,854	2.04	1.72
138	New Horizons Savings & Loan Assn., San Rafael, Calif.	17,869	18,072	-1.12	125,917	87,717	14.19	20.60
139	Columbia First Federal Savings & Loan Assn., Washington, D.C.	17,565	16,883	4.04	1,674,754	1,568,915	1.05	1.08
140	Irving Savings & Loan Assn., Paterson, N.J.	17,399	27,507	-36.75	205,032	203,663	8.49	13.51
141	Commonwealth Savings Assn., Houston	17,225	15,199	13.33	1,383,279	1,353,290	1.25	1.12
142	American Federal Savings & Loan Assn., Des Moines, Iowa	17,210	7,911	117.55	863,796	899,576	1.99	0.88
143	Pacific Savings Bank, Costa Mesa, Calif.	17,013	18,784	-9.43	921,762	1,233,730	1.85	1.52
144	Metropolitan Federal Savings & Loan Assn., Nashville, Tenn.	16,829	26,407	-36.27	879,983	791,391	1.91	3.34
145	Commonwealth Savings & Loan Assn., Margate, Fla.	16,752	21,655	-22.64	1,058,441	818,035	1.58	2.65
146	United Federal Savings Bank, Des Moines, Iowa	16,164	16,028	0.85	715,643	704,906	2.26	2.27
147	Long Island Savings Bank of Centereach, FSB, N.Y.	16,134	22,778	-29.17	2,306,839	2,495,759	0.70	0.91
148	Far West Federal Bank, SB, Portland, Ore.	15,890	13,052	21.74	1,260,604	1,229,926	1.26	1.06
149	Central Federal Savings, FSB, Long Beach, N.Y.	15,865	30,346	-47.72	613,310	587,223	2.59	5.17
150	Ohio Savings Bank, Cleveland	15,844	22,012	-28.02	1,082,310	1,094,483	1.46	2.01
151	First Savings & Loan Assn., Beverly Hills	15,760	17,498	-9.93	62,408	37,150	25.25	47.10
152	Hunter Savings Assn., Cincinnati	15,696	.....	...	667,780	669,599	2.35	...
153	Progressive Savings & Loan Assn., Alhambra, Calif.	15,675	21,587	-27.39	449,445	346,125	3.49	6.24
154	Albuquerque Federal Savings & Loan Assn. N.M.	15,546	23,948	-35.08	1,145,378	1,189,604	1.36	2.01
155	Century Federal Savings & Loan Assn., Santa Monica, Calif.	15,440	19,922	-22.50	716,629	663,324	2.15	3.00
156	Butterfield Savings & Loan Assn., FS & LA, Santa Ana, Calif.	15,070	34,160	-55.88	341,028	386,819	4.42	8.83
157	Central Savings & Loan Assn., New Orleans	15,029	14,451	4.00	46,265	53,442	32.48	27.04
158	People's Homestead Federal Bank for Savings, Monroe, La.	14,748	12,076	22.13	223,807	198,781	6.59	6.08
159	Standard Federal Savings & Loan Assn., Gaithersburg, Md.	14,619	70,211	-79.18	896,094	913,204	1.63	7.69
160	Surety Savings Assn., El Paso, Tex.	14,227	14,507	-1.93	190,372	208,816	7.47	6.95
161	Collective Federal Savings Bank, Egg Harbor City, N.J.	14,114	17,575	-19.69	1,665,078	1,287,725	0.85	1.36
162	First Federal Savings & Loan Assn., LaCrosse, Wis.	14,113	10,911	29.35	352,745	326,319	4.00	3.34
163	Great American First Savings Bank, FSB, Tucson, Ariz.	14,088	16,028	-12.10	3,206,703	2,412,485	0.44	0.66
164	Creditbanc Savings Assn., Austin, Tex.	14,059	13,541	3.83	346,135	401,491	4.06	3.37
165	Unifirst Bank for Savings, FA, Jackson, Miss.	13,924	3,624	284.22	568,256	575,640	2.45	0.63
166	Colonial Savings Assn. of America, Liberal, Kan.	13,894	8,726	59.23	62,970	66,639	22.06	13.09
167	American Federal Savings & Loan Assn., Denver	13,853	23,056	-39.92	853,801	815,014	1.62	2.83
168	Citizens Savings Bank, FSB, Silver Spring, Md.	13,336	9,561	39.48	525,682	439,084	2.54	2.18
169	Home Federal Savings Bank, Seymour, Ind.	13,328	8,378	59.08	234,778	237,602	5.68	3.53
170	Meritbanc Savings Assn., Silsbee, Tex.	13,252	14,132	-6.23	159,060	93,491	8.33	15.12
171	Investors Savings Bank, FSB, Minneapolis	13,242	12,643	4.74	249,391	156,461	5.31	8.08
172	First Federal Savings & Loan Assn., Charleston, S.C.	13,164	14,485	-9.12	651,268	635,717	2.02	2.28
173	American Federal Bank, FSB, Greenville, S.C.	13,104	3,862	239.31	617,635	565,759	2.12	0.68
174	Central Jersey Savings & Loan Assn., East Brunswick, N.J.	12,969	11,560	12.19	294,614	281,902	4.40	4.10
175	Seamen's Bank for Savings, FSB, New York	12,922	13,892	-6.98	3,297,032	2,873,163	0.39	0.48
176	Hemet Federal Savings & Loan Assn., Calif.	12,914	16,520	-21.83	390,446	381,357	3.31	4.33
177	Union Federal Savings & Loan Assn., Los Angeles	12,909	16,271	-20.66	1,731,692	1,368,310	0.75	1.19
178	Pima Savings & Loan Assn., Tucson, Ariz.	12,508	15,896	-21.31	2,200,914	2,049,974	0.57	0.78
179	Pacific Coast Savings & Loan Assn. of America, San Francisco	12,419	24,855	-50.03	767,308	626,364	1.62	3.97
180	Sun Savings & Loan Assn., Loveland, Colo.	12,098	5,956	103.12	239,082	216,803	5.06	2.75
181	Yorkville Federal Savings & Loan Assn., Bronx, New York	11,962	10,969	9.05	296,863	224,076	4.03	4.90
182	First Federal of the Carolinas, FA, High Point, N.C.	11,890	6,579	80.73	218,189	204,118	5.45	3.22
183	Gem Savings Assn., Dayton, Ohio	11,838	14,539	-18.58	932,325	920,118	1.27	1.58
184	First Federal of Arkansas, FA, Little Rock	11,770	12,997	-9.44	1,361,060	1,484,216	0.86	0.88
185	Republic Savings Bank, FSB, Benton, Ky.	11,573	4,560	153.79	182,658	143,654	6.34	3.17
186	Arlington Heights Federal Savings & Loan Assn., Ill.	11,378	9,762	16.55	282,558	269,746	4.03	3.62
187	Citizens Federal Savings & Loan Assn., Miami	11,171	16,307	-31.50	2,411,918	1,980,132	0.46	0.82
188	Columbia Savings, FS & LA, Englewood, Colo.	11,160	31,609	-64.69	2,273,939	2,267,530	0.49	1.39
189	Pioneer Savings & Loan Assn., McPherson, Kan.	11,147	11,376	-2.01	267,531	140,611	4.17	8.09
190	Mutual Federal Savings & Loan Assn., Norfolk, Va.	11,103	7,340	51.27	297,489	348,390	3.73	2.11
191	Bankers First Federal Savings & Loan Assn., Augusta, Ga.	11,088	11,348	-2.29	506,339	517,108	2.19	2.19
192	Mutual Federal Savings Bank, Muncie, Ind.	10,980	2,284	380.74	234,555	227,193	4.68	1.01
193	First Federal Savings & Loan Assn., Lafayette, Ind.	10,978	7,240	51.63	144,064	129,848	7.62	5.58
194	Blue Valley Federal Savings & Loan Assn., Kansas City, Mo.	10,786	1,005	973.23	709,842	764,999	1.52	0.13
195	Commonwealth Federal Savings & Loan Assn., Norristown, Pa.	10,622	15,843	-32.95	699,848	813,560	1.52	1.95
196	Atlantic Financial Savings Bank, FSB, Bala-Cynwyd, Pa.	10,500	15,075	-30.35	492,369	269,397	2.13	5.60
197	American Home Savings, FSB, Salem, Ore.	10,381	1,837	465.11	345,694	201,122	3.00	0.91
198	Western Savings & Loan Assn., Phoenix	10,377	19,016	-45.43	2,376,429	2,369,843	0.44	0.80
199	First Federal Savings & Loan Assn., East Hartford, Conn.	10,332	3,789	172.68	257,534	208,355	4.01	1.82
200	Anchor Savings Bank, FSB, Northport, N.Y.	10,317	14,368	-28.19	4,756,714	4,455,363	0.22	0.32
	Totals for the Top 200	**12,601,834**	**11,717,147**	**7.55**	**446,933,971**	**393,927,537**	**2.82**	**2.97**
	Totals for All FSLIC-Insured Thrifts	**14,307,000**	**14,610,000**	**-2.07**	**881,816,000**	**813,845,000**	**1.62**	**1.80**

Data Source: All data are taken from the Quarterly Financial Report to the Federal Home Loan Bank Board. Most of the thrifts reporting to the FHLBB are FSLIC-insured institutions. Most FDIC-insured thrifts are excluded. Data were provided by **ADP Data Services Division, New York. Second Mortgage Loans** are all mortgage loans secured by junior liens, except those where the institution holds all prior liens. **Total Mortgage Loans** are the unpaid balance of all mortgage loans and contracts held as assets of the bank. Included are first and second mortgages and mortgage-backed pass-through securities. **Ratio:2nd Mtg. Loans/Total** is second mortgage loans expressed as a percentage of the institution's total mortgage loans and contracts. **N.A.— Not available.**

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Top 300 Thrifts in Second Mortgage Loans

Based on the Quarterly Financial Report to the FHLBB for Dec. 31, 1987, compared with Dec. 31, 1986 (dollar amounts in thousands)

Rank		Second Mortgage Loans			Total Mortgage Loans		Ratio: 2nd Mtg. Loans/Total	
12/31/87		12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	12/31/87	12/31/86
201	**Cenlar Federal Savings Bank, Pennington, N.J.**	10,268	5,779	77.68	499,673	371,199	2.05	1.56
202	**Lincoln Savings & Loan Assn., Los Angeles**	10,234	2,636	288.24	1,767,407	1,263,488	0.58	0.21
203	**Danbury Savings & Loan Assn., Inc., Conn.**	10,196	7,098	43.65	248,943	210,007	4.10	3.38
204	**American Pioneer Savings Bank, Orlando, Fla.**	10,086	9,136	10.40	1,243,885	1,256,660	0.81	0.73
205	**American Savings Bank, FSB, Tacoma, Wash.**	10,056	2,707	271.48	481,261	450,096	2.09	0.60
206	**Coast Federal Savings & Loan Assn., Sarasota, Fla.**	10,031	10,032	-0.01	991,893	999,183	1.01	1.00
207	**Sentry Savings Assn., Slaton, Tex.**	10,020	25,324	-60.43	50,498	83,140	19.84	30.46
208	**Highland Federal Savings & Loan Assn., Los Angeles**	9,981	11,523	-13.38	229,213	222,298	4.35	5.18
209	**Territorial Savings & Loan Assn., Honolulu**	9,950	8,671	14.75	272,491	213,360	3.65	4.06
210	**Freedom Savings & Loan Assn., FS&LA, Tampa, Fla.**	9,880	.....	...	954,720	.....	1.03	...
211	**First Federal Savings & Loan Assn. of San Gabriel Valley, Covina, Calif.**	9,806	9,979	-1.73	242,099	166,676	4.05	5.99
212	**Baltimore Federal Financial, FSA**	9,731	11,236	-13.39	1,632,587	1,364,664	0.60	0.82
213	**First Federal Savings & Loan Assn., Reno, Nev.**	9,583	12,866	-25.52	466,852	450,352	2.05	2.86
214	**Charter Oak Federal Savings Bank, Cincinnati**	9,541	17,067	-44.10	304,053	268,303	3.14	6.36
215	**Mutual Savings & Loan Assn., Milwaukee**	9,516	3,596	164.63	654,774	672,505	1.45	0.53
216	**San Angelo Savings Assn., Tex.**	9,512	19,150	-50.33	81,361	101,465	11.69	18.87
217	**Gate City Federal Savings Bank, Fargo, N.D.**	9,477	9,160	3.46	395,768	416,794	2.39	2.20
218	**Heritage Federal Savings & Loan Assn., Monroe, N.C.**	9,455	.....	...	260,975	270,623	3.62	...
219	**Empire Savings & Loan Assn., Hammonton, N.J.**	9,451	5,090	85.68	167,041	130,936	5.66	3.89
220	**San Clemente Savings & Loan Assn., Calif.**	9,391	14,967	-37.26	176,595	160,127	5.32	9.35
221	**Trident Federal Savings & Loan Assn., Newark, N.J.**	9,371	5,052	85.49	45,504	37,449	20.59	13.49
222	**Newport News Savings Bank, Va.**	9,341	13,491	-30.76	290,740	262,311	3.21	5.14
223	**Elmwood Federal Savings Bank, Media, Pa.**	9,309	5,165	80.23	197,300	151,354	4.72	3.41
224	**New Mexico Savings & Loan Assn., Albuquerque**	9,230	12,185	-24.25	204,086	205,150	4.52	5.94
225	**First Atlantic Savings & Loan Assn., Plainfield, N.J.**	9,200	12,102	-23.98	994,122	834,386	0.93	1.45
226	**Gateway Federal Savings & Loan Assn., Cincinnati**	9,177	7,931	15.71	516,428	443,228	1.78	1.79
227	**Citizens Federal Savings & Loan Assn., Dayton, Ohio**	8,986	13,539	-33.63	1,814,924	1,647,784	0.50	0.82
228	**Fedstar Savings Bank, FSB, Alexandria, Va.**	8,786	6,711	30.92	294,375	240,242	2.98	2.79
229	**Stockton Savings & Loan Assn., Calif.**	8,771	7,606	15.32	647,554	504,523	1.35	1.51
230	**Annapolis Federal Savings Bank, Md.**	8,763	2,562	242.04	280,930	251,146	3.12	1.02
231	**Universal Savings Assn., Houston**	8,687	8,906	-2.46	116,065	164,962	7.48	5.40
232	**Cottage Savings Assn., FA, Madeira, Ohio**	8,679	8,549	1.52	158,979	143,030	5.46	5.98
233	**First Federal Savings & Loan Assn., San Rafael, Calif.**	8,579	12,447	-31.08	81,916	82,695	10.47	15.05
234	**First Federal Savings & Loan Assn., Columbus, Ga.**	8,571	10,967	-21.85	202,841	237,462	4.23	4.62
235	**City Savings & Loan Assn., Westlake Village, Calif.**	8,551	3,509	143.69	27,136	21,519	31.51	16.31
236	**Home Savings Assn., Houston**	8,540	39,635	-78.45	319,259	416,691	2.67	9.51
237	**Delta Savings & Loan Assn., Kenner, La.**	8,535	7,553	13.00	126,620	137,196	6.74	5.51
238	**United Savings of America, Chicago**	8,526	6,856	24.36	628,448	485,626	1.36	1.41
239	**Cumberland Federal Savings Bank, Louisville, Ky.**	8,444	8,469	-0.30	886,823	769,031	0.95	1.10
240	**First Federal Savings & Loan Assn., Shreveport, La.**	8,387	9,562	-12.29	151,147	163,357	5.55	5.85
241	**East-West Federal Bank, FSB, Los Angeles**	8,366	8,570	-2.38	295,713	227,459	2.83	3.77
242	**Whitestone Savings, FA, Queens, New York**	8,358	7,542	10.82	245,823	158,577	3.40	4.76
243	**First Federal Savings Bank, Santurce, P.R.**	8,299	8,634	-3.88	694,964	698,435	1.19	1.24
244	**Home Federal Savings & Loan Assn., Memphis**	8,297	7,073	17.31	170,825	166,357	4.86	4.25
245	**Colonial Savings & Loan Assn., Cranston, R.I.**	8,237	.....	...	63,184	.....	13.04	...
246	**Center Savings & Loan Assn., Clifton, N.J.**	8,202	6,604	24.20	128,980	107,821	6.36	6.12
247	**First Financial Bank, FSB, New Orleans, La.**	8,200	5,500	49.09	646,181	634,003	1.27	0.87
248	**Northwest Mutual Savings Assn., Warren, Pa.**	8,190	.....	...	566,691	546,116	1.45	...
249	**First Federal Savings & Loan Assn., Montclair, N.J.**	8,100	13,327	-39.22	178,556	199,075	4.54	6.69
250	**Citizens Federal Savings & Loan Assn., Hammond, Ind.**	8,053	6,430	25.24	335,405	296,998	2.40	2.16
251	**Caribbean Federal Savings Bank, Carolina, P.R.**	8,022	10,473	-23.40	51,665	47,300	15.53	22.14
252	**Bexar Savings Assn., San Antonio, Tex.**	7,897	7,090	11.38	687,128	640,194	1.15	1.11
253	**De Kalb Federal Savings & Loan Assn., Decatur, Ga.**	7,833	.....	...	335,431	338,002	2.34	...
254	**Midamerica Federal Savings & Loan Assn., Tulsa, Okla.**	7,798	5,353	45.68	395,651	307,192	1.97	1.74
255	**Second National Federal Savings Bank, Salisbury, Md.**	7,798	2,874	171.33	774,244	597,186	1.01	0.48
256	**Golden Coin Savings & Loan Assn., San Francisco**	7,778	11,086	-29.84	144,860	114,792	5.37	9.66
257	**Charter Federal Savings Bank, Randolph Township, N.J.**	7,766	3,555	118.45	218,546	177,883	3.55	2.00
258	**Farmers Savings, FS&LA, Davis, Calif.**	7,733	12,045	-35.80	147,113	227,687	5.26	5.29
259	**Elysian Federal Savings Bank, Hoboken, N.J.**	7,705	12,888	-40.22	170,227	247,226	4.53	5.21
260	**Federal Savings Bank of Puerto Rico, Bayamon**	7,686	4,679	64.27	521,742	479,072	1.47	0.98
261	**Larchmont Federal Savings & Loan Assn., N.Y.**	7,652	3,319	130.55	109,858	106,016	6.97	3.13
262	**United Savings Bank, FSB, San Francisco**	7,627	.....	...	602,599	419,728	1.27	...
263	**Piedmont Federal Savings Bank, Manassas, Va.**	7,557	22,229	-66.00	383,341	254,805	1.97	8.72
264	**Savers Federal Savings & Loan Assn., Little Rock, Ark.**	7,503	6,462	16.11	870,121	907,105	0.86	0.71
265	**Chase Federal Savings & Loan Assn., Miami**	7,489	9,062	-17.36	1,571,494	1,596,804	0.48	0.57
266	**Greenwich Federal Savings & Loan Assn., Conn.**	7,417	8,683	-14.58	204,387	177,430	3.63	4.89
267	**First Minnesota Savings Bank, FSB, Minneapolis**	7,316	13,478	-45.72	2,232,498	2,140,118	0.33	0.63
268	**Fidelity New York, FSB, Floral Park, N.Y.**	7,255	11,117	-34.74	1,099,229	999,120	0.66	1.11
269	**Ameriway Savings, Houston**	7,138	6,415	11.27	138,483	135,914	5.15	4.72
270	**Texas Savings & Loan Assn., San Antonio, Tex.**	7,078	2,051	245.10	45,783	34,981	15.46	5.86
271	**Independence Federal Savings & Loan Assn., Batesville, Ark.**	6,914	3,501	97.49	262,362	255,469	2.64	1.37
272	**Bel Air Savings & Loan Assn., Los Angeles**	6,848	16,468	-58.42	339,312	337,119	2.02	4.88
273	**Preferred Savings & Loan Assn., Inc., High Point, N.C.**	6,834	1,675	308.00	292,919	259,018	2.33	0.65
274	**Standard Federal Bank, Troy, Mich.**	6,770	5,093	32.93	6,091,228	5,483,721	0.11	0.09
275	**First Federal Savings & Loan Assn., La Grange, Ga.**	6,766	3,989	69.62	124,372	102,066	5.44	3.91
276	**Perpetual Savings & Loan Assn., Waterloo, Iowa**	6,765	7,656	-11.64	94,477	108,389	7.16	7.06
277	**Colonial Savings & Loan Assn., Roselle Park, N.J.**	6,748	2,037	231.27	167,031	213,783	4.04	0.95
278	**Cragin Federal Savings & Loan Assn., Chicago**	6,676	6,105	9.35	1,343,706	1,029,355	0.50	0.59
279	**Rancho Bernardo Savings Bank, San Diego, Calif.**	6,621	11,926	-44.48	104,486	63,830	6.34	18.68
280	**Security Federal Savings & Loan Assn., Chicago**	6,583	6,976	-5.63	129,103	115,942	5.10	6.02
281	**Cornerstone Savings & Loan Assn., Mission Viejo, Calif.**	6,567	2,964	121.56	49,132	34,422	13.37	8.61
282	**Provident Savings, FS&LA, Haverstraw, N.Y.**	6,557	3,829	71.25	227,409	197,835	2.88	1.94
283	**Midwest Federal Savings & Loan Assn., Minneapolis**	6,519	4,832	34.91	1,319,153	1,022,144	0.49	0.47
284	**Continental Savings of America Savings & Loan Assn., San Francisco**	6,479	19,109	-66.09	462,501	384,777	1.40	4.97
285	**Independence Savings & Loan Assn., Vallejo, Calif.**	6,421	4,366	47.07	323,243	153,191	1.99	2.85
286	**Deerfield Federal Savings & Loan Assn., Ill.**	6,377	4,164	53.15	173,907	158,769	3.67	2.62
287	**First Federal Savings & Loan Assn., Greenville, S.C.**	6,338	11,555	-45.15	1,308,908	1,234,348	0.48	0.94
288	**First Savings & Loan Co., Massillon, Ohio**	6,301	6,781	-7.08	136,076	151,779	4.63	4.47
289	**Peoples Savings Bank, Ashtabula, Ohio**	6,239	1,191	423.85	202,273	210,870	3.08	0.56
290	**Mother Lode Savings Bank, Sacramento, Calif.**	6,120	7,981	-23.32	66,869	76,584	9.15	10.42
291	**Colony Savings Bank, FSB, Monaca, Pa.**	6,094	5,054	20.58	337,823	288,245	1.80	1.75
292	**Cherokee Valley Federal Savings Bank, Cleveland, Tenn.**	6,094	7,495	-18.69	92,936	109,758	6.56	6.83
293	**First Federal Savings & Loan Assn. of Seminole Cty, Sanford, Fla.**	6,069	6,816	-10.96	163,144	159,227	3.72	4.28
294	**Nevada Savings & Loan Assn., Las Vegas**	5,968	6,997	-14.71	2,007,142	831,846	0.30	0.84
295	**Summit Savings Bank, Sanford, N.C.**	5,905	4,819	22.54	101,816	88,163	5.80	5.47
296	**Killeen Savings & Loan Assn., Tex.**	5,889	5,830	1.01	142,045	212,889	4.15	2.74
297	**Vanguard Federal Savings Bank, Vandergrift, Pa.**	5,825	5,648	3.13	123,314	158,704	4.72	3.56
298	**Washington Savings Bank, FSB, Waldorf, Md.**	5,775	6,470	-10.74	124,053	72,698	4.66	8.90
299	**Majestic Savings Assn., McKinney, Tex.**	5,724	6,469	-11.52	219,535	194,532	2.61	3.33
300	**First Federal Savings Bank of Tennessee, Tullahoma**	5,625	1,437	291.44	148,895	136,283	3.78	1.05
	Totals for the Top 300	**13,399,193**	**12,511,733**	**7.09**	**496,751,149**	**437,027,707**	**2.70**	**2.86**
	Totals for All FSLIC-Insured Thrifts	**14,307,000**	**14,610,000**	**-2.07**	**881,816,000**	**813,845,000**	**1.62**	**1.80**

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Issues Boost Core Capital In Japan

By JAMES R. KRAUS

NEW YORK — Japanese banks this year will issue between 1 trillion and 2 trillion yen in equity to meet new capital adequacy guidelines, Japanese bankers here have predicted. At current exchange rates, that is between $7.75 billion and $15.5 billion.

Sources said banks are taking advantage of bouyant securities markets in Tokyo to boost equity.

Banks issued an estimated 1.7 trillion yen (about $13.18 billion) worth of yen-denominated shares and convertible bonds, as well as Swiss franc- and dollar-denominated convertible bonds during the year ended March 31.

The proposed capital guidelines set by the Bank for International Settlements are scheduled to take effect by the end of 1992. Equity is also being issued to comply with Japanese Ministry of Finance guidelines effective in 1991 that set a 6% minimum for total capital-to-asset ratios.

"If the Tokyo markets continue to be favorable, the banks won't miss a chance to raise equity," said Yuko Oana, managing director and general manager of Dai-Ichi Kangyo Bank Ltd.'s New York office.

Analysts estimate that Japanese banks will have to issue up to 5 trillion yen (about $38.75 billion) worth of equity between now and 1992 in order to keep up with normal asset growth.

"Our estimates are that if banks continue to expand their assets at the normal rate, there will be a 5 trillion yen shortfall" in required capital," said Akihiko Ito, chief economist with Yasuda Bank and Trust Co. (U.S.A.).

Mr. Ito said that bankers are confident that securities markets will respond favorably to new issues given healthy prospects for the Japanese economy.

Capital-to-Asset Ratios At Japanese Banks

March 1988

City Banks	Core
Dai-Ichi Kangyo Bank	3.24%
Sumitomo Bank	3.15
Fuji Bank	3.65
Mitsubishi Bank	3.48
Sanwa Bank	3.28
Tokai Bank	3.27
Mitsui Bank	3.12
Taiyo Kobe Bank	2.90
Bank of Tokyo	3.72
Kyowa Bank	3.35
Daiwa Bank	3.57
Saitama Bank	3.18
Hokkaido Takushoku Bank	2.98
Trust Banks	
Mitsubishi Trust & Banking	4.24
Sumitomo Trust & Banking	4.22
Mitsui Trust & Banking	4.20
Yasuda Trust & Banking	3.83
Toyo Trust & Banking	4.09
Chuo Trust & Banking	2.70
Nippon Trust Bank	3.41
Long-Term Credit Banks	
Industrial Bank of Japan	3.40
Long-Term Credit Bank of Japan	3.20
Nippon Credit Bank	3.00

Source: Yasuda Trust & Banking Co. Ltd.

Recent Equity Financing By Major Japanese Banks

1987 activity

City Banks	Type Of Issue	Amount
Dai-Ichi Kangyo Bank	40 million shares	126.24 billion yen
Hokkaido Takushoku Bank Ltd.	20 million shares SF convertible bond Eurodollar convertible bond	20.7 billion yen SF 100 million $100 million
Bank of Tokyo Ltd.	10m shares SF convertible bond Eurodollar convertible bond	15.36 billion yen SF 100 million $100m
Mitsui Bank Ltd.	25 million shares	53.1 billion yen
Mitsubishi Bank Ltd.	30 million shares Eurodollar converible bond SF convertible bond	88.32 billion yen $300 million SF 400 million
Fuji Bank Ltd.	35 million shares Eurodollar convertible bond SF convertible bond	110.1 billion yen $200 million SF 400 million
Sumitomo Bank Ltd.	20 million shares	74.92 billion yen
Daiwa Bank Ltd.	SF convertible bond	SF 100 million
Sanwa Bank Ltd.	35 million shares Eurodollar convertible bond SF convertible bond	96.95 billion yen $300 million SF 400 million
Kyowa Bank Ltd.	Eurodollar convertible bond SF convertible bond	$100 million SF 100 million
Taiyo Kobe Bank Ltd.	Eurodollar convertible bond	$120 million
Saitama Bank Ltd.	12 million shares Eurodollar convertible bond SF convertible bond	19.8 billion yen $100 million SF 100 million
Total:		**605.6 billion yen** **SF 1.7 billion** **$1.32 billion**

Long-Term Credit Banks		
Long-Term Credit Bank of Japan Ltd.	2.5 million shares Eurodollar convertible bond SF convertible bond	50.2 billion yen $200 million SF 100 million
Nippon Credit Bank Ltd.	2.5 million shares Eurodollar convertible bond	30.3 billion yen $150 million
Total:		**80.5 billion yen** **SF 100 million** **$150 million**

Trust Banks		
Mitsubishi Trust and Banking Corp.	10 million shares Eurodollar convertible bond SF convertible bond	35.7 billion yen $100 million SF 100 million
Sumitomo Trust and Banking Co. Ltd.	7 million shares Eurodollar convertible bond SF convertible bond	1.91 billion yen $100 million SF 350 million
Yasuda Trust and Banking Co. Ltd.	10 million shares Eurodollar convertible bond SF convertible bond	24.8 billion yen $100 million SF 100 million
Toyo Trust and Banking Co. Ltd.	10 million shares Eurodollar convertible bond	28.1 billion yen $100 million
Total:		**90.51 billion yen** **SF 550 million** **$400 million**
1987 total for all banks:		**776.61 billion yen** **SF 2.35 billion** **$1.87 billion**

1988 activity

City Banks	Type Of Issue	Amount
Dai-Ichi Kangyo Bank Ltd.	domestic convertible bond	100 billion yen
Bank of Tokyo Ltd.	60 million shares domestic convertible bond	93.24 billion yen 70 billion yen
Mitsui Bank Ltd.	Eurodollar convertible bond SF convertible bond	$200 million SF 300 million
Sumitomo Bank Ltd.	domestic convertible bond	125 billion yen
Tokai Bank Ltd.	domestic convertible bond	80 billion yen
Taiyo Kobe Bank Ltd.	30 million shares domestic convertible bond	44.8 billion yen 50 billion yen
Saitama Bank Ltd.	domestic convertible bond	60 billion yen
Total:		**623.04 billion yen** **$200 million** **SF 300 million**

Trust Banks 1988		
Mitsui Trust & Banking Co. Ltd.	SF convertible bond domestic convertible	SF 200 million 80 billion yen
Sumitomo Trust and Banking Co. Ltd.	domestic convertible bond	75 billion yen
Toyo Trust and Banking Co. Ltd.	domestic convertible bond	35 billion yen
Total:		**190 billion yen** **SF 200 million**
1988 total for all banks		**763 billion yen** **SF 200 million**

Source: Standard & Poor's Corp.

Capital Standards Won't Open Japan, Bank Experts Say

NEW YORK — Efforts to harmonize Japan's banking regulations with those in the United States will not automatically smooth the entry of American banks into the Japanese market, analysts and bank executives are predicting.

The executives spoke June 16-17 at a conference on doing business with Japan, sponsored by the American Banker-Bond Buyer. They also predicted that new international guidelines requiring generally higher capital could make Japanese banks still stronger than their U.S. counterparts and lead to new inroads into the U.S. market.

"Many observers have commented that Tokyo may well remain the most restrictive of the major international financial centers for some years to come," said Joseph Diamond, a partner in the New York office of Skadden Arps Slate Meagher & Flom.

Mr. Diamond and other executives stressed that Japan's broad cultural differences will continue to restrict the entry of foreign banks.

"In part, this restrictiveness is a reflection of the segmented banking system in Japan. But it also derives from close informal channels of communication between regulatory officials and domestic banks," Mr. Diamond said.

"We all are niche players in Japan," said John F. Loughran, senior vice president of the Asia-Pacific department at Morgan Guaranty Trust Company of New York.

Complicated cross-ownership among banks and other concerns, and powerful business relationships binding Japanese banks with Japanese customers, have been the bane of foreign banks seeking to enter the market, he said.

Mr. Loughran said he hopes the new capital guidelines will loosen some of these links and free up banking in Japan by forcing the larger banks to divest themselves of some of their industrial and commercial shareholdings.

"Barriers have fallen but market practice will prevent most U.S. companies from participating in indigenous business," said Mark J. Lerner, vice president of the Japan banking group at Merrill Lynch Capital Markets. "The expertise that needs to be sold is expertise in U.S. markets," he said.

Merrill Lynch is now concentrating on business between Japan and the United States, which will hopefully lead to domestic business within Japan.

Higher capital ratios, required of both Japanese and U.S. banks under proposed guidelines by the Bank for International Settlements, should create a slightly more level playing field in Japan, said Mr. Diamond. "However, it is important to remember that large Japanese banks may find it easier to raise additional capital through stock offerings than will money center banks from the U.S.," he said.

"Japanese bank stocks typically command premium prices from the investing public," he said, whereas stocks of U.S. money center banks are depressed. If this continues, Mr. Diamond said, "the largest U.S. banks may be forced to trim their assets quite significantly," putting them at a competitive disadvantage.

According to John V. Rindlaub, managing director-corporate finance at Bankers Trust Co., Japanese banks will carry out further acquisitions in the U.S. market as part of an ongoing effort to develop product expertise, build up a local banking operation, and possibly move into broader banking activities.

"A Japanese financial institution does figure in your future," Mr. Rindlaub said.

— James R. Kraus

California First Inks Community Reinvestment Pact

➥ **Continued from Page 1**

tion of Community Organizations for Reform Now, known as Acorn.

Called the community service action plan, the agreement provides commitments for $36 million in loans 1989 and $48 million in 1990 for housing, rehabilitation, consumer, and small business.

Negotiations for the special lending commitment began after California First announced last February that it was buying Union Bank, Los Angeles, from Standard Chartered PLC, London, in a deal valued at about $750 million.

When the merger is completed later this year, the combined institutions will be called Union Bank and will have more than $15 billion in assets and 167 offices around the state.

A spokesman for California First, which is based in San Francisco, confirmed that the agreement with the community groups had been reached but said the document was not scheduled to be filed with the Federal Deposit Insurance Corp. until late Thursday. The FDIC and state banking authorities must approve the merger of California First and Union.

Community groups involved in the negotiations praised the agreement.

"This plan is a financial blueprint for the 21st century and demonstrates California First's commitment to serve the lending and economic development needs of the entire community," said Robert Gnaizda, staff attorney for Public Advocates, a nonprofit public interest law firm in San Francisco.

Elena Hanggi, a member of the Federal Reserve's consumer advisory council, said the agreement represented a breakthrough because a Japanese-owned bank has made a greater commitment for low-income housing loans that have most domestic banks.

"We applaud Cal First's willingness to take a leadership role in this area and hope that other commercial banks follow their lead," added Ms. Hanggi. She is the former president of Acorn, which participated in the negotiations with California First and is a national leader in obtaining loan commitments under the reinvestment act.

"We recognize that with the greater size our merger with Union Bank will bring, we must accept a broader responsibility to the community we serve." said Seishichi Itoh, president and chief executive officer of California First.

Passed by Congress in 1977, the Community Reinvestment Act requires a financial institution to meet not only the deposit needs but also the credit requirements of the community in which it is located. Under the act, federal regulators must consider a bank's community record when deciding on a merger application.

Increasingly, activist groups are using the law to obtain commitments from banks and thrifts to make available millions of dollars in loans for housing, rehabilitation, and small businesses in hard-pressed communities.

Allen J. Fishbein, general counsel of the Center for Community Change in Washington, said reinvestment act agreements have increased dramatically in the past three years, reflecting the increase in mergers among financial institutions.

Many of the agreements are not made public, but the 55 that were disclosed last year totaled $1 billion, said Mr. Fishbein. The Center for Community Change, which advises community groups on banking and reinvestment, also publishes the *CRA Reporter*, a newsletter that keeps track of agreements reached under the act.

"I like to think that banks find this is good business," said Mr. Fishbein. "There is no question that this kind of lending can succeed." ■

FDIC Approves Merger Of Massachusetts Thrifts

PORTLAND, Maine — The Federal Deposit Insurance Corp. has approved the merger of two Massachusetts banking companies in preparation for their acquisition by the One Bancorp of Portland.

The approval was granted to the Southstate Bank for Savings, a $220 million-asset institution in Brockton, and East Weymouth Savings Bank, a $95 million-asset thrift in Weymouth.

The merger is contingent upon the acquisition of Southstate by the One Bancorp, which has $2 billion in assets. The merger also depends on regulatory approval by Massachusetts banking authorities.

The One Bancorp announced in August that it would pay $18 cash for each of the 2.3 million outstanding common shares of Southstate, for a total of $41.4 million.

The One Bancorp's agreement with East Weymouth, announced in December 1987, calls for East Weymouth shareholders to receive $20 in cash per share, for a total of $19.8 million. ■

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DAILY FINANCIALS

Thursday June 23, 1988

Money Market

Federal funds range .... 7½%-$7\frac{9}{16}$%
Prime rate (5/12/88) 9.00%
Discount rate FRB of New York (9/4/87) 6.00%

Call loans on securities, to brokers on stock exchange collateral (5/27/88) 8.50%

Bankers acceptances offering rate, discount (6/23)
30 days: 7.32 60 days: 7.33 90 days: 7.35
120 days: 7.40 150 days: 7.40 180 days: 7.39

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (6/23)
14 days: 7.00 30 days: 7.10 60 days: 7.15
90 days: 7.15 120 days: 7.20 150 days: 7.35
180 days: 7.50 270 days: 7.50 360 days: 7.65

Commercial paper, dealer Aaa, discount (6/23)
30 days: 7.30 60 days: 7.35 90 days: 7.375

Commercial paper, directly placed, discount (6/23)
5-14 days: 6.00-7.40 15-29 days: 6.00-7.40
30-59 days: 6.00-7.40 60-89 days: 6.00-7.40
90-179 days: 6.00-7.40 180-270 days: 6.00-7.40

Treasury-bill rates, secondary market, bid (6/23)
90 days: 6.51 180 days: 6.76 1 year: 6.97

Eurodollar deposits, London bid (6/23)
Overnight: $7\frac{5}{16}$ 7 days: $7\frac{9}{16}$ 1 month: $7\frac{9}{16}$
3 mos.: 7⅝ 6 mos.: 7¾ 1 year: $8\frac{1}{16}$

NIBOR: 8.00% **LIBOR:** 7.875%

The Bond Buyer Municipal Bond Index

	6/23/88	6/22/88	6/16/88
Index	88.27	88.23	89.25
Yield to Par Call	8.24	8.26	8.25
Yield to Maturity	8.05	8.06	8.05

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Sept.'88	93.46	93.36	93.37	+ 2	6.63
Dec. '88	93.14	93.07	93.08	+ 6	6.92
Mar. '89	92.93	92.87	92.89	+ 6	7.11
Jun. '89	92.78	92.75	92.74	+ 2	7.26
Sept.'89	92.68	.....	92.62	+ 4	7.38
Dec. '89	.....	.....	92.52	+ 3	7.48
Mar. '90	.....	.....	92.45	+ 3	7.55

As of the previous day's close; Total no. of contracts traded: 5,237 total open interest: 19,131 and change in open interest: + 373

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
June 23:	294.9	1988:	294.9	227.7	294.9
June 22:	292.5	1987:	401.7	212.0	234.6
June 21:	284.6	1986:	388.7	331.2	331.3
June 20:	283.2	1985:	344.2	242.7	344.2
June 17:	283.2	1984:	269.6	178.4	246.3

* Based on midday prices.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.
The offer is made only by the Prospectus.

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6/27/88

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American Banker

NEW BANKS IN '87
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153rd Year

Today

NEWS MONDAY

The Comptroller's analysis of why banks fail might have overlooked one culprit — the regulatory agency itself. The agency might have been too free in issuing new bank charters and too lax in ensuring safe and sound operations, writes Bart Fraust in the Perspective column. ——— 9

Money-laundering fears have resurfaced, and officials here and abroad are considering get-tough plans. Proposals include undercover sting operations, more transaction reports from banks, and fewer restrictions on access to financial records. ——— 3

International capital rules will be refined when bank regulators from 12 western countries meet in Basel, Switzerland. ——— 10

INSIDE

A wave of mergers is not likely to occur if Massachusetts moves to permit nationwide banking. ——— 2

A legal wrangle over the exportation of credit card fees was settled when Sun Bank, Orlando, agreed to recompute a North Carolina cardholder's balance in line with North Carolina law rather than with Florida law. ——— 2

Texas would allow statewide branching for national banks under a ruling in federal district court that struck down the state's 84-year-old ban. ——— 2

Workers/Workplace: After the stock market crash, a number of companies with long-term incentive plans have canceled outstanding stock option grants for reissue at a a lower exercise price, a survey finds. ——— 13

Start-up banks in Pennsylvania are finding seed capital in larger banks. The big fish hope to leverage their expertise and profit from their investments. ——— 24

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COMMENT

An outside consultant can readily point out the follies of some practices that banks have employed for years, writes Dr. Paul S. Nadler. ——— 4

Gov. Cuomo's handpicked commission has failed to offer tough solutions to problems looming for the U.S. economy, writes H. Erich Heinemann. ——— 5

Worth Repeating

I'm 99% sure that the independent bankers around Texas will do everything they can to see the fight carried on.

Charles N. Brewer, president of Reunion Bank, Dallas, after a federal district court struck down a Texas ban on bank branching. [Page 2]

Big NY Banks May Spin Off Chips Network

By YVETTE D. KANTROW

NEW YORK — In its continuing quest to control risk, the New York Clearing House Association may spin off Chips, its large-scale electronic funds transfer system.

Clearing house officials are considering a plan to convert Chips into a state-chartered, limited-purpose trust company, which would be eligible for membership in the Federal Reserve System. The move, according to John F. Lee, executive vice president of the clearing house, would provide legal protections for any of the system's users against the failure of another participant.

Chips — the Clearing House Interbank Payments System — is operated by the 12 banks that own the New York Clearing House Association. The system now moves nearly $1 trillion a day among 137 participating banks and is the principal mechanism for settling international transactions denominated in dollars.

In its nearly 20 years of operation, none of Chips' participants have failed. But its operators and bank regulators agree that such an event could be catastrophic for the world's payment system. If one bank on the network were to fail, it could set off a chain reaction of failures, as banks relying on payments from the failed participant could not cover their own payment obligations.

Banks that use Chips transmit funds-transfer instructions among themselves electronically. Settlement of those transactions — the actual transfer of cash — occurs at the end of the day.

For example, during the course of a day, Bank A may send instructions to

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An American Banker Special Report

Number of New Financial Firms Declined by 34% in '87: Survey

Failures Surpassed Openings for 1st Time Since '30s

By KENNETH J. HICKS

NEW YORK — The number of new financial institutions plunged in 1987 for the third consecutive year, according to an *American Banker* survey.

The survey identified 169 financial institutions that opened last year, a 34% drop from 1986, when there were 258, and down from 280 in 1985.

And for the first time since the Depression, more commercial banks failed in one year than were opened. There were 136 new commercial banks, versus 184 failures.

Reasons cited for fewer openings were increases in minimum capital standards and closer scrutiny by regulators.

The commercial banks that opened comprised 80% of the new institutions. There were also 12 new thrifts, 11 credit unions, and 10 trust companies. More than a third of the new institutions were in the Southeast. (Tables on the new companies begin on page 15.)

Seed Capital for New Banks Page 24

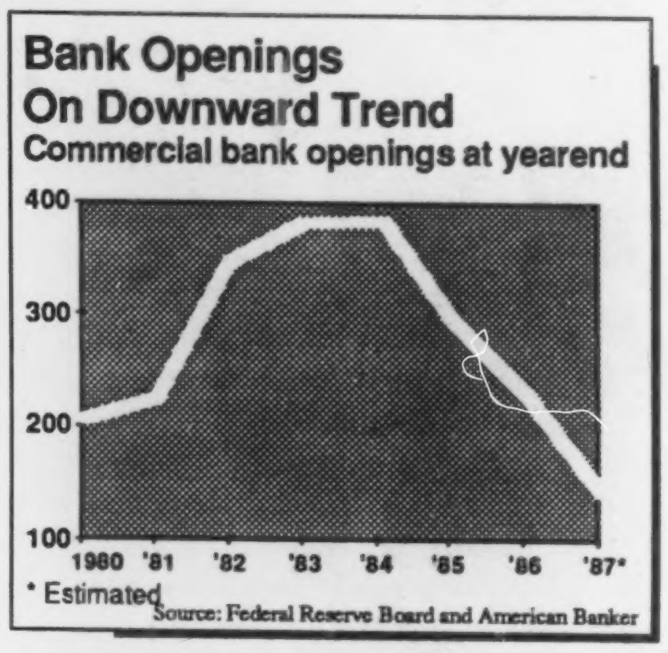
Two-thirds of the new institutions responding to a mailed survey said they were targeting a special segment of the population.

The number of new commercial banks dropped 31%, from 198 in 1986. This continued a downward trend. More than 300 banks had opened each year from 1983 to 1985, peaking at almost 400 in 1984. Until 1986, at least 200 commercial banks had come into existence during each year of the 1980s.

Of the commercial banks that opened in 1987, 98 were state chartered and 38 were federally chartered, according to the *American Banker* survey. In 1986, 115 national banks and 83 state-chartered banks popped up in the United States.

Bank Openings On Downward Trend

Commercial bank openings at yearend



* Estimated

Source: Federal Reserve Board and American Banker

The *American Banker* compiled the data from several sources, including the Comptroller's office, the Federal Reserve Board, the National Credit Union Administration, state banking and savings and loan departments, press releases, and mailed questionnaires. The survey counted only actual openings and excluded applications.

Deborah Bateman, managing director of the Bateman Group, a consulting firm based in Phoenix, believes part of the reason for fewer openings is that "regulators are being much tougher" when it comes to charter approvals. While she did not foresee a severe decline in the number of bank start-ups, Ms. Bateman believed the number of

Number: Page 14 ➸

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June 27, 1988, American Banker

Outsider Can Point Out Banking Follies with Ease

By DR. PAUL S. NADLER

TRADING banking stories with Peter Louderback — principal of the Earnings Performance Group of Chatham, N.J., and a leading banking consultant with Peat, Marwick, Mitchell & Co. for 22 years — reminds you of how much fun banking really can be.

At lunch earlier this month, Pete told me the story, reputed to be true, of the national bank examiners who went into a small midwestern bank under the old rules of operation. They showed up first thing in the morning, unexpected, spread out — with examiners at each teller station, in the vault, and elsewhere — and almost took over the bank. As examiners used to do, they started a normal week's exam of everything from counting the cash to examining the loans.

About half an hour into the exam, the head examiner realized he was in the wrong bank! Instead of being in the national bank in town, he had come into the state-chartered bank across the street.

What to do next? He thought fast.

Nadler Says:

Why have high service charges that are not enforced half the time? Why not have lower ones that have to be maintained?

The lead examiner told all the examiners and all the top officers to report to the board room immediately. He sat the examiner near the door, then addressed the crowd:

"Now listen. We did a test. We are national bank examiners. We were not supposed to be allowed in here, and you didn't even ask for our credentials. You have failed this test, and we are gong to report you to the proper state bank authorities."

With the announcement, he turned to his staff and said, "All right. Now let's get out of here."

Pete uses the same type of smarts and whimsy in handling his clients.

The basic function of his company, which now employs more than 40 people, is to help banks improve earnings by reducing noncredit expense and increasing noncredit earnings. In today's world of gap management and variable-rate deposits and loans, many banks have found that this noncredit area is the most fruitful place to increase the bottom line.

Nuts and Bolts of Troubleshooting

What do Pete and his Earning Performance associates do?

Sure, they work on the big things. And his fancy brochure talks about streamlining back-office operations, product pricing, waiver practices, staff reduction, and branch profitability.

But sit down to lunch with Pete and you learn that his bread-and-butter value to banks is the outsider's perspective, to point out follies of practices that have been employed for years. Some examples follow.

Banks set service charges that should compensate for services provided. Yet, all too often, the individual branch manager or other contact person waives the charges out of fear of alienating the customer. This often makes unprofitable the individual account of which the contact officer is so solicitous.

Maybe the account is held by a former employee, a friend of the banker, or someone whose business was far more valuable when the account was opened and the service charge was waived than it is today. But the waiver has never been removed from the computer record.

Why have high service charges that are not enforced half the time? Why not have lower ones that have to be maintained? Pete suggests that a bank with a policy of charging $30 for a check written on insufficient funds and a capture rate of 40% would be far better off with a $20 charge and stiffer standards that lead to a 90% capture rate.

In talking about how marketing people frequently impose waivers on collection of service charges, Pete reminds me of Charlie Agemian, the retired banker and lecturer. He always used to say, "The function of the marketing department, as I see it, is to give away the bank."

Pete reports that when he talks about waiver practices to management, they usually reply, "I didn't know things were that bad."

Pete also tells of the bank that has a two-day to five-day hold period on obtaining funds against a deposited check. But if the customer splits the deposit to get some cash back, the bank accepts the entire deposit as good immediately so that the transaction will be less complicated.

On top of the float and risk involved, the procedure takes a teller two minutes to complete with a split check, while it takes only 45 seconds if the entire check is deposited and the normal delay on availability is imposed. Changing that practice can result in substantial bottom-line improvement.

Pete points out that many banks have a lower service charge for a stop-payment than for an overdraft. So naturally, when people write checks beyond their balances, they call in with stop-payments and give the bank extra work. The banks, meanwhile, earned less than they would have if the customers had let the checks bounce in the normal manner.

Penny Wisdoms, Pound Follies

When Earnings Performance pointed this out to one bank, the chief executive replied: "We will wait till June when we publish our new price list for services, and then we will correct this."

To Pete, this means the bank gave up about $400,000 in income to save $2,000 or so in printing costs for a new price list.

Pete firmly believes the day is near when bankers will charge for their time as lawyers and accountants do.

He steams when he sees a bank officer helping someone balance a checkbook and not charging for this service. He also gets mad when he sees his investigations and suggestions stopped at middle management out of fear of what will happen if the recommendations go to the top. The chief executive might ask why things haven't been changed before.

Many banks continue giving extra copies of customer statements without charge, balancing checkbooks for free, and keeping more cash at each branch than is needed, at the cost of extra reserves and higher insurance costs. All this is simply because no one has stepped back and analyzed the procedures to see if they make sense today.

Who works for Earnings Performance? Pete is proud to say that in addition to technical people, one of his most effective employees is an individual who never had any formal business education but worked for several decades as a teller. She goes into a bank, looks at how every piece of paper crosses each desk, asks why each process is necessary, and even examines how the desks are arranged.

Pete believes branches should eliminate much of their operations function and serve as selling locations for customers instead of paper-processing centers. He also gets upset when he sees a computer system that only allows the front-line people to read a screen and know what has happened. He wants the scope to allow data entry; that would avoid a second operation later, after the initial transaction with the customer has taken place.

He looks at the contact-area equipment as an information base to cross-sell, and if it does not serve this function, he considers it a lost opportunity.

Pete's views on ATMs are straightforward: Charge if the customer uses an ATM other than those operated by the customer's own bank. The customer will pay for the convenience.

Place the ATM on the wall of the

Banking Trends: Page 22 ➜

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 6.

1. According to a special report by this newspaper, what management strategy — which has cut some costs by 25% to 30% in the hospital industry — might have the potential to work equally well for financial institutions?

2. In a study of why banks fail, prepared by the Office of the Comptroller of the Currency, what was the leading characteristic found at 85% of the 171 institutions that have failed since 1979?

3. While credit from banks and finance companies appears to be generally available to small businesses in New York State, survey interviews by Interface — a not-for-profit research group — find that bankers in the Empire State are most reluctant to provide credit to small operators in what type of business?

$
Commercial Lending

4. The Federal Deposit Insurance Corp. closed the bidding on June 17 for bulk sale of an $874 million portfolio of poor-quality loans from Chicago's Continental Illinois Corp. The agency had set a minimum price of 34 cents on the dollar for these loans. What was the outcome of the bidding?

5. What big banking company led the financial services industry — and placed sixth among all corporate political action committees in the U.S. — with $375,000 in PAC donations to candidates and the related promotion of big-bank issues, as reported to the Federal Elections Committee for the 15-month period ended March 31?

6. Based on this newspaper's survey of data from the federal regulatory report of condition for Dec. 31, 1987, do the top 300 commercial banks in the U.S. hold more business loans or more consumer loans?

7. In this excerpt from a speech delivered in 1948 by Orval Adams, former president of the American Bankers Association, fill in the blanks with the missing term: ".....is a gift to the world from an all-wise creator. The ..... standard is the automatic watchman on the tower of the government of free man, to guard against the poison of totalitarianism entering the bloodstream of sound money."

8. Although the well-known communication services company claims it did not deserve this species of notoriety, Western Union won a Harlan Page Hubbard award from the National Consumers League in Washington for its television advertising campaign dramatizing several situations in which desperate travelers got fast access to money in emergencies via Western Union wires. Who was Mr. Hubbard, and why did Western Union repudiate the award given in his name?

9. For nearly a century the IDS Certificate Co., Minneapolis, has been successfully marketing an investment product known as the face-amount certificate, closely resembling a bank CD. Sold in a range of denominations from $1,000 to $500,000, but yielding up to 25 basis points more than the national average for comparable bank CDs, the IDS product logged cash sales of $491 million in 1987. In what important aspect does the IDS face amount certificate differ from a bank CD?

—Robert Paul Molay

Ranking the Financial PACs: Who Are the Big Fundraisers?

WHAT do Central Bankshares of the South Inc., Citicorp, Barnett Banks Inc., First RepublicBank Corp., and MCorp have in common? Very little, usually, but all of these institutions are leaders in raising funds and distributing them through their political action committees — PACs. Central Bankshares and First Republic, for instance, rank among the top 50 corporate PACs in receiving funds between Jan. 1, 1987, and March 31, 1988, according to Federal Election Commission data released last week. MBank ranks among the top 50 corporate PACs in disbursements during that same period.

In all, PACs raised more than $213 million and spent just over $162 million in those 15 months, the election commission said. Candidates seeking election in 1988 received $56.4 million during this period, a 34% increase from two years ago, when the last election cycle occurred.

Below are three tables showing some highlights of the top financial trade group and corporate PACs and what they have contributed in this election cycle to federal candidates.

PACs: Who Gave The Most?

Rankings Among Top 50 PACs

Rank	Trade Group/Firm	Contributions
2	**National Association of Realtors**	$982,115
12	**National Association of Home Builders**	$565,971
18	**National Association of Life Underwriters**	$471,756
22	**American Bankers Association**	$380,900
32	**American Institute of Certified Public Accountants**	$292,559
35	**Independent Insurance Agents of America**	$273,854
41	**U.S. League of Savings Institutions**	$252,250
42	**Credit Union National Association**	$251,625
45	**Citicorp**	$240,244

Trade groups or corporations in the financial services or related industries operated 9, or 18%, of the top 50 PACs ranked by contributions. The National Association of Realtors' PAC was the nation's second largest PAC contributor, topping the National Association of Home Builders PAC by more than $400,000 and the American Bankers Association's BankPac by more than $600,000. Citicorp is the only financial firm to appear among the top 50 PACs.

Which Companies Gave the Most?

Rankings Among Top 50 Corporate PACs

Rank	Corporation	Contributions
6	**Citicorp**	$240,244
11	**Barnett Banks Inc.**	$193,000
13	**J.P. Morgan & Co.**	$178,250
25	**First Boston Corp.**	$158,000
27	**E.F. Hutton & Co.**	$151,421
33	**Goldman, Sachs & Co.**	$139,700
41	**Prudential Insurance Co.**	$120,562
46	**Travelers Corp.**	$109,000
47	**Morgan Stanley Group Inc.**	$108,000
50	**Aetna Life and Casualty Co.**	$103,166

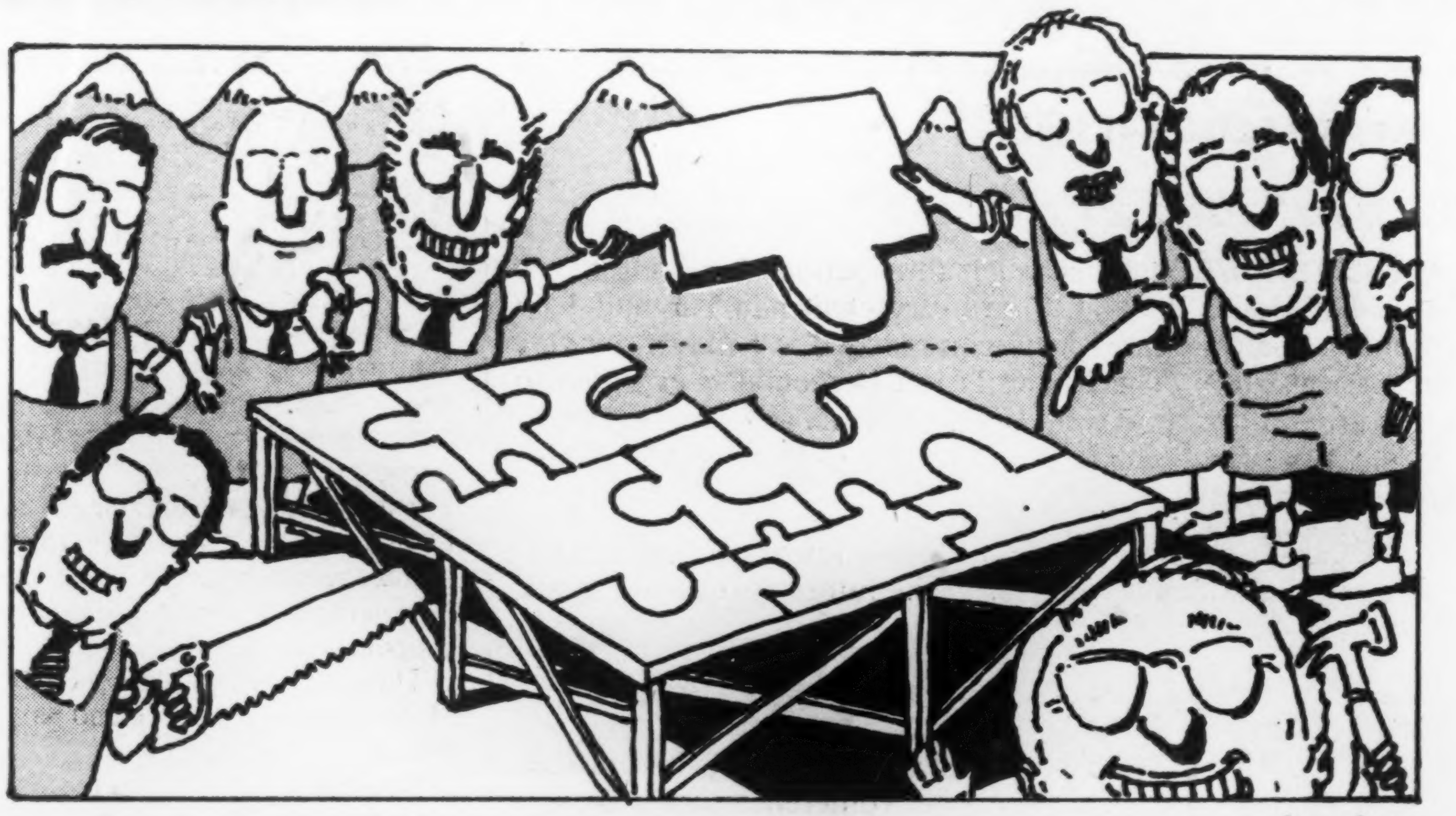
Only five corporate political action committees — AT&T, United Postal Service, Philip Morris, Federal Express, and Textron — reported larger contributions than the Citicorp PAC to federal candidates during the 15-month reporting period from Jan. 1, 1987, to March 31, 1988. Of the top 50 corporate PACs, 10, or 20%, were operated by financial institutions, and others — including J.C. Penney, Chrysler, and TRW — were in related activities.

Leaders Among Mutual Firms

Rankings Among Top 50 PACs of Nonstock Corporations

Rank	Corporation	Contributions
1	**Chicago Mercantile Exchange**	$226,650
4	**Equitable Financial Services**	$124,000
6	**Massachusetts Mutual Life Insurance Co.**	$89,401
9	**New York Life**	$52,422
11	**New England Mutual Life Insurance Co.**	$43,850
12	**Connecticut Mutual Life Insurance Co.**	$37,700
13	**MONY**	$31,250
15	**Chicago Board of Options Exchange**	$26,500
17	**John Hancock Financial Services**	$25,000
28	**Glendale Federal Savings Association**	$11,600
34	**San Antonio Savings Association**	$6,500
37	**Empire of America Federal Savings Bank**	$5,925
47	**Pioneer Federal Savings and Loan Association**	$3,283
49	**People's Bank**	$3,143
50	**San Francisco Federal Savings**	$3,100

Mutual insurance companies and savings banks dominate the list of largest PAC contributors among nonstock corporations. Equitable topped the insurance firms with contributions, while Glendale Federal was the savings institution giving the most to federal candidates.



James Jones

Finishing a Risk-Based Puzzle

At Basel Session, International Capital Rules Near Completion

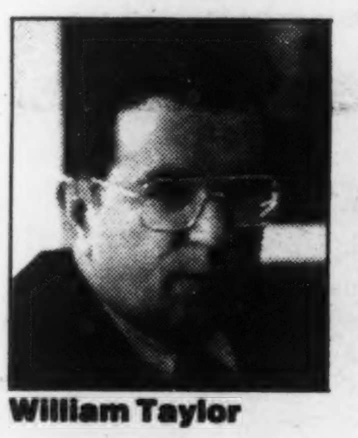
By BARBARA A. REHM

BANK regulators from 12 western countries will meet in Basel, Switzerland, today and tomorrow. Their mission: refining a risk-based capital proposal.

Begun more than two years ago, the risk-based capital plan will force banks to back riskier assets with more money. It will also require capital for off-balance sheet items for the first time.

The industry was given time to persuade the regulators to make changes. After studying comments made on the plan, representatives from the Federal Reserve Board, the Federal Deposit Insurance Corp., and the Comptroller of the Currency have gone to Basel this week to bargain for changes and hash out final capital rules.

Some of the hottest points of contention here in the United States — such as requiring the same capital backing for home mortgages as for other, more risky types of loans — will not get much attention this week as the negotiators focus more on questions common to all 12 nations.



William Taylor

Based on interviews with regulators and industry sources last week, the big topics on the table in Basel will be:

- Whether perpetual preferred debt should be counted as primary capital.
- Whether parent companies of banks should be forced to adhere to the capital guidelines.
- Whether capital backing loans to countries should vary based on the economic health of those countries.
- Whether the quality of collateral backing a loan should affect what risk weighting is assigned.

The Basel negotiations are being conducted at the Bank for International Settlements, which is the central bankers' bank. This session is a forerunner to a formal vote by the governors of the international bank, who are central bankers from each member country. The U.S. delegate is Federal Reserve Board Vice Chairman Manuel H. Johnson.

The next meeting of the BIS governors is set for July 10. A final vote could be taken then, but sources said the governors probably will use the July meeting to go over what the staff develops this week. A final vote could be taken in August.

William Taylor, director of the Fed's supervision and regulation division and one of the regulators meeting in Basel, described in an interview what he expects to happen.

"They'll get to be long days," he admitted, noting that one meeting of international regulators on risk-based capital did not adjourn until midnight. "Everyone gets to say what they want to say."

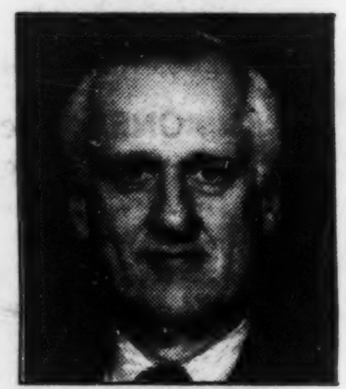
The other three U.S. regulators attending today's meeting are Paul G. Fritts and Dean S. Marriott, who, respectively, oversee bank regulation at the FDIC and the Comptroller's office, and Irwin D. Sandberg, senior vice president for foreign relations at the Federal Reserve Bank of New York.

After the BIS governors approve a refined version of the risk-based capital plan, the final rules will then be considered by each country.

As the proposal now reads, bank primary capital would have to be composed strictly of common equity and would have to equal 4% of risk-weighted assets by the end of 1992. Total capital-to-asset minimums will be 8% by then, with the additional 4% comprising subordinated debt, loan-loss reserves, and so-called hidden reserves, among other things.

COMPLAINTS by the industry have centered on the argument that perpetual preferred is just as able to absorb losses as common equity and thus should be treated as primary capital. The criticisms from congressmen, banks, and rating agencies appear to have convinced U.S. regulators. Sources agreed last week that other countries probably will accede to this request.

If they do, big U.S. banks will have less trouble meeting the higher capital standard. Most regional and smaller banks already hold at least 4% common equity.



Dean S. Marriott

Whether the nonbank financial parents of banks must meet these capital minimums is more controversial. The Fed wants bank holding companies to subscribe to the new capital rules. Other countries, which don't have bank holding companies, per se, but do have insurance companies that own banks, are less enthused about extending risk-based capital rules to these companies. (The FDIC agrees the rules should only apply to banks.)

This debate is more likely to be resolved by the BIS governors than the staff this week, sources said. Mr. Taylor appeared to confirm this when he said: "We will probably come back with a more defined proposal with maybe this or that left open."

Mr. Taylor identified the questions of country risk and collateral as two other issues still subject to debate.

Paul G. Fritts

Should an asset, such as a government security, be weighted differently when it is held directly by a bank than when it is backing a loan the bank has made?

Whether collateral should be treated as a direct obligation, however, raises the thorny question of how to gauge the risk of specific collateral.

Just as contentious is ranking the risk of one country against another. Is Great Britain more likely to pay back a loan than Brazil? What about each country's banks? Which are more stable? Everyone involved seems to know the answers to such questions — but no one wants to say them out loud. The rub is detailing what factors would be used to determine a country's riskiness.

Under the current proposal, claims on domestic banks carry a smaller capital requirement than claims on foreign banks. But that raises the question of whether a loan guarantee, for example, issued by Manufacturers Hanover Trust Co. is less risky than one from West Germany's Deutsche Bank, sources suggest.

These three issues will be aired in Basel, but it is doubtful they will be acted on — at least not now. Risk-based capital is likely to be approved later this year in much the same form as it was proposed last January. ■

June 27, 1988, American Banker

Number of New Financial Firms Fell Again in '87

Commercial Bank Failures Surpass Openings for First Time Since the Depression

Continued from Page 1

bank openings will remain low.

The trend follows a bell curve, she said. "The number of banks decrease and the size of banks increase" during a merger and acquisition frenzy. "We're looking at a five-year window, so that it probably won't be until 1992" that new charters begin to edge up again.

In addition, charter application fees and minimum capitalization levels have been rising. For example, the Comptroller's office raised its application fee to more than $15,000 from $6,000.

In 1986, capitalization for a new institution averaged $3.6 million. For 1987, that figure climbed to about $4 million.

In Georgia, where five new financial institutions opened in 1987, the minimum capitalization was raised from $1 million to $3 million. The minimum is $5 million in urban areas of the state. The initial capitalization of Georgia banks averaged $6.9 million in 1987, compared with $4.4 million in 1986.

Both state and federal authorities are taking a much closer look at the management and directors of any proposed bank. In 1985, the Comptroller's office ruled that a proposed bank must have a chief executive officer in place to be granted a charter. This gives a bank a better chance of success as management is "a critical component of the charter application."

Opponents of the rule contend that few chief executive candidates are willing to commit themselves to an uncertain venture.

Almost 40% of the new institutions in 1987 were in the Southeast. Of the 63 financial institutions that opened in the region, 32 were in Florida. In the past two years, 65 new financial institutions have opened in the state, compared with 6 closings.

Florida was followed by Texas with 17 openings in 1987. In the past two years, openings have edged out closings in Texas by 79 to 76. California, Missouri, New Jersey, and New York followed in the ranking with eight openings each.

Of the 73 institutions that responded to a query on an *American Banker* questionnaire, 48 said they targeted a specific segment of the community. Twenty-three sought upscale clients; 25 considered themselves community banks.

Merger mania may have opened the door for smaller banks to take advantage of specific niches that big banks lack the flexibility to address.

During a time of consolidation in the industry, with more small, community banks being gobbled up by superregionals, concern mounts about banking services for the average person.

State and federal authorities are taking a much closer look at the management and directors of any proposed bank. In 1985, the Comptroller's office ruled that a proposed bank must have a chief executive officer in place to be granted a charter.

An *American Banker* survey of consumer attitudes for 1987 showed that most customers of banks that had been acquired believed service quality had declined since the takeover. Among banks that had merged, most consumers believed service remained the same (57% in 1987 against 54% in 1986).

But only 14% of customers of merged institutions felt their banking services had improved since the merger, compared with 24% in 1986. There was a corresponding decrease in those who felt service was better since the merger — 19% vs. 14%.

In the survey, Edward E. Furash, president of Furash & Co., a Washington-based consulting firm, noted that some customer dissatisfaction stems from the way mergers are heralded.

"Banks usually promote the improvement that the consumer should get in terms of benefits from the new institution," Mr. Furash noted. "This results in raising consumer consciousness and making the consumer more critical of what he does get."

The fact that fewer customers find conditions improved at their banks may indicate that "banking is short of good managers," Mr. Furash said. "It's too easy to slide over the little things that make a difference . . . and create customer unhappiness."

Rapid turnover among tellers and branch managers were the primary complaints of customers served by the new banking giants, according to a *Wall Street Journal* article of April 20 that looked at the incursion of the superregionals into the Florida market.

The *American Banker's* consumer attitude survey found that consumers are becoming more concerned with service quality than convenience. Tom Hefter, of the Financial Institutions Marketing Association, a U.S. League of Savings Institutions affiliate, said errors made by new computer systems in merger situations can touch off customer dissatisfaction.

Financial institutions should "upgrade and expand the level of communications that they have with customers," Mr. Hefter said, "so the customers feel they are a part of it [the merger] from the very beginning."

In a speech given to the American Bankers Association's American Institute of Banking, Thomas A. Cooper, chairman of Invest, a Florida-based insurance and securities firm, and former president of Bank of America, San Francisco, also warned that consumers increasingly are choosing their financial services providers by value and not tradition.

"Consumers are not particularly concerned whether the provider is a bank, a thrift, a stockbroker, an insurance company, a carmaker, or a department store," Mr. Cooper said. "The message from consumers to bankers — as to automakers, toaster makers, shirtmakers — is the consumer will no longer pay for inefficiency in any industry."

One of the more interesting specialties reported by a new institution was a decision to target young people. Young Americans Bank, Denver, a state-chartered commercial bank, aims to provide banking services and education to people under 22 years of age. The bank, which opened Aug. 3, 1987, had assets of $3.5 million and deposits of $2.2 million at yearend. It reached the

Bank: Page 18

Boston Private Bank Caters to the Well-Heeled

NEW YORK — Boston Private Bank & Trust Co. is dedicated to the practice of banking "to fit the client's convenience, rather than the banker's," according to Robert H. Bradley, president.

The Boston bank, which opened on May 1, offers highly personalized banking and financial services for domestic and international clients. Boston Private has an untraditional look, with an open layout and only one teller's window, located discreetly in the rear of the bank. Transactions take place in one of four private client rooms.

"There was a conscious decision not to do any advertising in the first year or two, but rather to concentrate on public relations positioning," said Michael Stedman of Financial Marketing and Communications, Wellesley Hills, Mass., the public relations consultant for the bank.

Mr. Stedman said the bank strives for person-to-person relationships between clients and the bank's officers and directors. "The feeling was that the high level of banking and financial services available at Boston Private Bank & Trust would not be something the general population could effectively use," he explained. "Therefore, more targeted communications were chosen."

The bank strives for direct client-officer relationships.

"We provide premiums to clients who require high-quality, long-term banking relationships — sophisticated clients looking for mortgage, real estate, personal, and small business lending, as well as deposit services," Mr. Bradley said. "High-performance investment management and financial planning is scheduled by the year's end."

To attract depositors in its early phase of growth, Boston Private Bank is paying 6% on money market accounts and aggressive rates on jumbo certificates of deposit.

The bank's private bankers also will make "house calls" when necessary and provide courier service to those needing it. An elegant room is available where clients, especially those from overseas or out of town, can telephone, hold meetings, or review the latest financial news.

Ensign Trust of London, a major British investment company, has purchased a 14.3% ownership in the bank with an investment of about $1 million.

— Kenneth J. Hicks

Northside Bank Shaped to Bypass The Bureaucracy

By KENNETH J. HICKS

NEW YORK — Northside Bank & Trust Co., Roswell, Ga., is a prime example of how a new community bank is created when a local bank is acquired by a larger out-of-state bank.

Roswell Bank was bought by First Union National Bank of Georgia, a subsidiary of North Carolina-based First Union Corp., in 1985. Local leaders — including former Georgia Gov. Joe Frank Harris and chief administrative officer Tom Perdue — came together to organize Northside Bank & Trust. The idea was that a large bureaucratic bank like First Union would not be able to meet the needs of the residents of Roswell and northern Fulton County.

Further, the entire senior management of Roswell Bank flocked to Northside, including Donald D. Howard, its president and chief executive officer.

The new community bank — serving a wealthy suburb 25 miles north of Atlanta — was well received, with an initial capitalization of $10 million. At that time, it was the highest capitalization for a new bank in Georgia. Northside set a state record for opening-day deposits, with $7.2 million, and logged close to $10 million in 410 accounts within a week of the July 13, 1987, opening.

An opening-week promotion offered a $10 donation to a depositor's favorite charity. Those who opened an account within the first month were eligible for a drawing for a $1,000 deposit and matching charitable donation.

As of June 20, 1988, Northside had total deposits of $55.9 million and assets of $67.4 million.

The bank plans an aggressive growth campaign over the next few years, hence, its large capitalization. This strategy will allow Northside to "grow- . . . without forcing us to go back and recapitalize two or three years later," Mr. Perdue told the *Atlanta Journal*.

Northside bank offers a full range of consumer and commercial financial services, as well as a drive-in facility, automatic teller machine, and safe-deposit boxes. ■

A St. Louis Bank For Entrepreneurs

NEW YORK — Heritage National Bank, St. Louis, targets small businesses and consumers with an emphasis on the entrepreneur and senior citizens.

The federally chartered bank opened Feb. 9 with initial capitalization of $2 million. It doesn't have specific programs for the entrepreneur but runs newspaper advertisements directed at the small business community, a bank spokesperson said.

For the senior citizen, however, the bank runs the Heritage 55 senior citizens club. "Senior citizens receive discounts on some bank services," the spokesperson said, "as well as special activities . . . We usually have something each month."

A minimum account balance is necessary to become a member of the club. There are approximately 300 current members in Heritage 55.

As of March 31, Heritage National had $22 million in assets and $20.4 in deposits. ■

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Financial Institutions That Opened in 1987

ALABAMA	Date Opened	Initial Capital
Bank of Albertville (SB,a) Albertville P.O. Box 1488, 13590 Tom W. Rankin, president, (205) 891-1280	June 18	$2,000,000
First Commercial Bank of Cullman County (SB) Cullman P.O. Box 1708, 35056 John J. Mullins, president, (205) 737-9900	November 30	1,700,000
SouthTrust Bank of Decatur (SB) Decatur P.O. Box 2245, 35602 Joseph D. Hudgins, president, (205) 350-4150	January 26	2,000,000
First Citizens Bank of Monroe County (SB) Monroeville 915 South Alabama Avenue, 36460 Byron L. Hughes, president, (205) 575-2200	July 1	1,500,000
Bank of Tuscaloosa (SB,a) Tuscaloosa 2209 9th Street, 35401 James B. Fleming, president (205) 345-6200	April 4	5,000,000

ARIZONA	Date Opened	Initial Capital
Bank of Verde Valley (SB) Cottonwood 888 South Main Street, 86326 Robert M. Koele, president, (602) 634-9546	April 30	N.A.
Bank of Fountain Hills (SB) Fountain Hills P.O. Box 17810, 85268 Steven Palm, president, (602) 837-0800	April 24	N.A.
Home Federal Savings & Loan Association (FT) Tucson 32 North Stone Avenue, 85701 William D. Hinz, president, (602) 623-7771	N.A.	N.A.

ARKANSAS	Date Opened	Initial Capital
Bank of Fayetteville N.A. (FB) Fayetteville P.O. Box 1728, 72701 John M. Lewis, president, (501) 444-4444	June 5	4,000,000

CALIFORNIA	Date Opened	Initial Capital
Bank of the Desert NA (FB) La Qunita 51-290 Avenida Bermudas, 92253 Dale Kirkpatrick, president, (619) 564-1857	March 16	2,000,000
Bank Audi (California) (SB) Los Angeles 444 South Flower Street, 90071 William A. Hanna, president, (213) 627-7799	October 5	6,000,000
Liberty Thrift & Loan Co. (ST,a) Orange 1 City Boulevard, W. #300, 92664-8499 Murray Zoota, president, (714) 937-0444 **Mission:** Auto financing and real estate	June 12	1,500,000
Mid-Peninsula Bank (SB) Palo Alto 420 Cowper Street, 94301 David L. Kalkbrenner, president, (415) 323-5150 **Mission:** Small to mid-sized business, professionals and up-scale clients	October 9	7,759,000
Bank of Petaluma (SB) Petaluma 100 Petaluma Boulevard South, 94952 Walter E. Bragdon, president, (707) 765-2222	September 21	4,000,000
Irving Trust Company of California (STr,a) San Francisco 600 Montgomery, 94111 Richard R. Tinewin, president, (415) 398-1505 **Mission:** Trust services	March 17	2,500,000
Sequoia National Bank (FB) San Francisco 65 Post Street, 94104 Kent D. Glover, president & CEO, (415) 781-0600	March 2	3,350,000
Valencia National Bank (FB) Valencia 23920 West Valencia Boulevard, 91355 Robert N. Manley, president, (805) 259-9900	October 15	3,956,476

COLORADO	Date Opened	Initial Capital
Young Americans Bank (SB) Denver 250 Steele Street, 80206 Linda Sanders, president, (303) 394-4357 **Mission:** Provides banking services for youths up to 22 years of age	August 3	1,500,000
First Interstate Bank of S. Fort Collins (SB,a) Fort Collins 2900 South College Avenue, 80525 Thomas S. Byington, president, (303) 223-3535	January 26	1,500,000

CONNECTICUT	Date Opened	Initial Capital
Bank of East Hartford (SB), East Hartford 290 Robert Street, 06108 Warren H. Sullivan, president & CEO, (203) 528-4711 **Mission:** Community bank	January 8	6,322,140
BayBank Connecticut NA (FB,a) Hartford 90 State House Square, 06103 George M. Schmeck, president, (203) 524-5600	August 31	N.A.
Sentinel Bank (SB) Hartford 50 Columbus Boulevard, 06106 Randy Stewart, president, (203) 246-0704 **Mission:** Small to mid-sized business	July 20	9,502,000
Bank of Mystic (SB) Mystic Route 1, 06355 Anthony P. Halsey, president, (203) 572-8981 **Mission:** Community bank	June 19	6,000,000
Norwalk Bank (SB,a) Norwalk 495 Westport Avenue, 06851 Emmett G. Murphy, president, (203) 847-2265	June 4	8,000,000

DELAWARE	Date Opened	Initial Capital
Equibank (Delaware) NA (FB) Wilmington 1407 Foulk Road, 19803 David J. East, president, (302) 479-0500	March 4	N.A.

American Banker compiled the data from several sources, including the Office of the Comptroller of the Currency, the Federal Reserve Board, the National Credit Union Administration, state banking and savings and loan departments, press releases and direct mail surveys. **N.A.** — Not available; **N/A** — Not applicable; **FB** — Federal chartered commercial bank; **SB** — State chartered commercial bank; **FT** — Federal chartered commercial thrift; **ST** — State chartered commercial thrift; **FC** — Federal chartered credit union; **SC** — State chartered credit union; **STr** — State chartered trust company; **a** — Member of a holding company; **b** — Holding company being formed.

DISTRICT OF COLUMBIA	Date Opened	Initial Capital
AARP FCU, Washington, D.C. 1909 K Street, NW, 20049 Cyril F. Breckfield, presiding officer, (202) 842-4700	April 20	N/A
Columbia National Bank (FB,a) Washington, D.C. 555 13th Street, N.W., 20004 Edward M. Tilghman, President, (202) 737-3060 **Mission:** Professionals, upscale clients and small business	July 20	3,000,000
Union Labor Life Insurance Co. FCU Washington, D.C. N.A. N.A. **Mission:** Employees of Union Labor Life Insurance Co. and its subisidiaries	May 15	N/A

FLORIDA	Date Opened	Initial Capital
C&L Bank (SB) Blountstown P.O. Box 534, 32424 C. Bowers Sandusky, president & CEO, (904) 674-5900 **Mission:** Community bank	August 31	1,500,000
Banyan Bank (SB) Boca Raton P.O. Box 4230, 33429-4230 William J. Bennett, president & CEO, (305) 994-0077	July 9	2,853,000
First Southern Bank (SB) Boca Raton 9955 West Glades Road, 33434 Martin L. Wyneken, president & CEO, (305) 479-2100	September 14	4,459,076
Jefferson National Bank (FB,a) Boca Raton 21302 St. Andrews Boulevard, 33433 Barton S. Goldberg, President, (305) 368-6900 **Mission:** Upscale clients	June 8	3,000,000
Palm Plaza Savings Association (ST) Boca Raton 1200 North Federal Highway, Suite 101, 33434 Andrew G. Bowes, president, (305) 368-9600	February 11	3,125,000
First Western Bank (SB) Cooper City P.O. Box 290478, 33329 Thomas H. Brandeis, president & CEO, (305) 434-7600	January 14	2,780,000
Coral Savings & Loan Association (ST) Coral Springs P.O. Box 8446, 33075 Peter J. Hardiman, president & CEO, (305) 752-7100	March 16	3,808,618
Citizens Bank of Wakulla (SB) Crawfordville P.O. Box 1240, 32327 Thomas E. Rowell, Jr., president, (904) 926-5211	October 13	1,500,000
Southland Bank (SB) Deltona 800 Deltona Boulevard, 32725 George H. Carefoot, president, (305) 574-0800	January 12	3,023,000
First American Bank of Walton County (SB) Destin P.O. Box 6339, 32541 Jerry Wilson Roberts, president & CEO, (904) 837-1776	June 12	1,750,000
First Coast Community Bank (SB) Fernandina Beach P.O. Box 1739, 32034-1739 James M. Townsend, president & CEO, (904) 277-4400 **Mission:** Community bank	October 15	2,600,000
First Gulf Bank (SB,a) Gulfport P.O. Box 47979, St. Petersburg, 33707 Ralph E. Harshbarger, president & CEO, (813) 341-1212 **Mission:** Community bank	April 15	6,250,000
Admiralty Bank (SB) Juno Beach 1205 U.S. Highway # 1, 33408 John H. Gries, president, (305) 627-2700 **Mission:** Small business	May 28	5,000,000
Emerald Coast State Bank (SB,a) Mary Esther 130 Miracle Strip Parkway West, 32569-1927 Charles Wilbur, president & CEO, (904) 244-9293 **Mission:** Community bank	July 24	3,000,000
Florida Trust Services of Ohio Bancorp (STr,a) Naples 3001 Tamiami Trail North, 33940 Donald W. McGowan, chmn & president, (813) 263-3555 **Mission:** Trust services	N.A.	2,000,000
First Florida Bank of Pasco Cty. (FB) New Port Richey 4041 Rowan Road, 34653 Mike Good, president, (813) 845-3333	July 13	N.A.
Equitable Bank (SB) North Miami Beach 2040 N.E.P 163rd Street, 33162 H. William Spute, Jr., president & CEO, (305) 940-4050 **Mission:** Executive and professional banking	February 19	3,000,000
First Community Bank of Orange City (SB) Orange City 2240 South Volusia Avenue, 32763 Timothy William Englert, president, (904) 775-3115	October 5	3,000,000
Liberty National Bank (FB,a) Orlando 4301 East Colonial Drive, 32803 William B. Gosset, president, (305) 894-1776	January 20	2,500,000
American Bank & Trust (SB) Pensacola P.O. Box 12744, 32575-2744 William E. Bassett, president & CEO, (904) 432-2481 **Mission:** Community bank	February 19	3,500,000
Charlotte State Bank (SB,a) Port Charlotte P.O. Box 2563, 33949-2563 Charles G. Brown, II, president & CEO, (813) 624-5400 **Mission:** Small business, medical profession and construction loans	November 3	2,395,948
Gadsden National Bank (FB,a) Quincy P.O. Box 1080 Herschel Williams, president, (904) 627-7118	June 1	4,250,000
Southeast Bank (SB,a) Tallahassee 101 North Monroe Street, 32301 Gary Bliss, president, (904) 681-2337	January 20	2,000,000
Members Trust Company (STr,a) Tampa P.O. Box 11736, 33680 Tom E. Walker, president & CEO, (813) 621-7511 **Mission:** Trust services for members of Suncoast Schools Federal Credit Union	February 2	1,000,000
Southern Commerce Bank (SB) Tampa 5650 Breckenridge Drive, Suite 110, 33610 Thomas L. Wilson, President, (813) 621-2080 **Mission:** Small- to mid-sized business	June	3,151,050
Terrace Bank of Florida (SB) Tampa P.O. Box 16828, 33687-6828 Douglas Winton, president & CEO, (813) 985-1128	September 4	3,025,055
Tri-County Bank (SB) Trenton P.O. Box 797, 32693 John H. Ferguson, president, (904) 463-7171 **Mission:** Community bank	May 22	1,493,617

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Financial Institutions That Opened in 1987

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Guaranty Bank of Southwest Florida (SB) Venice P.O. Box 618, 34284-0618 David F. Voigt, president & CEO, (813) 485-9000 **Mission:** Community bank	August 19	3,185,181
Governors Bank (SB,b) West Palm Beach P.O. Box 024666, 33402-4666 J. Russell Green, president & CEO, (305) 844-4200 **Mission:** Retail, small business and upscale clients	July 1	5,100,000
First Wisconsin Trust Co. of Fla. NA (STr,a) West Palm Beach 515 North Flagler Drive, Suite 2100, 33401 Philip L. Dunmire, president, (407) 832-8200 **Mission:** Upscale trust services	July 1	1,000,000
Sterling Savings Bank (ST) West Palm Beach P.O. Box 20509, 33416-0509 Wade D. Key, president, (305) 968-1000	May 1	4,000,000
Central National Bank (FB) Winter Park 1245 West Fairbanks Avenue, 32789 Dick D. Mahaffey, Jr., president, (407) 628-2006 **Mission:** Upscale clients, small- mid-sized business	April 1	4,110,000

GEORGIA	Date Opened	Initial Capital
Citizens & Southern Trust Co. (Georgia) NA (STr) Atlanta P.O. Box 4899, 30302 Kenneth J. Phelps, president, (404) 897-3102 **Mission:** Trust services	July 2	2,999,920
Enterprise National Bank (FB) Atlanta 9000 Central Park, Suite 100, 30328 William L. Daniel, president, (404) 395-9611 **Mission:** Community bank	June 30	9,225,000
Vinings Bank & Trust NA (FB) Atlanta 2727 Paces Ferry Road N.W., 30339 W. Michael Balsley, president, (404) 432-1000	October 23	7,600,000
Citizens & Merchants State Bank (SB) Douglasville P.O. Box 1585, 30133 Kenneth L. Barber, president, (404) 920-2265	October 6	4,700,000
Rheem Manufacturing Co. FCU Milledgeville P.O. Box A-F, 31061 Andrew Babyak, presiding officer, (912) 453-7575 **Mission:** Hourly and salaried employees of Rheem Manufacturing Co.	February 24	N/A
Northside Bank & Trust Co. (SB,a) Roswell P.O. Box 366, 30077 Donald D. Howard, president, (404) 475-2265 **Mission:** Seeking "to be the community bank for the north Fulton County area"	July 13	10,000,000

GUAM	Date Opened	Initial Capital
Bank of Nauru (FB) Agana P.O. Box AM, 96910 Tazio Gideon, president, (671) 649-9251	June 12	794,288

HAWAII	Date Opened	Initial Capital
Plumbers and Fitters Local 675 FCU, Honolulu 1109 Bethel Street, 96813 Herbert S.K. Kaopua, presiding officer, (808) 536-5454	January 13	N/A

ILLINOIS	Date Opened	Initial Capital
Mayfair Bank (SB) Chicago 6300 North Pulaski, 60646 Harrison I. Petrie, president, (312) 736-1300	February 2	2,500,00
New Asia Bank (SB) Chicago 224 West Cermak Road, 60616 Benjamin Wong, president, (312) 225-5991	Aug. 27	2,359,407
American Chartered Bank (SB) Schaumburg 650 East Algonquin Road, 60173 Robert Riter, president, (312) 303-5400 **Mission:** Upscale clients, mid-sized business	July 23	2,350,000
Westbank (SB) Westchester 22nd and Wolf Road, 60153 Alan M. Meyer, president, (312) 562-2200	February 7	3,000,000
Hinsbrook Bank & Trust (SB) Willowbrook 6262 South Route 83, 60514 Robert K. Buhrke, president, (312) 655-2700	September 21	2,250,000

KENTUCKY	Date Opened	Initial Capital
Kentucky Independent Bank, Inc. (SB) Frankfort 108 West Campbell Street, 40601 William L. Fallon, president, (502) 875-3155	April 15	1,655,000

LOUISIANA	Date Opened	Initial Capital
Capital Bank & Trust Co. NA (FB) Baton Rouge 1885 Wooddale Boulevard, 70821 Lawrence Merrigan, president, (504) 927-1220	October 30	N.A.
Equitable Trust Savings & Loan Assn. (ST) Baton Rouge P.O. Box 41046, 70816 H. Lynn Juban, president, (504) 295-0909 **Mission:** Community thrift	March 6	3,000,000

MARYLAND	Date Opened	Initial Capital
Montgomery National Bank (FB,a) Bethesda 4719 Hampden Lane, 20814 Wilmer L. Tinley, Jr., president, (301) 656-5300 **Mission:** Small business and professionals	June 15	6,000,000

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MASSACHUSETTS	Date Opened	Initial Capital
Boston Private Bank & Trust Co. (SB) Boston One Winthrop Square, 02110 Robert H. Bradley, president, (617) 556-1901 **Mission:** Domestic and international private banking	May 1	8,000,000
First Trade Union Savings Bank, FSB (FT) Boston P.O. Box 9063, 02205-9063 Wayne G. Sharpe, Jr., president, (617) 482-4000 **Mission:** Owned by Massachusetts chapter of International Brotherhood of Carpenters & Joiners of America, but not limited to its members	September 10	12,002,209
Chestnut Hill Bank & Trust Co. (SB) Chestnut Hill P.O. Box 1, 02167-0001 Stanley Gruber, president, (617) 739-5100 **Mission:** Upscale clients	January 2	4,240,000
Bank of Western Massachusetts (SB) Springfield 29 State Street, 01103 Timothy P. Crimmins, Jr., president, (413) 781-2265 **Mission:** Small business	April 15	9,200,000

MICHIGAN	Date Opened	Initial Capital
Republic Bank Ann Arbor (SB,a) Ann Arbor 122 South Main Street, 48104 Garry J. Segal, president, (313) 665-4030 **Mission:** Upscale clients	June 1	2,000,000
NBD Battle Creek NA (FB,a) Battle Creek 4800 Dickman Road, 49016 Craig W. Schopf, president, (616) 962-4954 **Mission:** Community bank	June 15	1,500,000
Arcadia Bank (SB,a) Kalamazoo 251 East Michigan Avenue, 49007 Lawrence B. Fitch, president, (616) 349-0900 **Mission:** Upscale clients, small business, professionals	June 22	3,000,000

MINNESOTA	Date Opened	Initial Capital
Valley National Bank (FB,a) Apple Valley 7300 W. 147th Street, 55124 Howard L. Weldon, president, (612) 431-4700 **Mission:** Small business, real estate, real estate development	March 4	2,500,000
Rural American Bank (SB,a) Greenwald 450 1st Avenue North, 56335 Bernard L. Peterson, president, (612) 987-3301 **Mission:** Community bank	October 2	N.A.
Travelers Express Co. FCU, Minneapolis 5075 Wayzata Boulevard, 55416 Steven R. Klein, presiding officer, (612) 546-6161 **Mission:** Employees of U.S. government who work in Minnesota; firms in Seward Renewal Area; specific occupational groups located in the operational area of the credit union.	March 10	N/A

MISSOURI	Date Opened	Initial Capital
Century Bank (SB) Des Peres 11780 Manchester Road, Suite 103, 63131 Douglas J. McDowell, president, (314) 966-1000 **Mission:** Upscale clients, business with sales of $1,000,000 to $10,000,000	December 1	3,600,000
Village Bank of St. Louis County (SB) Ellisville 2605 Westglen Farms Drive, 63011 George M. Baggott, president, (314) 458-1800 **Mission:** Retail banking	December 31	2,000,000
Northland National Bank (FB) Gladstone 99 Northeast 72nd Street, 64118 Basil C. Benyo, Jr., president, (816) 436-3500	January 28	1,800,000
Hillcrest Bank (SB,a) Kansas City 5812 Bannister Road, 64134 Michael V. Berlau, president, (816) 765-9922	January 15	2,500,000
First Bank of Maryville (SB,a) Maryville P.O. Box 800, 64468 Roger D. Parson, president, (816) 582-7454	June 18	6,305,213
First Bank Centre (SB) Osage Beach One Osage Village, Route 3, 65065 Sanford P. Ritter, president, (314) 348-1177	May 15	1,050,000
Bank of South County (SB) St. Louis 9100 Gravois, 63123 David T. Stoecker, president, (314) 544-9100 **Mission:** Community bank	December 7	4,000,000
Heritage National Bank (FB) St. Louis 7435 Watson Road, 127 Kenrick Plaza, 63119 G. Wayne Thomas, president, (314) 968-7900 **Mission:** Small business (entrepreneurial), consumers (particularly senior citizens)	February 9	2,000,000

MONTANA	Date Opened	Initial Capital
BankWest NA (FB) Kalispell P.O. Box 3008, 59903 M. Thomas Weaver, president, (406) 752-2265 **Mission:** Community bank	May 18	1,600,000

NEVADA	Date Opened	Initial Capital
Laughlin National Bank (FB) Laughlin 1775 Casino Drive, 89029 V.H. Lonnquist, chairman and president, (702) 298-0555	July 23	2,000,000

NEW HAMPSHIRE	Date Opened	Initial Capital
Granite Bank (ST,a) Amherst P.O. Box 670, 03031 Charles B. Paquette, president, (603) 673-4700 **Mission:** Community thrift	July 14	2,600,000
Cornerstone Bank (ST,a) Nashua 188 Main Street, 03060 John M. Terravecchia, president, (603) 889-8889 **Mission:** Community thrift	September 19	2,000,000
Bank of New Hampshire-Porstmouth (SB,a) Portsmouth Two Harbor Place, 03801 R. Scott Bacon, president, (603) 433-4320 **Mission:** Upscale clients and commercial accounts through a high degree of personalized service	June 22	2,000,000

Financial Institutions That Opened in 1987

NEW JERSEY	Date Opened	Initial Capital
Dreyfus Trust Co. (STr) East Orange 576 Central Avenue, 07018 Joseph DiMartino, president, (201) 673-9101 **Mission:** Trust services	June 17	697,000
Powder Mill Bank (SB) Morris Plains 51 Gibraltar Drive, 07950 Charles J. Stancel, president & CEO, (201) 538-0007 **Mission:** Community bank	June 29	4,750,000
Coastal Bank (SB) Ocean City P.O. Box 449, 08226 Lloyd Harris, president, (609) 398-5200 **Mission:** Community bank	February 26	5,000,000
Trust Company of Princeton (SB,a) Princeton 16 Nassau Street, 08542 Mortimer J. O'Shea, president, (609) 683-7301	Jan. 24	3,200,000
Mid Jersey National Bank (FB) Somerville P.O. Box 310, 08876 John T. Gallagher, president, (201) 685-1700 **Mission:** Community bank	April 13	3,150,000
Lehigh Savings & Loan Association (ST) Union 952 Stuyvesant Avenue, 07083 Gary L. Restivo, president, (201) 686-6655	December 21	3,000,000
Watchung Hills Bank for Savings (ST) Warren 51 Mount Bethel Road, 08873 James W. Allen, president, (201) 757-3900 **Mission:** Personal banking to local, individual, business and professional clients	October 13	4,266,000
Community National Bank of New Jersey (FB) Westmont Crystal Lake & Haddon Avenues, 08108 Gerard Banmiller, president, (609) 869-7900 **Mission:** Community bank	October 2	3,000,000

NEW YORK	Date Opened	Initial Capital
Key Bank USA NA (FB,a) Albany 17 Corporate Woods Boulevard, 12211 Deborah L. Bevier, president & CEO, (518) 436-2660	July 15	3,000,000
Mitsui Trust Bank (U.S.A.) (SB,a) New York One World Financial Center, 200 Liberty Street, 10281 Hiroshi Ueno, president, (212) 341-0200	October 28	30,000,000
Park Avenue Bank (FB) New York 500 Park Avenue, 10022 Leeds Hackett, president & CEO, (212) 755-4600 **Mission:** High net-worth individuals, domestic and foreign	November 6	7,070,000
Safra National Bank of New York (FB,a) New York 1114 Avenue of the Americas, 10036 Carlos Aleberto Viera, president, (212) 382-9200 **Mission:** Upscale clients	January 1	32,000,000
Sumitomo Trust & Banking Co. (USA) (SB,a) New York 527 Madison Avenue, 10022 Shoji Yamaguchi, president, (212) 326-0500 **Mission:** Wholesale banking, trust and custody services	October 9	20,000,000
Tokai Trust Company (STr) New York One World Trade Center, 10048 Kaneo Takeda, president, (212) 432-5680 **Mission:** Trust services	January 1	3,000,000
Trade Finance Bank (SM) New York 120 West 44th Street, Suite 301, 10036 Arieh Gildor, president, (212) 302-7920 **Mission:** Back-to-back letters of credit for small and mid-sized exporters	N.A.	N.A.
Yasuda Bank & Trust Co. (USA) (SB,a) New York One World Trade Center, Suite 8833, 10048 Akihiko Uratsuj, president, (212) 432-3620 **Mission:** Wholesale banking	November 2	35,000,000
Great Western Savings Bank (ST) White Plains 191 Mamaroneck Avenue, 10601 N.A.	September 21	6,000,000

NORTH CAROLINA	Date Opened	Initial Capital
First Community Bank (SB) Gastonia P.O. Box 2358, 28053 Donald R. Lineberger, president & CEO, (704) 868-4251 **Mission:** Retail and small business	September 15	4,841,320
State Bank (SB) Fayetteville P.O. Box 2589, 28392-2589 C. Fred Clark, Jr., CEO, (919) 864-7811	March 16	4,037,750
Bankers Trust of North Carolina (SB) Greensboro P.O. Drawer 21527, 27420 Ted Matney, CEO, (919) 274-3300	April 27	7,754,494
Community Bank (SB) Pilot Mountain P.O. Box 1348, 27041 Hague C. Bowman, , president & CEO, (919) 368-5334	March 23	2,500,000
Community Bank & Trust Co. (SB) Rutherfordton 215 South Main Street, 28139 J. Lance Dobbins, president, (704) 287-2244	November 27	2,608,310
Blue Ridge Bank (SB) Sparta 125 North Main Street, 28675 Guy L. Scott, Jr., president, (919) 372-2265	October 15	2,258,883

OHIO	Date Opened	Initial Capital
Trustcorp Co. (SB) Dayton 215 North Main Street, 45402 William L. Staler, president, (513) 461-4781	June 8, 1987	3,000,000
First National Community Bank (FB) East Liverpool P.O. Box 796, 43920 Charles B. Lang, president, (216) 385-9200 **Mission:** Community bank	June 1	1,750,000

OKLAHOMA	Date Opened	Initial Capital
Security National Bank & Trust Co. (FB,a) Norman P.O. Box Drawer 900, 73069 Neil S. West, president, (405) 321-7170	January 9	11,011,002

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PENNSYLVANIA	Date Opened	Initial Capital
Pitcairn Trust Co. (STr,a) Jeniktown 165 Township Line Road, 19046 Feodor U. Pitcairn, president, (215) 887-6700 **Mission:** High net-worth individuals	August 7	465,000
Commonwealth State Bank (SB) Newton P.O. Box 202, 18940 H. Paul Lewis, president, (215) 860-4200	April 8	7,440,000
First Bank (SB) Philadelphia 1420-24 Walnut Street, 19102 Samuel B. Miles, III, president, (215) 790-9000	July 22	5,054,000
G.B.C.G. FCU Philadelphia P.O. Box 27639, 19118 Onah C. Weldon, presiding officer, (215) 843-3714	April 20	N/A
University of Pennsylvania Students FCU Philadelphia Hauston Hall, University of Pennsylvania, 19104 Kenneth Beck, presiding officer, (215) 569-1449 **Mission:** Full and part-time graduate and undergraduate students and alumni of the University of Penn.	February 18	N/A
Heritage National Bank (FB,a) Pittsburgh 401 Smithfield Street, 15222 Estella W. Smith, president, (412) 288-2800 **Mission:** Emphasis on retail customers, including minorities, women, small business, associations and civic and social organizations	October 22	1,000,000
Equitable National Bank (FB) Upper Darby 8045 West Chester Pike, 19082 Jerry H. Silver, president, (215) 853-4800 **Mission:** Small business and consumers	April 13	2,700,000

SOUTH CAROLINA	Date Opened	Initial Capital
Bank of Abbeville (SB) Abbeville P.O. Box 400, 29620 Thomas D. Sherard, Jr., president, (803) 459-9676	May 15	2,000,000
Bank of South Carolina (SB) Charleston P.O. Box 538, 29402 Hugh C. Lane, Jr., president, (803) 724-1500 **Mission:** Community bank	February	N.A.
Clover Community Bank (SB) Clover P.O. Box 69, 29710 James C. Harris, Jr., president, (803) 222-7660	October 1	2,695,971
Saluda County Bank (SB) Saluda P.O. Box 247, 29138 Frank E. Addy, Jr., president, (803) 445-8156	December 18	2,200,000

SOUTH DAKOTA	Date Opened	Initial Capital
Dial Bank (SB,a) Sioux Falls 1200 North West Avenue, 57104-1335 Michael S. Kuzeppa, president, (605)	February 9	5,000,000

TENNESSEE	Date Opened	Initial Capital
Bank of Cleveland (SB) Cleveland P.O. Box 5000, 37320-5000 G. Robert Taylor, president, (615) 478-5656	May 8	2,900,000
Anderson County Bank (SB) Clinton 101 South Main Street, 37716 Harry E. Minge, president, (615) 457-4200	January 2	2,000,000
First Citizens Bank (SB) Franklin P.O. Box 1307, 37065-1307 Marion E. Lowery, president, (615) 794-8899	July 30	3,600,000
Trust Company of Knoxville, Inc. (STr) Knoxville P.O. Box 789, 37901-0789 Sharon J. Miller, president, (615) 971-1902	January 7	600,000
Wilson Bank & Trust (SB) Lebanon 623 West Main Street, 37087 Randall Clemmons, president, (615) 444-2265 **Mission:** Community bank	May 11	5,000,000

TEXAS	Date Opened	Initial Capital
Austin Trust Co. (STr) Austin 100 Congress Avenue, Suite 1950, 78701 William J. Hudspeth, Jr., president, (512) 322-3232 **Mission:** Full range of trust services	November 23	750,000
Cattlemen's State Bank (SB,b) Austin P.O. Box 19549, 78760 F. Gary Valdez, president, (512) 389-1200	October 15	2,400,000
Healthcare FCU, Austin P.O. Box 4008, 78765 J. Mack Nunn, presiding officer, (512) 346-4300	February 13	N/A
Bowie State Bank (SB) Bowie 200 West Walnut, 76230 William E. Hurley, president, (817) 872-2205	January 1	846,810
State Bank Texas (SB) Dallas 4575 S R L Thorton Freeway, 75376 Chan B. Patel, president, (214) 371-7000	October 12	2,000,000
Devine State Bank (SB) Devine P.O. Box 490, 78016 James A. Heany, president, (512) 663-3606	February 23	1,500,000
Falfurrias State Bank (SB) Falfurrias P.O. Box 618, 78355 Richard G. Alvarado, president, (512) 325-5646	March 5	1,500,000
Watauga State Bank (SB) Fort Worth Box 81249, 76180 Paschal White, president, (817) 485-6118	May 26	N.A.
First National Bank (FB) Fredericksburg P.O. Box 1007, 78624 Kenneth Sultemeier, president, (512) 997-8811	January 26	1,500,000
Hobby Community Bank (SB) Houston 10600 Telephone Road, 77075 John R. Skaggs, president, (713) 991-6666	June 2	1,445,000
Houston Metropolitan Bank NA (FB) Houston 9600 Bellaire Boulevard, Suite 101, 77036 Eduardo U. Tioseco, president, (713) 776-3876 **Mission:** Not specified	April 16	3,000,000

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First Texas Bank-Irving NA (FB,a) Irving P.O. Box 165809, 75016 William E. Stahnke, president, (214) 929-1111	January 6	2,000,000
Leander Community FCU, Leander 247 South Highway 183, 78641 Ray Moore, presiding officer, (512) 259-3823 **Mission:** Persons who live or work in a specific portion of Williamson County	January 28	N/A
Ellis County State Bank (SB) Milford 101 North Main, 76670 Don Harris, president, (214) 493-2481	June 11	533,000
First Bank (SB,a) Navasota P.O. Box 551, 77868 Robert M. West, president, (409) 825-6401	August 14	1,875,000
First Bank of Plano (SB) Plano P.O. Box 869030., 75086 W.G. Ragley, president, (214) 964-0111 **Mission:** Small business	May 1	2,000,000
First National Bank of Red Oak (FB) Red Oak P.O. Box 670, 75154 Jo Ann Pearson, president, (214) 230-3030	May 28	2,000,000

VIRGIN ISLANDS	Date Opened	Initial Capital
First Virgin Islands Federal Svgs. Bank Charlotte Amalie P.O. Box 5468, 00801 Albert Grace, president, (809) 476-9494	November 20	2,010,000

VIRGINIA	Date Opened	Initial Capital
Old Dominion Gnrl. Missionary Baptist Assn. FCU, Chesapeake 1541 Lyons Avenue, 23324 John L. Ashby, presiding officer, (804) 545-0151 **Mission:** Members, churches and members of churches of the Old Dominion General Ministry Baptist Association	January 15	N/A
Heritage Bank of Northern Virginia (SB,a) McLean P.O. Box 7207, 22106-7207 Harold C. Rauner, president, (703) 356-6060	August 8	3,000,000
Regency Bank (SB) Richmond 207 West Franklin Street, 23220 Charles P.E. Jumet, president, (804) 783-8700 **Mission:** Upscale clients, small to mid-sized business, medical, law and other professions and executives	June 1	5,000,000
Virginia Bankers Bank (SB) Richmond 565 Southlake Boulevard, 35274 R.B. Cavedo, Jr., president, (804) 794-5885 **Mission:** Provides correspondent banks services only to its shareholder banks located in Virginia.	January 2	1,302,000

WEST VIRGINIA	Date Opened	Initial Capital
First State Bank Elkins, Inc. (SB) Elkins Davis Avenue at Fifth Street, 26241 Gary A. Schoonover, EVP, (304) 636-6033	July 13	1,650,000
Greenbrier County School Employees FCU, Lewisburg Route 2, Box 163, 24091 Raleigh Sanford, presiding officer, (304) 438-6191 **Mission:** Employees of primary and secondary, public, private and parochial schools in Greenbrier County	January 29	N/A

WISCONSIN	Date Opened	Initial Capital
Community Bank (SB) Elkhorn P.O. Box 650, 53121 Earl Paddock, president, (414) 723-6760	May 11	1,000,000
Tri City National Bank (FB,a) Menomonee Falls North 96 West 18221 County Line Road, 53051 David L. Ulrich, president, (414) 255-1610 **Mission:** Small and mid-sized business and consumers	October 13	1,500,000
Universal Savings FA (FT) Milwaukee 754 North 4th Street, 53203 A. James Baka, president, (414) 273-1776	April 27	3,000,000
Community State Bank (SB) Prentice P.O. Box 115, 54556 R.L. Brandvold, president, (715) 428-2801	October 1	725,000

California Companies Announce Merger Plan

TUSTIN, Calif. — Citizens Holdings, Newport Beach, Calif., has announced its intention to acquire Eldorado Bancorp, Tustin, and its wholly owned subsidiary, Eldorado Bank.

Each share of Eldorado common stock will be exchanged for $15 cash, in a total deal valued at about $34.2 million. Completion of the acquisition is expected late this year or early 1989.

The $250 million-asset Citizens Holdings is owned by the Pratt family of Australia. It owns Citizens Bank of Costa Mesa, Calif., and El Camino Bank, Anaheim, Calif.

Eldorado Bancorp, the holding company of Eldorado Bank, has assets of about $240 million. Eldorado recently acquired American Merchant Bank, Orange, Calif., and now has nine offices. ■

Bank . . .

➜ Continued from Page 14

5,000-acccount mark in May of this year. Young Americans' president, Linda Sanders, is one of 12 women presidents in today's listing.

Another unusual specialty was reported by First Trade Union Savings Bank, Boston. The federally chartered thrift, which opened Sept. 10, is owned by the International Brotherhood of Carpenters and Joiners of America.

Though operated by the union, the savings bank does not serve its members exclusively. At yearend, the thrift reported assets of $74.1 million and deposits of $61.6 million.

In addition to the 12 women presidents, the listing shows 26 women in other key posts, such as treasurer, chief financial officer, and senior and executive vice president. ■

New Financial Institutions in 1987

State Breakdown by Type of Institution

		Natl Banks	Natl Thrifts	Natl Credit Unions	State Banks	State Thrifts	Trust Cos.	Total	No. of Failed Banks
Alabama	1987	0	0	0	5	0	0	5	2
	1986	2	0	0	4	0	0	6	1
Alaska	1987	0	0	0	0	0	0	0	2
	1986	0	0	0	1	0	0	1	1
Arizona	1987	0	0	0	2	0	0	2	0
	1986	1	0	0	2	0	0	3	0
Arkansas	1987	1	0	0	0	0	0	1	0
	1986	0	0	0	0	0	0	0	0
California	1987	3	0	0	3	1	1	8	8
	1986	3	0	3	4	2	0	12	8
Colorado	1987	0	0	0	2	0	0	2	13
	1986	10	0	0	1	1	0	12	7
Connecticut	1987	1	0	0	4	0	0	5	0
	1986	1	0	0	2	0	0	3	0
Delaware	1987	1	0	0	0	0	0	1	0
	1986	6	0	0	0	0	0	6	0
District of Columbia	1987	1	0	2	0	0	0	3	0
	1986	1	0	4	0	0	0	5	0
Florida	1987	5	0	0	21	3	3	32	3
	1986	23	2	1	10	5	2	43	3
Georgia	1987	2	0	1	2	0	1	5	0
	1986	2	1	0	3	0	0	6	0
Guam	1987	1	0	0	0	0	0	1	0
	1986	0	0	0	0	0	0	0	0
Hawaii	1987	0	0	1	0	0	0	1	0
	1986	0	0	0	0	0	0	0	0
Illinois	1987	0	0	0	5	0	0	5	2
	1986	0	0	0	0	0	0	0	1
Iowa	1987	0	0	0	0	0	0	0	6
	1986	1	0	0	1	0	0	2	10
Kansas	1987	0	0	0	0	0	0	0	8
	1986	1	0	0	2	0	1	4	14
Kentucky	1987	0	0	0	1	0	0	1	1
	1986	0	0	0	0	0	0	0	2
Louisiana	1987	1	0	0	0	1	0	2	14
	1986	1	0	0	1	2	0	4	8
Maryland	1987	1	0	0	0	0	0	1	0
	1986	0	0	0	0	0	0	0	0
Massachusetts	1987	1	0	0	3	0	0	4	2
	1986	0	0	3	2	0	0	5	0
Michigan	1987	1	0	0	2	0	0	3	0
	1986	0	0	0	0	0	0	0	0
Minnesota	1987	1	0	1	1	0	0	3	10
	1986	1	0	0	2	1	0	4	5
Missouri	1987	2	0	0	6	0	0	8	4
	1986	2	0	0	1	0	0	3	9
Montana	1987	1	0	0	0	0	0	1	3
	1986	0	0	0	0	0	0	0	1
Nebraska	1987	0	0	0	0	0	0	0	6
	1986	1	0	0	0	0	0	1	6
Nevada	1987	1	0	0	0	0	0	1	0
	1986	0	0	0	0	0	0	0	0
New Hampshire	1987	0	0	0	1	2	0	3	0
	1986	0	0	0	0	0	0	0	0
New Jersey	1987	2	0	0	3	2	1	8	0
	1986	2	0	1	0	0	1	4	0
New York	1987	3	0	0	4	0	1	8	1
	1986	4	0	3	14	0	8	29	0
North Carolina	1987	0	0	0	6	0	0	6	0
	1986	2	0	0	3	0	0	5	0
Ohio	1987	1	0	0	1	0	0	2	1
	1986	1	0	0	0	0	0	1	0
Oklahoma	1987	1	0	0	0	0	0	1	31
	1986	2	0	1	0	0	0	3	16
Pennsylvania	1987	2	0	2	2	0	1	7	1
	1986	0	0	6	0	0	2	8	0
South Carolina	1987	0	0	0	4	0	0	4	0
	1986	4	0	1	1	0	0	6	0
South Dakota	1987	0	0	0	1	0	0	1	2
	1986	0	0	0	0	0	0	0	1
Tennessee	1987	0	0	0	4	0	1	5	0
	1986	1	0	0	4	0	0	5	2
Texas	1987	4	0	2	10	0	1	17	50
	1986	35	1	4	22	0	0	62	26
Utah	1987	0	0	0	0	0	0	0	3
	1986	1	0	0	0	0	0	1	3
Virgin Islands	1987	0	1	0	0	0	0	1	0
	1986	0	0	0	0	0	0	0	0
Virginia	1987	0	0	1	3	0	0	4	0
	1986	5	0	2	3	0	0	10	0
West Virginia	1987	0	0	1	1	0	0	2	0
	1986	2	0	1	0	0	0	3	0
Wisconsin	1987	1	1	0	2	0	0	4	0
	1986	0	0	0	0	0	0	0	1
TOTALS	**1987**	**38**	**2**	**11**	**98**	**10**	**10**	**169**	**184**[1]
	1986	**115**	**4**	**30**	**83**	**11**	**14**	**257**	**138**[1]

[1] — The totals for bank failures are for all FDIC bank failures in 1986 and 1987.

changing names,
changing hands . . .

MERGERS, ACQUISITIONS
a regular feature in
American Banker

6/28/88

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American Banker
The Daily Financial Services New

TOP TRUST FIRMS
— TABLES BEGIN ON P.12

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VOL. CLIII NO. 125 Tuesday, June 28, 1988 153rd Year

Today

While the nation's thrifts know they need some strong medicine, none of the tonics being offered seem likely to put the industry back on its feet. 11

The Federal Reserve Bank of New York has given primary-dealer status to three government securities dealers. Missing from the list is Yamaichi Securities International, a Japanese firm widely known to be an aspiring primary dealer. It was shut out, sources say, by political pressure. 19

Blackstone Financial Management, the firm started by the former head of First Boston Corp.'s mortgage department, has announced its first public offering — a $100 million fund that will invest nearly exclusively in mortgage-backed securities. 21

William E. Simon's investor group has finished buying enough stock in First Interstate Bank of Hawaii's parent to give it just under a 40% stake — the most it can buy without violating a gentlemen's agreement with the bank's board. ____ 32

The weekly listing of financial services stocks features regional industry groups and price indexes. __ 24

Executive Changes ____ 10
In the News ____ 3

COMMENT

Comptroller of the Currency Robert L. Clarke argues that in the majority of cases banks are not the prisoners of fate — that even in depressed economies, banking performance is primarily the result of managerial behavior. ____ 4

Values are especially important to service organizations; they need to be reinforced and adapted; and a special type of leadership is necessary to make that happen, writes Nigel Williams of McKinsey & Co. ____ 9

CORPORATE FINANCE

The Federal Reserve Board wants banks to file regular reports that would help it gauge the volume of commercial loan stripping. ____ 3

Asset-based lenders are starting to thrive on the leveraged buyout boom of the 1980s — by moving in on deals gone bad, says one industry veteran. 6

Security Pacific National Bank is selling Security Pacific Acceptance, its field warehouse operation, to the unit's manager. ____ 6

A venture capitalist and former banker says there are plenty of opportunities for his current and former colleagues to engage in some mutually beneficial teamwork. ____ 8

Worth Repeating

Basically, we're a high-class pawnshop. We go after the tough deals — smokestack companies, auto parts, timber companies — when these industries are going belly-up. Everybody has a niche, I guess.

Gerald Blum, president of Fidelcor Business Credit Corp. [Page 6]

Random Thoughts

By SANFORD ROSE

It has always been a source of amazement to this writer that banks generally give multiple answers when asked to describe their interest-rate-risk position. They may say that they are liability sensitive (liabilities repriced before assets) in the short run, asset sensitive (assets repriced before liabilities) in the medium term, and balanced in the long term. This type of formulation, distressingly common in convention talks, makes precious little sense.

Every institution has one interest rate position. All gaps are not created equal. A liability-sensitive gap in the short bank may be more or less important than an asset-sensitive gap in the long bank.

These various gaps must be blended into one position by measuring the time-weighted present value of the projected asset cash inflows relative to a similar calculation for the projected liability cash outflows. This reveals the duration (true average life) of the asset and liability accounts.

Knowing the duration of these accounts and their respective dollar

Random Thoughts: Page 4 ➔

People

Wriston Protege Looks Back

By DAVID NEUSTADT

NEW YORK — The old adage says: Be smart — and if you can't be smart, be lucky. Donald Howard, Citicorp's first chief financial officer, has been both.

"People don't properly appreciate the importance of luck, just plain luck, in a career," says Mr. Howard, who retired in January after 31 years at Citicorp and its predecessor, First National City Bank. The 60-year-old executive was named CFO of Salomon Inc. this month.

In 1958, as a trainee in First National City Bank's London office, he was picked to study the Eurodollar market that was then just developing.

"Once I got the people who were really doing the transactions, it wasn't difficult to understand," he recalls. From the time he wrote a page-and-a-half memo in 1958 until he left he was the bank's expert on the Eurodollar market.

"The market took off in the late 1960s and I rode that crest," he says. My career is as attached to the development of the Eurodollar market as it is to any other single factor, and that's just plain dumb luck."

He was also smart — enough so that he caught the attention of George Moore and Walter Wriston, two future chairmen of the bank.

As a research associate at Harvard Business School in 1957, it was Mr. Howard's job to entertain bankers who came to the campus to recruit. That year Citibank's recruiting was "disastrous," he says.

The following summer, while Mr.

Wriston: Page 2 ➔

Trust Assets Rose 10% in '87 Despite Crash

By BART FRAUST

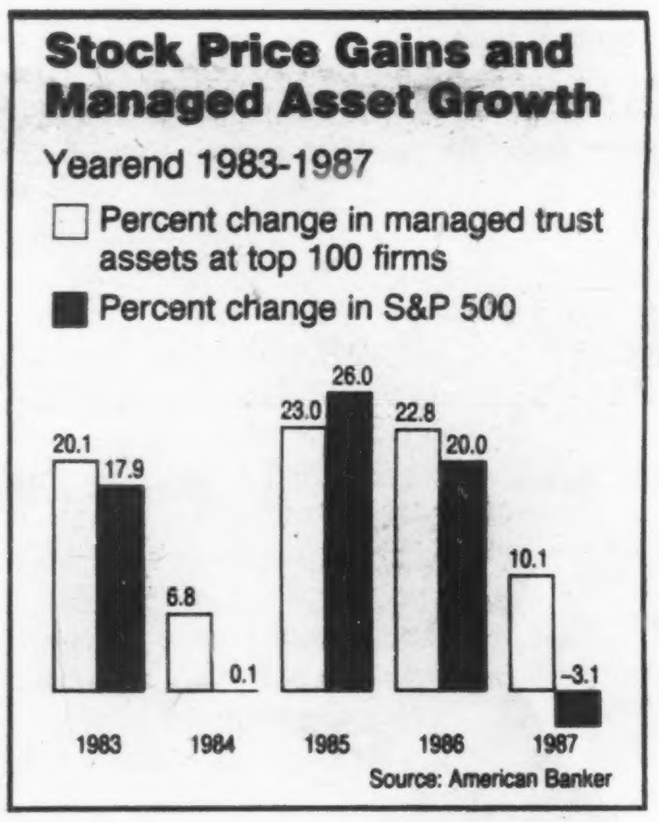
NEW YORK — The value of stocks, bonds, and other assets managed for others by the 100 largest bank trust departments advanced 10.1% last year, according to the *American Banker*'s 20th annual trust banking survey.

The gain came in the face of declines in the stock and bond markets last year that culminated in the Oct. 19 crash.

Bankers and analysts attributed the asset gain in a down market to several factors, including substantial increases in new business, diversification of investments, required additions to bank trust funds by large pension managers, the effects of mergers, and a stock market recovery late last year.

"We found that assets were going to trust departments for the conservative, safe management for which they're known," said Gail Triner, manager of TrustCompare, an annual study of trust

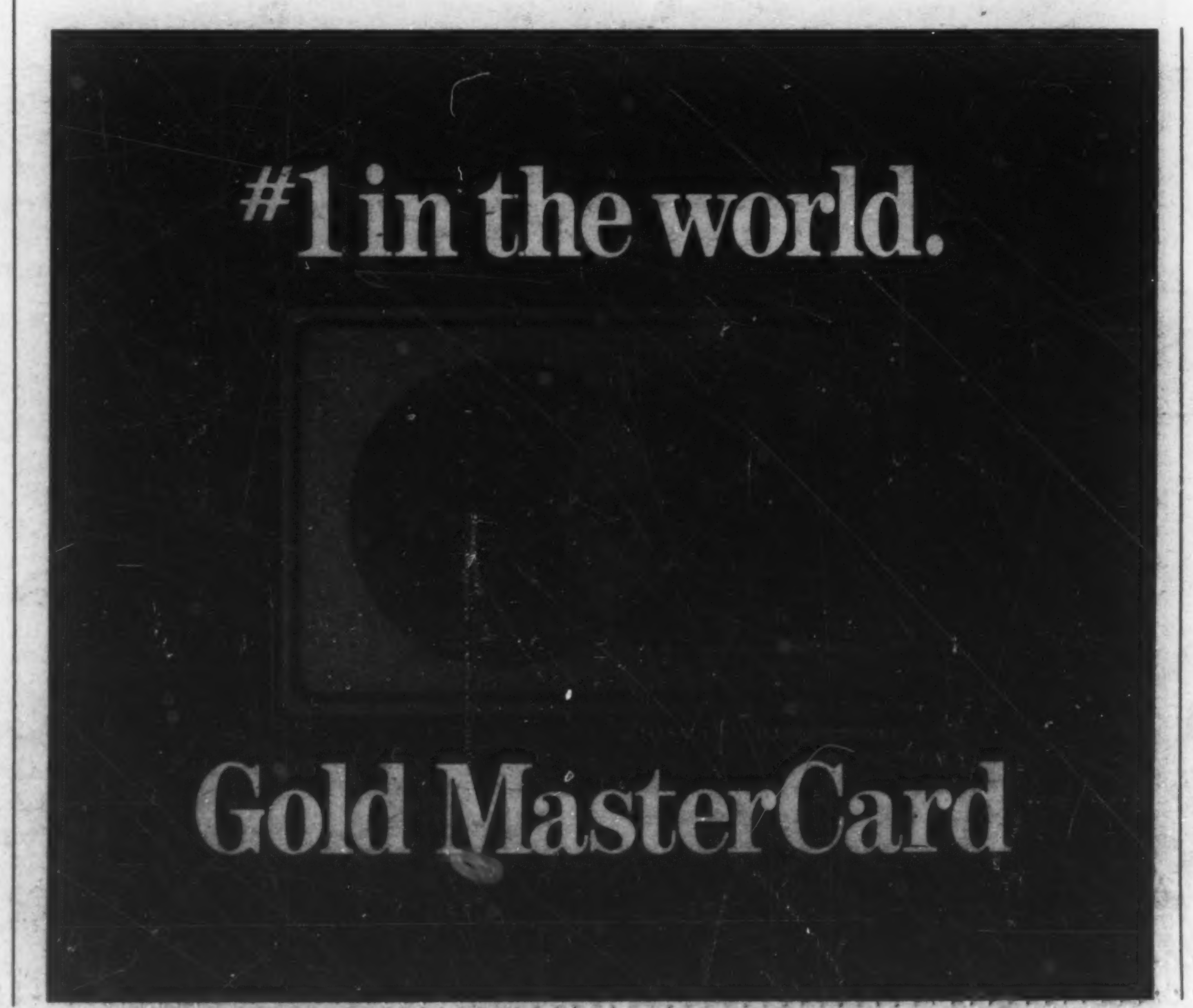
Trust: Page 26 ➔



Stock Price Gains and Managed Asset Growth

Yearend 1983-1987

Source: American Banker



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➧ Continued from Page 1

values enables us to calculate the duration of the equity. Since it represents a claim on the difference between the asset and liability cash flows, equity is in reality a net bond. When we know its duration, we can, as with any bond, measure the changes in its value — the value of the bank — for a given change in interest rates.

Unfortunately, banks are often unconcerned with the impact of rate movements on valuation. Indeed, asset-liability management at all too many banks is defined as the controlled mismatching of maturities in order to maximize net interest earnings, subject to reasonable business risk, in the next accounting period or, at the most, over the next fiscal year.

This is far too narrow a definition. Good managers should want to track the effects of mismatch positions on bank value, which is nothing more than the discounted present value of all future net-interest-earnings outcomes.

If a bank is liability sensitive in the so-called short run, its net interest earnings should improve if rates decline. But if the overall duration of bank assets is measurably less than that of the liabilities, resulting in an asset-sensitive position, a decline in rates will lower the bank's value.

This comes about because, given the bank's duration gap, its liabilities are more price sensitive than its assets. If rates fall, the value of both assets and liabilities will increase. But the value of the latter, in view of their longer duration, will increase by more than the value of the former, squeezing the worth of the equity.

Otherwise put, a bank with an asset-sensitive or negative duration gap has, in effect, sold its equity short. Being a short seller, it benefits from a fall in bond prices (a rise in rates). But it loses when bond prices move up (a decline in rates).

The extent of the gain or loss depends on the duration of the equity bond and the amount of the rate change. Changes in the valuation of the equity account can be approximated by multiplying the negative of its duration by the change in rates. If rates fall by 1% and the duration of the equity is minus 10 years, then the value of the bank will fall by around 10%.

This drop in the economic value of the equity account foreshadows a decline in the bank's reported net interest earnings in future accounting periods. Indeed, the drop in equity values when rates fall merely reflects the fact that the bank is now obligated to pay its depositors and creditors the higher, preexisting rate of interest for a longer period of time than it is enabled to earn that same favorable yield from its borrowing customers. So, assuming no further changes in rates, net interest earnings must eventually suffer.

Focusing on the impact of rate changes on short-term profits or net interest earnings without simultaneously considering their effect on valuation and therefore on longer-run interest profits can hardly be described as acceptable management. Thus well-run banks must understand and implement duration analysis, described as the "theoretically correct but fiercely disliked approach to the monitoring of interest rate risk."

Duration is not, of course, universally disliked. Specialists report that they can have an entirely pleasant conversation about the concept with executives of insurance companies and finance companies. They can even have a tolerably agreeable exchange with thrift managers. But they can't talk duration with the senior officials of many banks. These gentlemen execrate the concept. To them duration is very nearly a dirty word.

□ □ □

Dan Brumbaugh's much-quoted and entirely praiseworthy volume, "Thrifts Under Siege," includes a felicitously phrased attack on regulatory restriction of particular asset categories. Deploring the Federal Home Loan Bank Board's efforts to circumscribe thrift direct investments, Mr. Brumbaugh notes that risk for a depository institution is not a function of a given asset type but rather of the behavior of all assets taken together.

Suppose that a thrift has one asset — a mortgage whose value falls when interest rates rise. And suppose, further, that it can make a direct investment in a somewhat risky firm whose fortunes nevertheless stand to improve when rates rise.

A portfolio of both assets, the author emphasizes, can be less risky than a portfolio of mortgages alone because the increased value of one can offset the decreased value of the other when rates change. In other words, because the two assets exhibit negative covariance — their values change in opposite directions when rates rise — supplementing an investment in mortgages that is relatively safe in terms of default with a direct investment that by itself is less safe (more default prone) can prove risk-reducing rather than risk-enhancing.

Mr. Brumbaugh points out that the direct investments in the portfolios of well-capitalized thrifts have not in fact posed a threat to the insurance fund, the FSLIC. And although the direct investments of poorly capitalized thrifts may have been made pursuant to a high-risk strategy, the problem lies not in the asset category, but in the tendency of insolvent or troubled institutions to "go for broke."

That tendency cannot be curbed by restricting particular types of portfolio choice. Given the wide range of assets in which thrifts can invest, troubled associations can always find a way of immolating themselves, thus compromising the insurance fund.

□ □ □

Mr. Brumbaugh's commonsensical observations suggest some obvious questions. If risk depends on the covariance of assets, what possible validity can there be to a risk-based capital standard that takes no account of the mix of an institution's commercial loan portfolio? Under current regulatory proposals, for example, every bank must backstop its loans to commercial customers with the full 4% common equity support, regardless of whether the business fortunes of these customers covary strongly, weakly, or even negatively.

What's more, if risk depends on covariance, why do banks and thrifts attempt to assess the riskiness of loans almost exclusively through analysis of individual-borrower balance sheets? Why don't they instead make more formal attempts to measure the economic linkages among their borrowers, charging higher risk premiums to new customers whose returns tend to be closely correlated with those of their existing borrower base and lower premiums to new borrowers whose returns are poorly correlated?

Suppose that a bank or thrift lends to 50 different customers, and each loan has an expected probability of default of 10 basis points. If the fortunes of the 50 borrowers are 40% linked or correlated, then the standard deviation of losses — the extent by which actual losses can diverge from the expected value of 10 basis points — amounts to 69 basis points. This says that loan losses for such a group of borrowers are likely to range between zero and a high of 79 basis points two-thirds of the time.

However, if the institution lends to a group of borrowers with the same average loss expectation but less interdependence — e.g., their coefficient of correlation is 30%, not 40% — then the standard deviation of losses, a proxy for true risk, declines from 69 to 50 basis points — meaning that losses are likely to range between zero and a high of only 60 basis points.

As the degree of interdependence among a given population of borrowers drops, so also does the risk to the lending institution. So, other things being equal, an institution that lends to a more independent group of customers needs less capital per dollar of assets than one that serves a clientele whose destinies are more closely intertwined. Yet neither the regulators nor the lending institutions themselves seem to pay very much attention to this vital question of customer or asset covariances. ■

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REQUIRED READING

Banking in Trouble: What Hurts? What Helps?

The following address was delivered June 20 by Robert L. Clarke, comptroller of the currency, before the American Bankers Association's Stonier School of Banking, Newark, Del.

□

SEVERAL years ago, the American existentialist philosopher Woody Allen began a graduation speech in this way: "More than any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly."

Allen wasn't talking to the Stonier School of Banking. But if he had been, he would merely have been echoing widely held sentiments about the banking industry.

Throughout the 1980s, the number of troubled banks and the number of bank failures have risen dramatically. In the Midwest and the Southwest especially, depressed conditions in agriculture, energy, and real estate have pummeled banks like tempests battering ships at sea.

Hundreds of banks have foundered. Hundreds more have barely weathered the storm. Yet, others have righted themselves. And thousands in America's heartland have sailed through the storms practically unharmed as a matter of course.

Over the past year, the Office of the Comptroller of the Currency undertook a detailed study to gain a better understanding of why the performance of banks diverged so dramatically when they were faced with similar declines in their economic environments over the past decade.

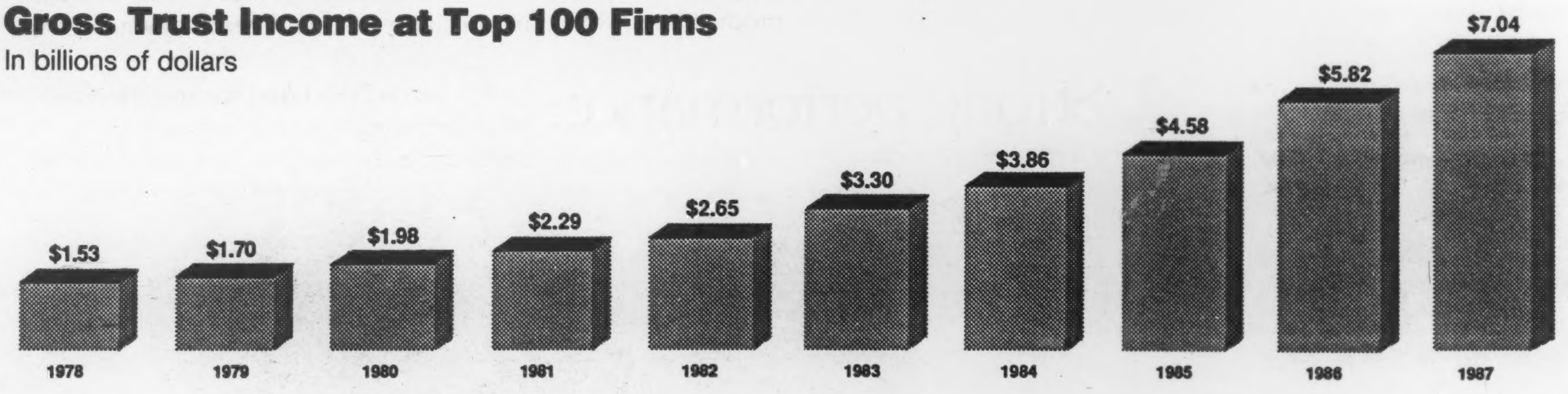
We looked at three groups of banks: those that failed, similarly situated banks that experienced problems but were restored to health, and banks whose condition never deteriorated despite the problems in their local economies.

Required Reading: Page 21 ➧

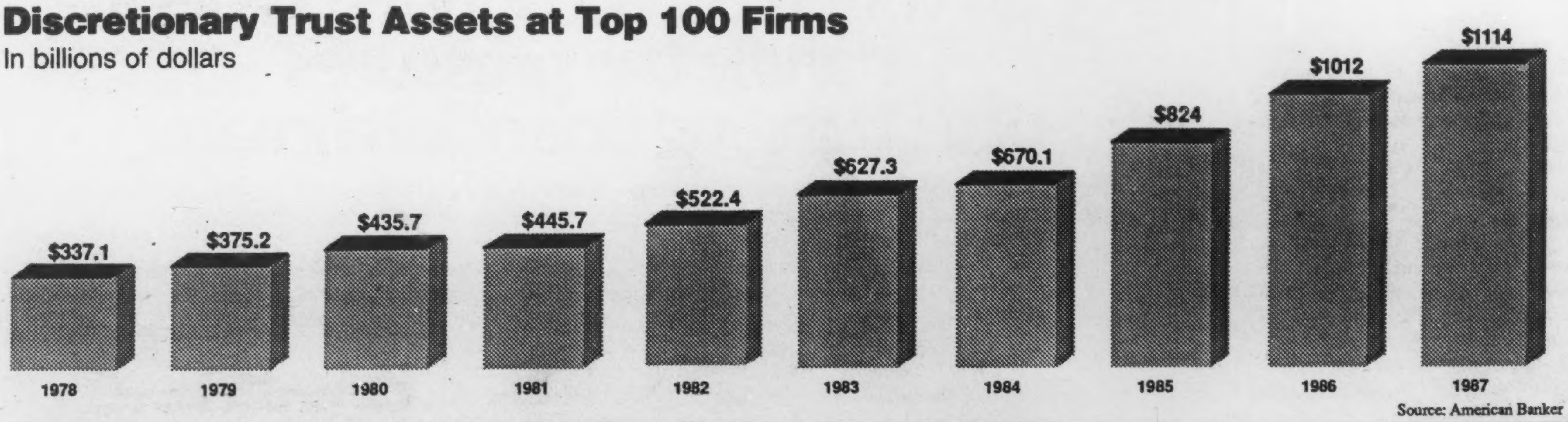
Industry Rankings of Firms by Trust Assets and by Trust Income

American Banker ranks the top 100 banking firms and trust companies by their discretionary, or managed, trust assets for 1987. A geographical listing of the top 100 firms in managed assets is also included. In addition, the top 100 firms in gross trust revenues for 1987 are identified.

Gross Trust Income at Top 100 Firms
In billions of dollars



Discretionary Trust Assets at Top 100 Firms
In billions of dollars



Source: American Banker 1988

Top 100 Firms in Discretionary Assets

Ranked in Order of 1987 Market Value of Discretionary Assets

Rank 1987		Market Value of Discretionary Assets		Rank 1986	Gain in Rank	Trust Inc. Rank 1987	Asset Rank† 1987
		1987	1986				
1	J.P. Morgan & Co., Inc., New York (M)	65,441,000,000	61,720,000,000	1		2	5
2	Bankers Trust New York Corp. (M)	64,600,000,000	56,300,000,000	2		4	8
3	Wells Fargo & Co., San Francisco (O)	53,911,000,000	45,249,600,000	4	+1	12	11
4	Mellon Bank Corp., Pittsburgh (M)	53,531,000,000	27,798,976,000	8	+4	5	16
5	Citicorp, New York (M)	51,883,062,000	51,659,000,000	3		1	1
6	PNC Financial Corp., Pittsburgh (M,a)	44,304,000,000	41,054,831,000	5		10	15
7	Chase Manhattan Corp., New York (M)	35,985,000,000	33,489,546,000	6		3	2
8	Chemical Banking Corp., New York (M)	33,811,620,000	16,917,000,000	16	+8	11	4
9	State Street Boston Corp. (M)	29,800,000,000	26,100,000,000	9		6	70
10	Manufacturers Hanover Corp., New York (M)	29,026,774,000	25,827,075,000	10		9	6
11	Northern Trust Corp., Chicago (M)	25,141,797,000	28,610,105,000	7		8	55
12	First Chicago Corp. (O)	24,466,885,000	24,424,877,000	11		17	10
13	Boston Safe Deposit & Trust Co. (B)	21,288,000,000	16,609,000,000r	17r	+ 4	37	...
14	Security Pacific Corp., Los Angeles (O)	19,994,000,000	19,448,658,000	12		14	7
15	Wilmington Trust Co., Del. (B)	18,498,422,000	17,849,116,000	13		45	...
16	First Interstate Bancorp., Los Angeles (M)	18,008,752,000	17,753,000,000	14		15	9
17	Capital Guardian Trust Co., Los Angeles (T)	17,827,444,000	17,577,835,000	15		35	...
18	First RepublicBank Corp., Dallas (M)	17,496,918,000	8,079,619,000	36	+ 18	22	13
19	SunTrust Banks, Inc., Atlanta (M)	16,836,588,000	14,832,307,000	18		19	20
20	U.S. Trust Corp., New York (O)	15,888,710,000	14,300,000,000	20		13	140
21	Fiduciary Trust Co., New York (B)	15,213,316,000	14,530,749,000	19		40	...
22	Bank of New York Co., Inc. (M)	14,663,961,000	12,287,084,000	23	+1	7	27
23	Harris Bankcorp., Inc., Chicago (M)	14,322,401,000	14,122,334,000	21		21	49
24	First Bank System, Minneapolis (M)	13,649,000,000	9,599,000,000	32	+8	24	21
25	Bank of Boston Corp. (M)	12,774,517,000	13,417,949,000	22		16	12
26	Bank of New England Corp., Boston (M)	12,528,088,000	12,073,462,000	24		18	17
27	Continental Illinois Corp., Chicago (M)	12,400,919,000	12,028,657,000	25		26	14
28	Manufacturers National Corp., Detroit (M)	12,075,650,000	10,385,524,000	28		48	57
29	Irving Bank Corp., New York (M)	11,421,817,000	N.A.	...		23	24
30	AmeriTrust Corp., Cleveland (O)	11,182,020,000	11,538,730,000	26		28	50
31	NBD Bancorp., Inc., Detroit (M)	11,024,444,000	10,591,093,000	27		30	26
32	Crestar Financial Corp., Richmond (O)	10,842,186,000	5,311,327,000	52	+ 20	54	53
33	Centerre Bancorp., St. Louis, Mo. (M)	10,832,969,000	10,129,818,000	31		44	86
34	BankAmerica Corp., San Francisco (M)	10,392,590,000	16,249,993,000	17		20	3
35	Boatmen's Bancshares Inc., St. Louis, Mo. (M)	10,251,000,000	10,344,923,000	29		67	52
36	Banc One Corp., Columbus, Ohio (M)	9,952,734,000	9,483,235,000	33		25	34
37	National City Corp., Cleveland (M)	9,662,854,000	8,989,190,000	34		32	40
38	First Pennsylvania Corp., Philadelphia (O)	8,609,229,000	7,300,000,000	41	+3	49	78
39	CoreStates Financial Corp., Philadelphia (M)	8,530,579,000	7,709,000,000	38		56	39
40	Mercantile Bancorp., Inc., St. Louis, Mo. (M)	8,214,242,000	7,511,130,000	39		60	72
41	First Wachovia Corp., Winston-Salem, N.C. (M)	8,083,449,503	8,001,232,000	37		27	33
42	Norwest Corp., Minneapolis (M)	7,590,200,000	7,443,839,000	40		29	30
43	Fleet/Norstar Fin'l Group, Inc., Providence, R.I. (M,b)	7,158,797,000	4,403,961,000	60	+17	33	23
44	Citizens & Southern Corp., Atlanta (M)	6,799,595,000	5,690,993,000	46	+2	43	31
45	NCNB Corp., Charlotte, N.C. (M)	6,641,000,000	7,248,000,000	42		34	18
46	First Union Corp., Charlotte, N.C. (O)	6,488,870,000	5,954,742,000	43		31	19
47	Sovran Financial Corp., Norfolk, Va. (O)	6,325,324,000	5,118,948,000	55	+8	39	29
48	Hartford National Corp., Conn. (O,c)	5,867,790,000	5,898,193,000	45		41	38
49	First Wisconsin Corp., Milwaukee (M)	5,857,478,000	5,938,850,000	44		42	69
50	Mercantile Bankshares Corp., Baltimore (M)	5,714,267,000	5,318,688,000	51	+1	65	117
51	Comerica Inc., Detroit (M)	5,527,555,000	5,374,241,000	49		51	51
52	First Fidelity Bancorporation, Newark, N.J. (M,d)	5,500,000,000	5,183,215,000	54	+2	53	37
53	First Kentucky National Corp., Louisville (M)	5,435,133,000	5,210,380,000	53		70	89
54	Trustcorp, Inc., Toledo, Ohio (M)	5,266,283,000	4,936,203,000	56	+2	75	84
55	Fidelcor, Inc., Philadelphia (M,d)	5,200,000,000	5,400,000,000	48		59	43
56	Trust Services of America, Inc., Los Angeles (T)	5,151,124,000	2,908,768,000	78	+ 22	66	...
57	Midlantic Corp., Edison, N.J. (M)	5,102,601,000	5,325,558,000	50		55	35
58	Indiana National Corp., Indianapolis (O)	4,952,200,000	4,788,324,000	57		83	83
59	Society Corp., Cleveland (M)	4,555,439,000	4,397,676,000	61	+2	52	58
60	AmSouth Bancorp., Birmingham, Ala. (M)	4,460,499,000	4,705,000,000	59		64	68
61	Barnett Banks, Inc., Jacksonville, Fla. (M)	4,349,496,000	3,868,456,000	66	+5	61	25
62	Marine Midland Banks, Inc., Buffalo, N.Y. (O)	4,104,056,000	4,293,011,000	62		47	22
63	MCorp, Dallas (M)	4,074,000,000	4,779,639,000	58		36	32
64	Old Kent Financial Corp., Grand Rapids, Mich. (M)	4,058,955,000	3,501,595,000	69	+5	79	74
65	Meridian Bancorp, Inc., Reading, Pa. (M)	3,967,920,000	1,861,158,000	100	+ 35	76	64
66	Shawmut Corp., Boston (M,c)	3,959,338,000	4,176,000,000	63		37	47
67	United Missouri Bancshares Inc., Kansas City, Mo. (M)	3,828,000,000	3,155,598,000	72	+5	78	111
68	KeyCorp, Albany, N.Y. (M)	3,781,669,000	2,908,811,000	77	+9	71	45
69	United Banks of Colorado, Denver (M)	3,744,000,000	3,200,000,000	71	+2	69	82
70	First City Bancorporation of Texas, Inc., Houston (M)	3,443,167,000	3,534,090,000	67		58	44
71	Fifth Third Bancorp., Cincinnati (M)	3,374,900,000	3,268,171,000	70		82	105
72	Merchants National Corp., Indianapolis (O)	3,121,542,181	2,869,076,016	79	+7	103	103
73	Marshall & Ilsley Corp., Milwaukee (M)	3,000,000,000	2,985,776,000	75	+2	57	81
74	U.S. Bancorp., Portland, Ore. (M)	2,979,370,000	2,115,346,000	93	+ 19	63	41
75	Hibernia Corp., New Orleans, La. (O)	2,865,517,000	2,801,881,000	82	+7	117	96
76	First of America Bank Corp., Kalamazoo, Mich. (M)	2,821,898,000	4,149,950,000	64		77	61
77	Southeast Banking Corp., Miami (M)	2,816,927,000	2,925,722,000	76		68	42
78	Texas American Bancshares Inc., Fort Worth (M)	2,764,093,000	3,037,605,000	74		81	88
79	First American Corp., Nashville, Tenn. (M)	2,763,600,000	....	...		105	73
80	Bank of California NA, San Francisco (B)	2,548,791,000	2,807,556,000	81	+1	62	...
81	Banks of Mid-America, Inc., Oklahoma City (M)	2,488,958,000	....	...		99	146
82	Premier Bancorp, Inc., Baton Rouge, La. (M)	2,483,000,000	....	...		114	100
83	Horizon Bancorp., Morristown, N.J. (M)	2,471,323,000	2,536,818,000	86	+3	112	108
84	Valley National Corp., Phoenix, Ariz. (O)	2,448,917,000	2,264,180,000	91	+7	72	46
85	First National Cincinnati Corp. (M)	2,425,313,726	2,469,137,000	88	+3	86	97
86	Union National Corp., Pittsburgh (O)	2,340,003,000	2,513,636,000	87	+1	107	115
87	BancOklahoma Corp., Tulsa (O)	2,230,999,000	2,589,136,000	85		102	144
88	Firstier Inc., Omaha, Neb. (O)	2,194,219,000	2,692,470,000	84		94	...
89	Bancorp Hawaii, Inc., Honolulu (O)	2,191,040,000	1,964,200,000	97	+8	87	77
90	Riggs National Corp., Washington, D.C. (O)	2,148,025,000	2,211,068,000	92	+2	92	71
91	Liberty National Bancorp, Inc., Louisville, Ky. (M)	2,100,000,000	....	...		123	137
92	Marine Corp., Milwaukee, Wis. (M)	1,939,967,000	2,800,000,000	83		74	101
93	First Tennessee National Corp., Memphis (M)	1,865,066,000	2,033,070,000	95	+2	101	79
94	Commerce Bancshares Inc., Kansas City, Mo. (M)	1,842,167,000	1,928,280,000	99	+5	93	85
95	Bessemer Trust Co., Woodbridge, N.J. (T)	1,826,600,000	1,619,795,000	102	+7	89	...
96	Florida National Banks of Florida, Jacksonville (M)	1,800,000,000	1,419,688,000	106	+ 10	90	67
97	Michigan National Corp., Farmington Hills, Mich. (M)	1,800,000,000	422,000,000	...		97	63
98	Huntington Bancshares Inc., Columbus, Ohio (M)	1,707,916,000	1,613,011,000	103	+5	80	59
99	Amalgamated Bank of New York (B)	1,700,000,000	1,950,000,000	98		...	...
100	Cullen/Frost Bankers Inc., San Antonio (M)	1,665,734,344	1,738,302,859	101	+1	98	119
	TOTALS FOR THE TOP 100 FIRMS‡	**1,113,999,579,754**	**1,011,991,137,016**	**+10.1%**			

Data Source: American Banker survey questionnaire to the 200 largest trust firms in the nation. **Discretionary assets:** assets of accounts over which a firm is authorized to make investment decisions. Also included are assets in accounts for which the firm recommends, but does not make, investments. Assets of accounts where the firm shares investment power are also included. **Type of institution**— A footnote, appearing after the name of each firm, describes its type: **(B)**— Commercial bank; **(M)**— Multibank holding company; **(O)**— One-bank holding company; **(T)**— Nondeposit trust. **(a)**— PNC acquired Central Bancorp. Inc., Cincinnati, on 2/29/88. However, the trust functions of Central Bancorp were merged with those of PNC before yearend 1987. Therefore, the 1987 data for PNC include the trust assets of Central Bancorp. **(b)**— On 1/1/88, Fleet Financial Group, Providence, and Norstar Bancorp., Albany, N.Y., merged to form Fleet/Norstar. The 1987 data are for Fleet/Norstar, and the 1986 data are for Fleet Financial Group. **(c)**— On 2/29/88, Hartford National Corp acquired Shawmut Corp. and changed its title to Shawmut National Corp. Had the merger taken place before yearend, Shawmut National would have ranked 37th in discretionary assets with $9.8 billion. **(d)**— On 2/29/88, First Fidelity Bancorp acquired Fidelcor, Inc. Had the merger taken place before yearend, First Fidelity would have ranked 34th in discretionary assets with $10.2 billion. **(r)**— Data were revised since publication on 6/30/87. Rank firm would have had, if the revised data were used. **(†)**— Asset rank of the holding company as of 12/31/87. **(‡)**— The 1986 data are for the top 100 firms that year. **N.A.**— Not available.

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Top 100 Firms in Discretionary Trust Assets

Listed Geographically and Within State by Trust Assets on Dec. 31, 1987 (Millions of Dollars)

1987		Trust Assets 12/31/87	No. of Subs.	Affil. Inv. Adv. Subs.
	ALABAMA			
60	AmSouth Bancorp., Birmingham	4,460	N.A.	N.A.
	ARIZONA			
84	Valley National Corp., Phoenix	2,449	2	No
	CALIFORNIA			
3	Wells Fargo & Co., San Francisco	53,911	N.A.	N.A.
14	Security Pacific Corp., Los Angeles	19,994	11	Yes
16	First Interstate Bancorp., Los Angeles	18,009	N.A.	N.A.
17	Capital Guardian Trust Co., Los Angeles	17,827	0	No
34	BankAmerica Corp., San Francisco	10,393	3	Yes
56	Trust Services of America, Inc., Los Angeles	5,151	N.A.	N.A.
80	Bank of California NA, San Francisco	2,549	N.A.	N.A.
	COLORADO			
69	United Banks of Colorado, Denver	3,744	1	No
	CONNECTICUT			
48	Hartford National Corp. (a)	5,868	6	No
	DELAWARE			
15	Wilmington Trust Co.	18,498	3	Yes
	DISTRICT OF COLUMBIA			
90	Riggs National Corp., Washington, D.C.	2,148	1	No
	FLORIDA			
61	Barnett Banks, Inc., Jacksonville	4,349	6	No
77	Southeast Banking Corp., Miami	2,817	1	No
96	Florida National Banks of Florida, Jacksonville	1,800	N.A.	N.A.
	GEORGIA			
19	SunTrust Banks, Inc., Atlanta	16,837	N.A.	N.A.
44	Citizens & Southern Corp., Atlanta	6,800	4	Yes
	HAWAII			
89	Bancorp Hawaii, Inc., Honolulu	2,191	N.A.	N.A.
	ILLINOIS			
11	Northern Trust Corp., Chicago	25,142	8	Yes
12	First Chicago Corp.	24,467	15	No
23	Harris Bankcorp., Inc., Chicago	14,322	13	Yes
27	Continental Illinois Corp., Chicago	12,401	3	No
	INDIANA			
58	Indiana National Corp., Indianapolis	4,952	N.A.	N.A.
72	Merchants National Corp., Indianapolis	3,122	14	Yes
	KENTUCKY			
53	First Kentucky National Corp., Louisville	5,435	N.A.	N.A.
91	Liberty National Bancorp, Inc., Louisville	2,100	N.A.	N.A.
	LOUISIANA			
75	Hibernia Corp., New Orleans	2,866	3	No
82	Premier Bancorp, Inc., Baton Rouge	2,483	N.A.	N.A.
	MARYLAND			
50	Mercantile Bankshares Corp., Baltimore	5,714	3	No
	MASSACHUSETTS			
9	State Street Boston Corp.	29,800	N.A.	N.A.
13	Boston Safe Deposit & Trust Co.	21,288	N.A.	N.A.
25	Bank of Boston Corp.	12,775	14	Yes
26	Bank of New England Corp., Boston	12,528	11	Yes
66	Shawmut Corp., Boston (a)	3,959	7	Yes
	MICHIGAN			
28	Manufacturers National Corp., Detroit	12,076	4	No
31	NBD Bancorp., Inc., Detroit	11,024	14	No
51	Comerica Inc., Detroit	5,528	N.A.	N.A.
64	Old Kent Financial Corp., Grand Rapids	4,059	2	No
76	First of America Bank Corp., Kalamazoo	2,822	N.A.	N.A.
97	Michigan National Corp., Farmington Hills	1,800	N.A.	N.A.
	MINNESOTA			
24	First Bank System, Minneapolis	13,649	11	Yes
42	Norwest Corp., Minneapolis	7,590	N.A.	N.A.
	MISSOURI			
33	Centerre Bancorp., St. Louis	10,833	7	No
35	Boatmen's Bancshares Inc., St. Louis	10,251	16	No
40	Mercantile Bancorp., Inc., St. Louis	8,214	6	Yes
67	United Missouri Bancshares Inc., Kansas City	3,828	2	No
94	Commerce Bancshares Inc., Kansas City	1,842	4	No
	NEBRASKA			
88	Firstier Inc., Omaha	2,194	5	No
	NEW JERSEY			
52	First Fidelity Bancorporation, Newark (b)	5,500	3	No
57	Midlantic Corp., Edison	5,103	5	No
83	Horizon Bancorp., Morristown	2,471	3	No
95	Bessemer Trust Co., Woodbridge	1,827	0	No
	NEW YORK			
1	J.P. Morgan & Co., Inc., New York	65,441	N.A.	N.A.
2	Bankers Trust New York Corp.	64,600	15	Yes
5	Citicorp, New York	51,883	37†	Yes
7	Chase Manhattan Corp., New York	35,985	6	Yes
8	Chemical Banking Corp., New York	33,812	9	Yes
10	Manufacturers Hanover Corp., New York	29,027	3	Yes
20	U.S. Trust Corp., New York	15,889	6	Yes
21	Fiduciary Trust Co., New York	15,213	N.A.	N.A.
22	Bank of New York Co., Inc.	14,664	3	Yes
29	Irving Bank Corp., New York	11,422	9	No
62	Marine Midland Banks, Inc., Buffalo	4,104	N.A.	N.A.
68	KeyCorp, Albany	3,782	N.A.	N.A.
99	Amalgamated Bank of New York	1,700	N.A.	N.A.
	NORTH CAROLINA			
41	First Wachovia Corp., Winston-Salem	8,083	3	No
45	NCNB Corp., Charlotte	6,641	N.A.	N.A.
46	First Union Corp., Charlotte	6,489	4	No
	OHIO			
30	AmeriTrust Corp., Cleveland	11,182	N.A.	N.A.
36	Banc One Corp., Columbus	9,953	N.A.	N.A.
37	National City Corp., Cleveland	9,663	6	No
54	Trustcorp, Inc., Toledo	5,266	13	Yes
59	Society Corp., Cleveland	4,555	4	No
71	Fifth Third Bancorp., Cincinnati	3,375	N.A.	N.A.
85	First National Cincinnati Corp.	2,425	7	No
98	Huntington Bancshares Inc., Columbus	1,708	2	Yes
	OKLAHOMA			
81	Banks of Mid-America, Inc., Oklahoma City	2,489	N.A.	N.A.
87	BancOklahoma Corp., Tulsa	2,231	2	No
	OREGON			
74	U.S. Bancorp., Portland	2,979	3	Yes
	PENNSYLVANIA			
4	Mellon Bank Corp., Pittsburgh	53,531	16	Yes
6	PNC Financial Corp., Pittsburgh	44,304	13	Yes
38	First Pennsylvania Corp., Philadelphia	8,609	2	Yes
39	CoreStates Financial Corp., Philadelphia	8,531	3	No
55	Fidelcor, Inc., Philadelphia (b)	5,200	2	No
65	Meridian Bancorp, Inc., Reading	3,968	N.A.	N.A.
86	Union National Corp., Pittsburgh	2,340	5	No
	RHODE ISLAND			
43	Fleet/Norstar Fin'l Group, Inc., Providence	7,159	6	Yes
	TENNESSEE			
79	First American Corp., Nashville	2,764	N.A.	N.A.
93	First Tennessee National Corp., Memphis	1,865	2	Yes
	TEXAS			
18	First RepublicBank Corp., Dallas	17,497	31	Yes
63	MCorp, Dallas	4,074	N.A.	N.A.
70	First City Bancorporation of Texas, Inc., Houston	3,443	17	No
78	Texas American Bancshares Inc., Fort Worth	2,764	9	Yes
100	Cullen/Frost Bankers Inc., San Antonio	1,666	5	No
	VIRGINIA			
32	Crestar Financial Corp., Richmond	10,842	3	Yes
47	Sovran Financial Corp., Norfolk	6,325	N.A.	N.A.
	WISCONSIN			
49	First Wisconsin Corp., Milwaukee	5,857	8	Yes
73	Marshall & Ilsley Corp., Milwaukee	3,000	N.A.	N.A.
92	Marine Corp., Milwaukee	1,940	N.A.	N.A.

Data Source: American Banker survey questionnaire to the 200 largest trust firms in the nation. **Number of subsidiaries engaged in trust activity:** *American Banker* asked respondents to indicate the number of commercial bank subsidiaries, nondeposit trust companies, affiliated investment advisor subsidiaries, and all other subsidiaries engaged in trust activities in 1987. The number shown is the sum of all these subsidiaries. **Affiliated Investment Advisor Subsidiaries:** This column indicates whether or not the firm has an affiliated investment advisor subsidiary or subsidiaries. "Yes" indicates the firm has such a subsidiary and "No" indicates it does not. **N.A.**— If a firm did not respond to the *American Banker* questionnaire, it was sent a mailgram. The mailgram did not ask for the number of subsidiaries engaged in trust activities. Thus, for these firms, the data are not available. **(†)**— Includes 32 international subsidiaries and five domestic subsidiaries.

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Top 100 Institutions in Trust Income

Ranked by Size of Trust Department's 1987 Gross Operating Revenues

Rank 1987		Total Trust Income		Rank 1986	Gain in Rank	Total Operating Income 1987	Trust Income As % of Oper. Income	1987 Market Value Of Trust Assets
		1987	1986					
1	**Citicorp, New York (M)**	513,000,000	381,000,000r	2r	+1	27,988,000,000	1.8	482,400,000,000
2	**J.P. Morgan & Co., Inc., New York (M)**	443,000,000	398,400,000	1		6,833,600,000	6.5	65,441,000,000
3	**Chase Manhattan Corp., New York (M)**	321,000,000	265,609,000	3r		10,744,623,000	3.0	N.A.
4	**Bankers Trust New York Corp. (M)**	292,692,000	222,427,000	4		5,692,713,000	5.1	840,200,000,000
5	**Mellon Bank Corp., Pittsburgh (M)**	257,000,000	198,029,000	6	+1	3,321,000,000	7.7	188,019,000,000
6	**State Street Boston Corp. (M)**	236,161,000	176,643,000	7	+1	756,881,000	31.2	529,000,000,000
7	**Bank of New York Co., Inc. (M)**	235,618,000	205,599,000	5		2,140,577,000	11.0	326,307,156,000
8	**Northern Trust Corp., Chicago (M)**	180,301,000	148,945,000	8		834,496,000	21.6	136,538,200,000
9	**Manufacturers Hanover Corp., New York (M)**	168,668,000	147,685,000	9		7,756,709,000	2.2	N.A.
10	**PNC Financial Corp., Pittsburgh (M,a)**	166,193,000	127,558,344	11	+1	3,152,822,000	5.3	79,200,000,000
11	**Chemical Banking Corp., New York (M)**	157,900,000	100,160,000	16	+5	6,754,800,000	2.3	252,639,847,000
12	**Wells Fargo & Co., San Francisco (O)**	156,500,000	90,100,000	20	+8	4,572,300,000	3.4	75,233,300,000
13	**U.S. Trust Corp., New York (O)**	154,322,000	130,500,000	10		337,920,000	45.7	191,344,738,000
14	**Security Pacific Corp., Los Angeles (O)**	137,200,000	97,000,000	17	+3	7,617,500,000	1.8	116,454,498,000
15	**First Interstate Bancorp., Los Angeles (M)**	136,004,037	116,447,000	14		5,079,514,917	2.7	72,481,528,000
16	**Bank of Boston Corp. (M)**	135,644,000	123,726,000	13		4,269,030,000	3.2	71,881,859,000
17	**First Chicago Corp. (O)**	119,648,000	101,851,000	15		4,255,095,000	2.8	129,438,983,000
18	**Bank of New England Corp., Boston (M)**	117,588,000	93,504,000	19	+1	2,725,815,000	4.3	78,994,170,000
19	**SunTrust Banks, Inc., Atlanta (M)**	115,624,000	94,884,000	18		2,561,256,000	4.5	39,239,169,000
20	**BankAmerica Corp., San Francisco (M)**	97,983,000	127,203,000	12		10,163,000,000	1.0	29,153,709,000
21	**Harris Bankcorp., Inc., Chicago (M)**	94,995,000	79,633,000	21		1,032,215,000	9.2	53,063,693,000
22	**First RepublicBank Corp., Dallas (M)**	92,150,000	54,2[illegible]7,000	30	+8	2,351,553,000	3.9	67,005,180,000
23	**Irving Bank Corp., New York (M)**	91,679,000	73,844,000	23		2,165,591,000	4.2	43,177,714,000
24	**First Bank System, Minneapolis (M)**	85,921,000	75,000,000	22		2,481,098,000	3.5	21,505,000,000
25	**Banc One Corp., Columbus, Ohio (M)**	75,979,000	41,868,000	40	+ 15	2,384,757,000	3.2	26,199,244,000
26	**Continental Illinois Corp., Chicago (M)**	69,700,000	65,228,007	24		2,786,300,000	2.5	79,887,469,000
27	**First Wachovia Corp., Winston-Salem, N.C. (M)**	69,002,000	59,228,000	26		1,795,651,000	3.8	42,980,226,488
28	**AmeriTrust Corp., Cleveland (O)**	64,458,000	56,030,000	29	+1	933,991,000	6.9	31,313,291,000
29	**Norwest Corp., Minneapolis (M)**	62,400,000	58,700,000	27		2,297,700,000	2.7	29,252,700,000
30	**NBD Bancorp., Inc., Detroit (M)**	61,793,000	49,911,000	33	+3	1,967,985,000	3.1	52,329,880,000
31	**First Union Corp., Charlotte, N.C. (O)**	58,025,000	43,899,000	38	+7	2,626,296,000	2.2	15,866,940,000
32	**National City Corp., Cleveland (M)**	55,782,000	49,340,000	34	+2	1,467,709,000	3.8	29,280,284,000
33	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (M,b)**	55,543,000	23,329,000	67	+34	2,535,778,000	2.2	14,643,865,000
34	**NCNB Corp., Charlotte, N.C. (M)**	55,163,000	52,473,000	31		2,460,943,000	2.2	N.A.
35	**Capital Guardian Trust Co., Los Angeles (T)**	54,830,000	46,844,000	36	+1	56,338,000	97.3	2,031,000,000
36	**MCorp, Dallas (M)**	54,637,000	52,000,000	32		1,774,346,000	3.1	14,931,000,000
37	**Boston Safe Deposit & Trust Co. (B)**	52,505,000	40,651,000r	43r	+6	870,995,000	6.0	118,700,000,000
38	**Shawmut Corp., Boston (M,c)**	51,684,000	44,785,000	37		707,376,000	7.3	7,978,372,000
39	**Sovran Financial Corp., Norfolk, Va. (O)**	50,320,000	32,897,000	49	+ 10	2,018,676,000	2.5	17,275,020,000
40	**Fiduciary Trust Co., New York (B)**	49,821,459	41,432,955	42	+2	62,564,428	79.6	23,838,247,000
41	**Hartford National Corp., Conn. (O,c)**	49,140,000	41,720,000	41		1,343,257,000	3.7	12,496,138,123
42	**First Wisconsin Corp., Milwaukee (M)**	49,099,000	39,551,000	43	+1	704,966,000	7.0	20,709,009,000
43	**Citizens & Southern Corp., Atlanta (M)**	47,013,000	38,372,000	45	+2	1,853,531,000	2.5	30,531,544,672
44	**Centerre Bancorp., St. Louis, Mo. (M)**	45,713,000	38,172,000	46	+2	500,339,000	9.1	17,537,788,000
45	**Wilmington Trust Co., Del. (B)**	45,636,000	39,074,000	44		285,049,000	16.0	84,389,548,000
46	**National Westminster Bancorp NJ, Jersey City, N.J. (M)**	43,601,000#	35,518,000#r	47r	+1	449,607,000	9.7	N.A.
47	**Marine Midland Banks, Inc., Buffalo, N.Y. (O)**	41,346,000	42,555,000	39		2,444,491,000	1.7	25,568,211,000
48	**Manufacturers National Corp., Detroit (M)**	37,904,000	29,771,000	55	+7	800,292,000	4.7	33,004,486,000
49	**First Pennsylvania Corp., Philadelphia (O)**	37,312,000	32,226,000	51	+2	536,553,000	7.0	43,300,000,000
50	**MNC Financial, Inc., Baltimore (M)**	37,019,000	11,933,000	102	+ 52	1,597,842,000	2.3	N.A.
51	**Comerica Inc., Detroit (M)**	35,828,000	32,948,000	48		945,592,000	3.8	10,823,847,000
52	**Society Corp., Cleveland (M)**	35,693,000	29,560,000	56	+4	886,236,000	4.0	10,240,861,000
53	**First Fidelity Bancorporation, Newark, N.J. (M,d)**	35,551,000	29,280,000	57	+4	1,328,163,000	2.7	43,000,000,000
54	**Crestar Financial Corp., Richmond (O)**	35,361,000	32,768,000	50		937,572,000	3.8	17,913,746,000
55	**Midlantic Corp., Edison, N.J. (M)**	34,346,000	30,278,000	54		1,543,408,000	2.2	13,886,027,000
56	**CoreStates Financial Corp., Philadelphia (M)**	34,301,000	30,431,000	53		1,448,662,000	2.4	59,085,080,000
57	**Marshall & Ilsley Corp., Milwaukee (M)**	33,897,000	31,684,000	52		558,030,000	6.1	8,200,000,000
58	**First City Bancorporation of Texas, Inc., Houston (M)**	33,450,000	33,950,000	47		1,134,378,000	2.9	10,938,026,000
59	**Fidelcor, Inc., Philadelphia (M,d)**	31,532,000	28,934,000	58		1,081,785,000	2.9	12,800,000,000
60	**Mercantile Bancorp., Inc., St. Louis, Mo. (M)**	31,144,000	27,188,000	61	+1	672,401,000	4.6	19,860,518,000
61	**Barnett Banks, Inc., Jacksonville, Fla. (M)**	30,880,000	23,861,000	65	+4	2,285,944,000	1.4	5,186,707,000
62	**Bank of California NA, San Francisco (B)**	30,529,000	28,075,000	60		33,562,000	91.0	11,967,187,000
63	**U.S. Bancorp., Portland, Ore. (M)**	30,283,000	16,583,000	82	+ 19	1,153,856,000	2.6	6,034,457,000
64	**AmSouth Bancorp., Birmingham, Ala. (M)**	28,121,000	23,654,000	66	+2	640,475,000	4.4	8,612,668,000
65	**Mercantile Bankshares Corp., Baltimore (M)**	27,221,000	25,621,000	62		313,693,000	8.7	18,560,375,000
66	**Trust Services of America, Inc., Los Angeles (T)**	26,549,000	20,932,404	68	+2	27,576,000	96.3	8,309,444,000
67	**Boatmen's Bancshares Inc., St. Louis, Mo. (M)**	26,465,000	24,423,000	63		841,581,000	3.1	15,256,000,000
68	**Southeast Banking Corp., Miami (M)**	25,519,000	17,439,000	79	+ 11	1,164,261,000	2.2	5,335,531,000
69	**United Banks of Colorado, Denver (M)**	25,436,000	20,288,000	70	+1	559,653,000	4.5	6,500,000,000
70	**First Kentucky National Corp., Louisville (M)**	24,391,000	19,804,000	72	+2	512,030,000	4.8	7,918,055,000
71	**KeyCorp, Albany, N.Y. (M)**	24,103,000	17,719,000	75	+4	1,091,103,000	2.2	7,187,199,000
72	**Valley National Corp., Phoenix, Ariz. (O)**	23,700,000	20,736,000	69		1,071,251,000	2.2	14,904,018,000
73	**Bank of Tokyo Trust Co., New York (B)**	22,362,754	13,218,486†	94†	+21	419,531,316	5.3	N.A.
74	**Marine Corp., Milwaukee, Wis. (M)**	21,476,000	19,025,000	73		406,528,000	5.3	3,822,498,000
75	**Trustcorp, Inc., Toledo, Ohio (M)**	21,400,000	14,666,000	92	+ 17	518,181,000	4.1	6,471,053,000
76	**Meridian Bancorp, Inc., Reading, Pa. (M)**	21,388,000	12,982,000	95	+ 19	883,046,000	2.4	8,968,417,000
77	**First of America Bank Corp., Kalamazoo, Mich. (M)**	20,884,000	14,759,589	90	+ 13	767,776,000	2.7	4,700,000,000
78	**United Missouri Bancshares Inc., Kansas City, Mo. (M)**	20,460,000	16,704,000	81	+3	287,175,000	7.1	43,909,000,000
79	**Old Kent Financial Corp., Grand Rapids, Mich. (M)**	20,015,000	16,200,000	85	+6	536,209,000	3.7	5,238,370,000
80	**Huntington Bancshares Inc., Columbus, Ohio (M)**	19,681,000	19,903,000	71		783,545,000	2.5	9,073,213,000
81	**Texas American Bancshares Inc., Fort Worth (M)**	19,473,000	18,532,000	74		524,367,000	3.7	4,508,959,000
82	**Fifth Third Bancorp., Cincinnati (M)**	19,420,000	17,681,000	76		382,651,000	5.1	10,524,800,000
83	**Indiana National Corp., Indianapolis (O)**	18,710,000	16,841,000	80		475,644,000	3.9	10,505,400,000
84	**La Salle National Corp., Chicago (O)**	18,372,000	16,261,000	84		74,798,000	24.6	8,000,000,000
85	**IBJ Schroder Bank & Trust Co., New York (B)**	17,847,000	15,756,000	87	+2	217,442,000	8.2	34,689,608,000
86	**First National Cincinnati Corp. (M)**	17,785,000	15,945,000	86		410,126,000	4.3	7,577,745,426
87	**Bancorp Hawaii, Inc., Honolulu (O)**	17,469,000	14,754,000	91	+4	492,796,000	3.5	4,155,240,000
88	**Union Bancorp, Los Angeles (O)**	17,289,000	16,438,000	83		887,254,000	1.9	N.A.
89	**Bessemer Trust Co., Woodbridge, N.J. (T)**	17,020,000	13,070,000	94	+5	17,575,000	96.8	1,843,329,000
90	**Florida National Banks of Florida, Jacksonville (M)**	16,429,000	15,103,000	88		685,829,000	2.4	5,400,000,000
91	**California First Bank, San Francisco (B)**	15,502,000	14,584,000	93	+2	580,542,000	2.7	3,083,129,000
92	**Riggs National Corp., Washington, D.C. (O)**	14,946,000	12,816,000	96	+4	479,026,000	3.1	17,794,150,000
93	**Commerce Bancshares Inc., Kansas City, Mo. (M)**	14,887,000	12,745,000	97	+4	451,758,000	3.3	5,272,908,000
94	**Firstier Inc., Omaha, Neb. (O)**	14,770,000	12,155,000	100	+6	218,389,000	6.8	7,003,165,000
95	**Sanwa Bank California, San Francisco (B)**	14,503,000	8,191,000	114	+ 19	474,316,000	3.1	6,528,376,581
96	**South Carolina National Corp., Columbia (O)**	14,117,000	12,102,000	101	+5	488,573,000	2.9	3,533,196,000
97	**Michigan National Corp., Farmington Hills, Mich. (M)**	13,727,000	10,455,000	108	+ 11	907,570,000	1.5	1,800,000,000
98	**Cullen/Frost Bankers Inc., San Antonio (M)**	13,716,000	12,169,000	99	+1	291,997,000	4.7	6,179,633,136
99	**Banks of Mid-America, Inc., Oklahoma City (M)**	13,161,000	....	...		274,078,000	4.8	4,074,210,000
100	**First American Bankshares, Washington, D.C. (M)**	13,068,434	....	...		737,990,162	1.8	3,728,396,000
	TOTALS FOR THE TOP 100 FIRMS‡	**7,036,394,684**	**5,823,794,561**	+20.8%				

Data Sources: American Banker survey questionnaire to the 200 largest trust firms in the nation; annual reports; Federal Reserve Board Y-9 data for bank holding companies, provided by **ADP Data Services Division, New York**; and Federal Regulatory report of income. **Gross operating income** of the trust department includes income from all types of fiduciary services but excludes all non-operating credits. **Market value of all trust assets** includes discretionary assets, nondiscretionary assets, corporate trust accounts, and accounts of a strictly custodial nature. **Type of institution**— A footnote, appearing after the name of each firm, describes its type: **(B)**— Commercial bank; **(M)**— Multibank holding company; **(O)**— One-bank holding company; **(T)**— Nondeposit trust. **(a)**— PNC acquired Central Bancorp. Inc., Cincinnati, on 2/29/88. However, the trust activities of Central Bancorp were merged with those of PNC before yearend 1987. Therefore, the 1987 data for PNC include the trust income of Central Bancorp. **(b)**— On 1/1/88, Fleet Financial Group, Providence, and Norstar Bancorp., Albany, N.Y., merged to form Fleet/Norstar. The 1987 data are for Fleet/Norstar, and the 1986 data are for Fleet Financial Group. **(c)**— On 2/29/88, Hartford National Corp acquired Shawmut Corp. and changed its title to Shawmut National Corp. Had the merger taken place before yearend, Shawmut National would have ranked 20th with gross trust income of $100.8 million. **(d)**— On 2/29/88, First Fidelity Bancorp acquired Fidelcor, Inc. Had the merger taken place before yearend, First Fidelity would have ranked 29th with gross trust income of $67.1 million. **(r)**— Revised since publication on 6/30/87. **(†)**— Not included in last year's survey. Rank is the rank the bank would have had, if it were included. **(‡)**— The 1986 total is for the top 100 firms in trust income that year. **(#)**— As reported by firm to the Federal Reserve on the Y-9 Report. **N.A.— Not available.**

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Trust Units Posted Gains Despite Stock Market Debacle

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department profitability produced by Cates Consulting Analysts Inc.

The *American Banker* survey also found that income from all types of bank trust activities rose 20.8% in 1987 for the 100 largest units, a result of substantial price increases.

In addition, the survey showed that Citicorp had supplanted J.P. Morgan & Co. as the nation's top producer of trust income. Morgan had led in this category in each of the previous 19 years. It finished second in 1987.

Although managed trust assets rose 10.1%, the market decline did make an impact. The percentage gain is the smallest since the 6.8% rise in 1984. In 1985 and 1986, in the heat of the bull market, the value of these holdings advanced a record 23% and 22.8%, respectively.

Managed, or discretionary, trust assets are stocks, bonds, and other holdings for which a trust banking company is authorized to make investment decisions. Also included are assets for which the trust banking company recommends but does not make the investments, and accounts over which the bank shares investment power.

Since trust departments invest heavily in stocks and bonds, increases or decreases are reflected in the value of discretionary assets.

From December 1986 to December 1987, stock prices fell 3.1%, as measured by the Standard & Poor's 500 index. Bond prices also plummeted during the period, with the Shearson-Lehman Treasury index falling 11.2%.

While lagging behind Citicorp in trust income last year, Morgan held on to the No. 1 spot in total managed trust assets. Morgan's discretionary assets totaled $65.4 billion, up 6% from 1986. Filling out the top five were Bankers Trust New York Corp., with $64.6 billion in trust assets; Wells Fargo & Co., with $53.9 billion; Mellon Bank Corp., with $53.5 billion; and Citicorp, with $51.8 billion.

Citicorp's ranking has been falling steadily over the past few years. In 1985, the nation's largest banking company was also the biggest trust bank. However, in 1986 it dropped to third place and last year fell to fifth.

A Citicorp trust officer said the decline in managed assets is part of a strategy to exit what he described as a thin-margin business. Instead, the corporation is emphasizing worldwide trust businesses in which it does not directly manage funds, for example, record-keeping services.

"There are some places in the world — Spain, Italy, part of the Far East — where a bank can charge 2% or 3% for handling a custody account," he said. "In the U.S., the whole deal is done for 15, 20 basis points."

And Citicorp's portfolio of managed trust assets continues to get smaller. The corporation has agreed to sell its domestic institutional investment management unit and its $18 billion portfolio to USF&G Corp., a Baltimore-based insurance holding company.

The strategy has propelled Citicorp to the top of the trust income rankings. Last year, Citicorp earned $513 million, up 34.6% from 1986. Second-place Morgan earned $443 million, up 11.2%.

Income at the 100 largest totaled $7 billion last year, compared with $5.8 billion in 1986.

Ms. Triner, the Cates analyst, attributed the higher income largely to substantial, across-the-board price increases for trust services.

The analyst also found that the profitability of trust departments rose slightly last year. She said that of the 120 trust departments included in the TrustCompare survey, the profit margin on average rose to 31% from 30%. "It undoubtedly would have been higher if not for Oct. 19," she said.

In the *American Banker* survey, MNC Financial Inc., Baltimore, showed the biggest percentage increase in trust income. MNC's earnings more than tripled to $37 million from $11.9 million.

Walter Fatzinger, executive vice president of American Security Bank, MNC's Washington-based bank unit, attributed the sharp increase to effects of MNC's acquisition last year of American Security and to a one-time boost to earnings from a change in accounting procedures mandated by the Tax Reform Act of 1986.

BankAmerica had the biggest percentage drop in trust income, which fell 23% after the company sold its consumer trust division to Wells Fargo & Co. ■

Largest Gains in Discretionary Assets Among Top 100 Firms in Trust Assets

		Trust Assets 1987	Trust Assets 1986	% Incr.	Asset Rank
1	**Michigan Nat'l Corp.**	1,800,000,000	422,000,000	326.54	97
2	**First RepublicBank Corp.**	17,496,918,000	8,079,619,000	116.56	18
3	**Meridian Bancorp.**	3,967,920,000	1,861,158,000	113.20	65
4	**Crestar Fin'l Corp.**	10,842,186,000	5,311,327,000	104.13	32
5	**Chemical Bkng Corp.**	33,811,620,000	16,917,000,000	99.87	8
6	**Mellon Bank Corp.**	53,531,000,000	27,798,976,000	92.56	4
7	**Trust Services of America Inc.**	5,151,124,000	2,908,768,000	77.09	56
8	**Fleet/Norstar Fin'l Group Inc.**	7,158,797,000	4,403,961,000	62.55	43
9	**First Bank System**	13,649,000,000	9,599,000,000	42.19	24
10	**U.S. Bancorp**	2,979,370,000	2,115,346,000	40.85	74

Largest Declines in Gross Trust Income Among Top 100 Firms in Trust Income

		Trust Income 1987	Trust Income 1986	% Decline	Income Rank
1	**BankAmerica Corp.**	97,983,000	127,203,000	22.97	20
2	**Marine Midland Banks Inc.**	41,346,000	42,555,000	2.84	47
3	**First City Bancorp of Texas Inc.**	33,450,000	33,950,000	1.47	58
4	**Huntington Bancshares Inc.**	19,681,000	19,903,000	1.12	80

Largest Gains in Gross Trust Income Among Top 100 Firms in Trust Income

		Trust Income 1987	Trust Income 1986	% Incr.	Income Rank
1	**MNC Financial Inc.**	37,019,000	11,933,000	210.22	50
2	**U.S. Bancorp**	30,283,000	16,583,000	82.61	63
3	**Bank One Corp.**	75,979,000	41,868,000	81.47	25
4	**Sanwa Bank California**	14,503,000	8,191,000	77.06	95
5	**Wells Fargo & Co.**	156,500,000	90,100,000	73.70	12
6	**First RepublicBank Corp.**	92,150,000	54,267,000	69.81	22
7	**Bank of Tokyo Trust Co.**	22,362,754	13,218,486	69.18	73
8	**Meridian Bancorp**	21,388,000	12,982,000	64.75	76
9	**Chemical Banking Corp.**	157,900,000	100,160,000	57.65	11
10	**Sovran Financial Corp.**	50,320,000	32,897,000	52.96	39

Merrill Beats Out Commercial Banks On Banc One's $1 Billion Paper Issue

By GEORGE YACIK

NEW YORK — Banc One Corp. expects soon to complete a program of $1 billion in private commercial paper backed by its credit card receivables.

Details on the huge transaction are sketchy, but market sources said the holding company based in Columbus, Ohio, will sell the receivables to a newly created trust, which will issue the paper. Merrill Lynch & Co. is investment banker on the deal.

"We do have a deal," a Banc One official said, but he would not comment further. The official said the company would have more to say about it "in a couple of weeks."

Sources said Merrill has been working on the deal for several months. The paper will be sold privately to a limited number of accredited institutional investors, sources said.

Officials at competing investment firms expressed disappointment they did not land the big Banc One account.

"Commercial banks couldn't bid on this" until the Supreme Court's recent decision granting banks new underwriting powers, an official at a large bank said. "This is exactly the kind of third-party transaction commercial banks would love to do and are well-placed to do," he said.

Market sources said Banc One was one of the earliest and most aggressive proponents of securitization, completing several deals in the private market. ■

DAILY FINANCIALS

Monday June 27, 1988

Money Market

Federal funds range - Domestic 7½%-7⅝%
Prime rate (5/12/88) 9.00%
Discount rate FRB of New York (9/4/87).........6.00%

Call loans on securities, to brokers on stock exchange collateral (5/27/88).............8.50%

Bankers acceptances offering rate, discount (6/27)
30 days: 7.38 60 days: 7.40 90 days: 7.42
120 days: 7.43 150 days: 7.45 180 days: 7.45

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (6/27)
14 days: 7.05 30 days: 7.15 60 days: 7.20
90 days: 7.20 120 days: 7.30 150 days: 7.35
180 days: 7.35 270 days: 7.60 360 days: 7.70

Commercial paper, dealer Aaa, discount (6/27)
30 days: 7.45 60 days: 7.50 90 days: 7.55

Commercial paper, directly placed, discount (6/27)
5-14 days: 6.75 15-29 days: 7.35
30-59 days: 7.45 60-89 days: 7.45
90-179 days: 7.45 180-270 days: 7.45

Treasury-bill rates, secondary market, bid (6/27)
90 days: 6.55 180 days: 6.78 1 year: 7.02

Eurodollar deposits, London bid (6/27)
Overnight: 7 7/16 7 days: 7⅝ 1 month: 7⅝
3 mos.: 7 11/16 6 mos.: 7 13/16 1 year: 8 3/16

NIBOR: 7 9/16% **LIBOR:** 7 15/16%

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
June 27:	293.3	1988:	296.0	227.7	293.3
June 24:	296.0	1987:	401.7	212.0	234.6
June 23:	294.9	1986:	388.7	331.2	331.3
June 22:	292.5	1985:	344.2	242.7	344.2
June 21:	284.6	1984:	269.6	178.4	246.3

* Based on midday prices.

Wriston . . .

➻ Continued from Page 2

"There's an awful lot that's no longer exciting in the job because I have done that over and over again." He says he has had the same basic responsibilities at Citicorp for 15 years.

One investment banker says there has been a high burnout rate among the bank CFOs of Mr. Howard's generation. No one at a major bank holding company, the banker says, has lasted as long as Mr. Howard.

Mr. Howard won't be able to take it easy at Salomon. The investment bank is beset with a variety of troubles and unsure of its direction. He will be Salomon's second chief financial officer. The first, Gerald Rosenfeld, lasted only one year.

Mr. Howard's main contribution to Citicorp? "The people," he says. "I have hired, developed, trained, and leave behind a legacy of people that is far and away my largest contribution to the corporation." ■

Thrift Power Base Growing, Pitt Says

By LINDA ELLIS

NEW YORK — The political power base of the thrift lobby in Washington has grown beyond savings and loan associations to include mortgage bankers, Realtors, and other groups involved in housing, the chairman of the nation's largest thrift trade group said Monday.

While the number of savings institutions — and thus membership in the U.S. League of Savings Institutions — is shrinking, there is still a powerful voice for the industry in Washington, Theo H. Pitt Jr., chairman of the U.S. League, told the New York Society of Security Analysts.

"If not us, who? Who will step in and provide the means to the American dream, home ownership?" Mr. Pitt said in response to a question about the viability of the troubled thrift industry.

Last year, savings institutions accounted for more than 54% of the residential mortgage loans outstanding in the private sector, he said.

Mr. Pitt, who is chairman and president of Pioneer Savings Bank, Rocky Mount, N.C., said an analysis of recent earnings reports "shows the bulk of the business to be healthy and vibrant."

Like the first-quarter 1988 earnings report, he said, 1987 losses were "confined to a relatively small number of institutions located primarily in economically depressed parts of the country."

Mr. Pitt said the reports showed that in the first quarter, for example, 20 institutions, mainly in Texas, accounted for $3 billion of the $3.8 billion industry loss, and 50 institutions accounted for $3.7 billion of the loss.

At the end of 1987, he said, citing the reports, 89% of the healthy institutions were profitable, with after-tax earnings of $4.9 billion. ■

6/30/88 C0175-1 A

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The Daily Financial Services News

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CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
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Today

Salomon Brothers Inc. unveiled an econometric forecasting model intended to assist in secondary-market trading of Third World debt. 2

Loan pricing for small companies has stabilized, but at levels that continue to ignore borrowers' creditworthiness, a Greenwich Associates survey shows. 2

CoreStates Financial Corp. — operator of the nation's third largest multistate automated teller machine network — will acquire the leading ATM network in New Hampshire. 2

The New York State Bankers Association has reported improvements in the second year of a program to help high school graduates find jobs. 12

Marine Midland Banks has taken another step toward establishing a mid-Atlantic states franchise by opening an office in northern New Jersey. 14

Columbia Savings and Loan has reached an accord with the Federal Home Loan Bank Board that will allow chief executive officer Thomas Spiegel to keep the $4.46 million he earned last year. 14

A rundown of those who became chief executives of financial services companies in April, May, and June. 16

Executive Changes 8
Flashbacks 4
In the News 3
Letters to the Editor 4

CONSUMER FINANCIAL SERVICES

The consumer lobby, anticipating victories on some major banking issues in Congress this year, plans to turn its attention to the real estate, securities, and insurance industries. 3

The Royal Bank of Scotland PLC announced it will launch what it believes is the first voice-activated home banking system in the world. 11

BayBanks Inc., Boston, has a hit with Account Update, which dispenses ministatements of account status via automated teller machines. 6

A bank's success may lie in hiring an experienced marketer who uses the lessons learned by other retailers, writes Warren L. Halperin. 6

Kemper Financial Services has created a program designed to teach all of a bank's branch personnel how to become a referral network for the sales staff. 7

It is when quarterly earnings are less then the best that a bank's marketing professionals should be earning their keep, writes 'Red' Pope in Marketing Management. 4

Worth Repeating

In the future, we'll be spending less time on banking issues and more time on other types of financial issues.

Stephen Brobeck of the Consumer Federation of America. [Page 3]

Affinity Programs Target Deposits

By DONALD SHOULTZ

NEW YORK — The use of affinity programs to sell deposit products may become the next financial services marketing bandwagon. And at least two institutions have already climbed on.

Indiana National Bank will launch a nationwide affinity deposit program on Friday in conjunction with the American Legion. The Indianapolis-based bank plans to pitch a special money market deposit account to the Legion's nearly three million members.

"Certainly, a program of this magnitude has tremendous strategic potential for Indiana National Bank," said bank president Andrew Paine Jr. in a statement announcing the account.

CONSUMER FINANCIAL SERVICES
AN AMERICAN BANKER WEEKLY FEATURE

Section Begins on Page 6

The Indiana National announcement came on the heels of the introduction by Bloomfield Savings and Loan Association, Birmingham, Mich., of the Share in Life certificate — a certificate of deposit targeted to members of religious organizations. When the CD matures, the thrift promises to pay a "goodwill contribution" to the customer's religious group.

"I think we are going to see a great deal of experimentation in the area in the next year or so," said Edward Furash, president of Furash & Co., the Washington-based consultancy.

"Everyone has been very impressed with the way credit card affinity marketing was so successful," he added. "As a result, I think there is a wide range of experimentation all over the country trying to figure out how to make the same trick work on a new dog."

Affinity group marketing involves tailoring a product with features that will interest consumers who share a common interest. Successful affinity credit card programs, which usually feature lower interest rates and reduced annual fees, have been aimed

Affinity: Page 7 ➼

FSLIC Infusion on Slower Track

Timetable Extended for Floating $10.8 Billion in Bonds

By JIM McTAGUE
Washington Bureau

WASHINGTON — Thrift regulators plan to take eight years to raise $10.8 billion on the bond market to recapitalize the insolvent Federal Savings and Loan Insurance Corp.

The news came as a surprise to many in the industry and on Wall Street, where it had generally been anticipated that the last of the bonds would be issued by late 1990. One analyst said the Federal Home Loan Bank Board, the top thrift regulatory agency, was gambling that interest rates would drop.

Last August, Congress authorized the Bank Board to raise the money in no less than three years. The Bank Board chartered the Financing Corp., more commonly known as FICO, to issue bonds. Since September, FICO has gone to the market six times and raised $2.9 billion at an average yield of 9.96%.

Bank Board Chairman M. Danny Wall said the slower pace of bond issuance will save the industry money.

"Yes, we are slowing the rate of FICO borrowing," Mr. Wall said Wednesday. He said FSLIC would continue to use notes, rather than cash, to finance the disposition of troubled S&Ls because "then we don't have to spend 10% interest borrowing from FICO."

Mr. Wall said the notes, which are

Timetable: Page 15 ➼

Revision Hinted In Capital Plan

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Federal bank regulators may capitulate to industry demands on at least one risk-based capital proposal and allow banks to support mortgage lending with half the capital that would be required for other types of loans.

Federal Reserve Board Governor H. Robert Heller said on Wednesday that regulators may be ready to back off their long-standing position that by giving mortgage lending preferential treatment over other types of lending, the government is allocating credit.

Mr. Heller also repeated the Fed's long-held position that the new capital standards should apply to both banks and their holding companies. Bank

Regulators: Page 15 ➼

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Salomon Model Forecasts Value Of LDC Debt

By BART FRAUST

NEW YORK — Salomon Brothers Inc. unveiled an econometric forecasting model on Wednesday that the company expects to facilitate secondary-market trading of Third World debt.

The model is intended to help banks and other investors exchange the debt of one developing country for another's.

"Our analytic goal is to create a systematic method for identifying trading opportunities in the cross-border swap market," said John F.H. Purcell and Diego J. Orlanski, corporate bond researchers for Salomon, in a new report.

But some of Salomon's competitors in this market had their doubts about the usefulness of the model. "It's preposterous," said one rival at a New York investment banking firm. "How do you value the asset when you have no idea of what's going to happen to the economy or political conditions or the country's ability to repay?"

The Salomon researchers found that implementing buy/sell transactions derived from the model in the first, second, and third quarters of 1987 would have produced net profits of 27%, 53%, and 28% if held by an investor until the end of first-quarter 1988.

A $15 billion secondary market has developed in the estimated $1 trillion in loans that banks have made to Third World nations. Banks and other investors buy and sell the loans to exchange for equity positions in companies in the debtor countries. They also trade the loans for investment purposes as an investor would buy or sell securities.

Kenneth L. Telljohann of Salomon's international loan trading desk said the new model is intended to help banks make judgments about the values of different Third World credits, before trading the loans for investment purposes.

Rescheduling Record Considered

The model comprises five economic variables that, according to Salomon, can predict the likely change in a debtor country's secondary-market price.

Besides looking at the country's per capita income and ratio of external debt to exports, Salomon's model also assigns relative values to the nation's record of rescheduling debt, its ability to service loans, and the availability of debt-for-equity conversions there.

The model penalizes countries that have rescheduled their bank debt during the past five years, if they have failed to make interest payments at any point during the five years, or if no debt-for-equity programs exist there. Many countries, resisting foreign ownership of their companies, severely restrict debt-for-equity swaps. Secondary market prices are higher where these programs exist.

The Salomon researchers conceded that their model cannot anticipate all the uncertainties and nuances surrounding Third World debt. They said that to increase the power of the model, they established "confidence levels" around the predicted price of a debtor country. For example, Brazil's confidence level is between 27.48% and 55.11% of the par value of its outstanding loans. If a country's debt trades within the upper and lower bounds of this confidence level, there is a 95% probability that the issue is fairly priced, they said.

A strategy of buying credits indicated by the model as underpriced and selling those that are overpriced will generate positive returns for investors, Salomon said. ■

Why Firms Change Banks

Factors considered essential or very important

Weakening financial condition of bank	82%
Inefficient operations services	80
Difficulty negotiating credit terms	75
Refusing to tailor credit terms	74
Price for services too high	66
Lack of personal attention	66
Bank becomes too small	38
Too few cash management services	27
Lack of international capability	20
Bank becomes too big	18

Source: Greenwich Associates survey of 15,888 companies with revenues between $5 million and $50 million.

Selecting a New Bank

Factors considered essential or very important

Close personal attention to company needs	82%
Low fees and interest rates	82
Skill in lending to similar companies	81
Fairness in negotiating loan structures	78
Reliable lender over time	73
Commitment to serving business locally	57
Expertise in local and regional markets	54
Outstanding senior bankers	52
Willingness to work on advisory basis	47
No conflict of interest in dealing with competitors	44

Source: Greenwich Associates survey of 15,888 companies with revenues between $5 million and $50 million.

Loan Pricing Stabilizes, Survey Shows

By DAVID NEUSTADT

NEW YORK — Loan pricing for small companies has stabilized, a survey shows, but at levels that continue to ignore borrowers' creditworthiness.

Those findings were among the preliminary conclusions of a survey of 15,888 companies with sales between $5 million and $50 million, released today by Greenwich Associates, a market research firm in Greenwich, Conn. A final report and analysis of the survey is due in two weeks.

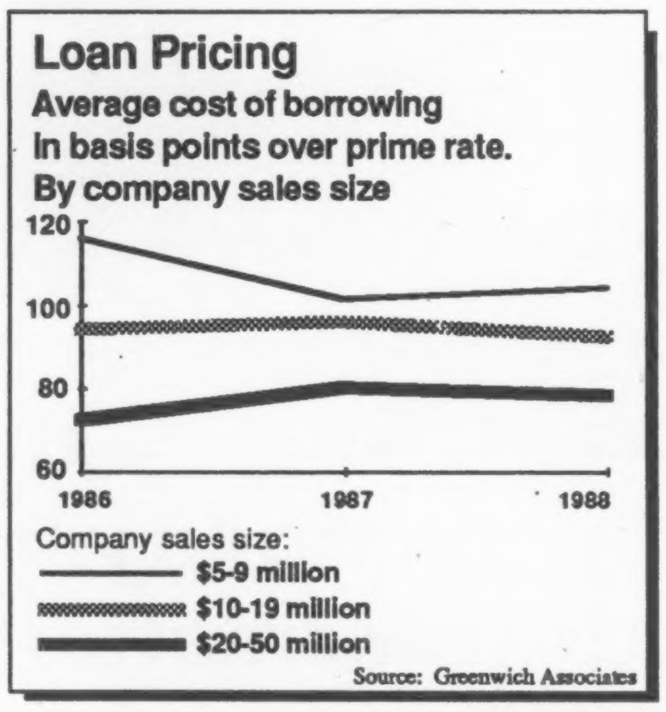
The average cost of a loan for all the companies in the group was 94 basis points over the prime rate in 1988, the same as in 1987 for a smaller sample of companies. In 1986, loans were made at an average of 99 basis points over prime.

But the averages mask an important trend, a flattening of the difference in prices between the smaller and larger companies within the whole group.

Greenwich divides the sample into three subgroups: companies with sales of $5 million to $9 million; those with $10 million to $19 million; and those with $20 million to $50 million. Generally, the bigger companies pay a lower rate then the smaller ones, reflecting the stronger credit standing of the bigger companies.

But between 1986 and 1987, the difference in credit cost between the bigger companies and the smaller companies dropped more than half, to 21 basis points from 44 basis points. In 1988, it remained little changed at 26 basis points.

"The fact is that there is not a lot of difference in rate for a substantial difference in credit quality between a $5 million company and a $45 million company," said Peter Garrison, a Greenwich partner.



Source: Greenwich Associates

"There is continued aggressive pricing in the marketplace," Mr. Garrison said. Since price is one of the easiest factors to change when faced with tough competition, one bank will usually decide to be aggressive on price, he said. That forces other banks either to compete on price or risk losing relationships. Most choose to compete on price.

"That leaves them with a strategic dilemma, how to increase the profitability of the relationship when one element is under price pressure," Mr. Garrison said. "The natural conclusion leads to better cross-selling to existing relationships. However, not all banks are equal in their success in that task."

There is some hope for banks that choose to resist the price pressure, in another of Greenwich's findings. In the list of factors that would make them leave a bank, companies listed high prices fifth, behind the condition of the bank itself, inefficient operations, and two responses about getting loans that meet their needs.

However, low fees and interest rates were second in the list of criteria used in selecting a new bank. That suggests that price is important in establishing a new relationship, but not as important once the relationship is established.

The top criterion in picking a bank was the institution's personal attention to the company's needs, the survey showed. Since many banks have similar products and policies, "the bank account officer is the important ingredient that breaks the tie," Mr. Garrison said. That is why banks are spending more time and money training account officers, he said.

After personal attention and price, the next three criteria revolve around lending. That reflects the fact that most of these companies are borrowers.

The average company in the group borrows $1.1 million a year. That ranges from average borrowings of $2.43 million for companies with revenues of $20 million to $50 million to borrowings of $528,000 for companies with revenues of $5 million to $9 million.

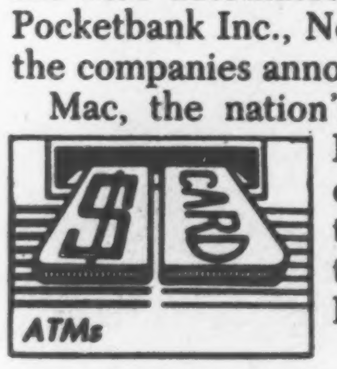
The bigger companies maintain short-term investments of $1.93 million and cash balances of $1.33 million. The smaller companies had short-term investments of $487,000 and cash balances of $374,000.

There is one bit of potentially good news in the latest survey. About 18% of the companies use one or more nonbank financial institutions, down from 25% in 1987. However, the difference may not mean that banks are getting less competition. Instead, it could reflect the fact that the two surveys were conducted in different areas of the country. ■

CoreStates Buys New Hampshire ATM Network

By YVETTE D. KANTROW

NEW YORK — CoreStates Financial Corp., operator of the Mac automated teller machine network, will acquire Pocketbank Inc., New Hampshire's leading ATM network, the companies announced on Wednesday.



Mac, the nation's third largest regional network, and Pocketbank will consolidate in 1989 under the agreement. For Mac, the acquisition represents its first expansion out of the Middle Atlantic region into New England.

The seven owners of Pocketbank — Amoskeag Bank, BankEast Corp., Bank of New Hampshire Corp., First NH Banks Inc., Indian Head Banks Inc., New Hampshire Savings Bank, and Numerica Financial Savings Bank FSB — will become members of the combined network.

All other Pocketbank participating financial institutions will be encouraged to join Mac by Nov. 1. Technical conversion will not begin before midyear 1989. Purchase price was not disclosed.

The Pocketbank network has 68 participating financial institutions, operating 327 ATMs. It consists of 300,000 Pocketbank cardholders who perform one million transactions per month.

"We have felt for some time that Pocketbank eventually would have to become part of a larger operation," said Philip M. Stone, executive director of the network. As part of Mac, Mr. Stone expects Pocketbank members to benefit from CoreStates' investments in electronic home banking and small business banking, as well as retail point-of-sale capabilities.

Bonnie E. Hill, a senior vice president of Philadelphia-based CoreStates and manager of Mac, said few changes would be made in Pocketbank and its present management will be retained.

Mac is the nation's largest regional ATM network in terms of interchange transactions, those that flow between banks through a central switch. It has 538 participating financial institutions. The network has 4,566 ATMs in Delaware, Maryland, New Jersey, New York, Pennsylvania, and West Virginia. Approximately 11 million cardholders use ATMs bearing the Mac logo 24 million times a month.

The largest network is the New York Cash Exchange with about 6,000 ATMs, followed by Star System Inc. with about 5,000. The Mac network, which derives its name from Money Access Service, earned its status as the nation's third largest network earlier this year, when it merged with Pittsburgh-based CashStream, Mellon Bank's 194-member regional network.

The deal was characterized as a consolidation rather than an acquisition. Mellon and its eight subsidiary banks officially became Mac members and agreed to endorse and promote Mac membership to the rest of CashStream. ■

Let a Skilled Marketer Tell Your Earnings Story

By N.W. "RED" POPE

WHEN times are good for our banks, one of the true thrills is writing and releasing the quarterly earnings. We can't wait until the business section includes our financial successes. We hope for bold headlines.

But when times are not so good — as has been the case in recent quarters for many banks, due to lesser-developed-country debt, real estate, energy, agriculture, and assorted lending difficulties — that necessary news release does not present a happy opportunity. It is one of the few times when the PR person at the bank truly hopes the story will be buried in the paper or lost altogether.

However, right is right; so the numbers must be released, with appropriate editorial comment, as those quarters roll around inexorably. How they are released, how the material is put together in prose form, and what management statements are offered, is where the marketing professional earns his or her keep. This is where the bank can make the most of a difficult situation, or at least ease the pain.

It doesn't take a great writer or adroit publicity to make good numbers glow. Nor should it require a great writer to do something positive with poor numbers, either. But it does require some thinking, and the touch of a professional marketer.

Too often, when the numbers are poor, the press material is prepared razor thin by the finance people. Barebones information is provided. No extraneous or even legitimate support is given, nor are any positives provided. "Just the facts, ma'am," as it were.

The result is a dull but legal litany of numbers. Save for a few analysts who actually enjoy such arithmetical boredom, such a release does no favors for anyone. On the other hand, this approach usually indicates the bank is anxious to get the pain over with. It makes no excuses and sees no silver lining.

Good and Bad Examples

For example, read the following mythical introductory paragraph, written by the number crunchers:

"The First National Bank reports earnings of $250,000 for the first quarter of 1988, or 25 cents per share, a decline of 11% over first-quarter 1987."

Obviously, the bank's earnings are down and that must be reported. But how dull and deadly must the release be?

Compare that opening shot with this one:

"The First National Bank, largest financial institution in Hooray County with 17 branches and $1 billion in assets, announced earnings of $250,000 for the first quarter of 1988, or 25 cents per share."

Following quickly is a positive statement from the CEO:

"These results give our bank a positive start for the year, compared with yearend results for 1987," said Charles Jones, chairman. "A number of loan-related factors that had a negative effect on our performance last year are now behind us, we believe, due to the aggressive actions we have taken. Positive benefits over the balance of 1988 and into the future should occur on the strength of management's actions."

Obviously, the chairman's statement, using words like "strength" and "aggressive" and "positive" — and the tone of his sentences — indicates that the past year was not up to par; but we are assured that management has taken steps to overcome adversity and get things moving upward. That's what the shareholders want to read, and the public finds such comments comforting.

Certainly, the forthcoming performance must show improvement. Otherwise, similar statements in future quarters may be met with some hostility, and the chairman's words could become suspect. At this juncture, however, it is in order to blend the down numbers with the up potential — if it is true.

Finding Grounds for Optimism

There is no question that all the information must be revealed; that occurs in ensuing paragraphs. Diligence is necessary as well as desired. But how things are said, in what context they're said, can make chicken salad out of plain chicken, or something like that.

Pope Says:

How things are said, in what context they're said, can make chicken salad out of plain chicken.

In candor, producing a release that is totally numbers is all that is absolutely required. Such releases tend to be short and, naturally, they get the job done.

But, I contend the bank deserves more, especially if management is getting a grip on the problems that caused the poor performance. Few individual and local shareholders of bank stock may want to sell out, preferring to stick it out and hope for the best. They are looking for good news.

The institutional types that are numbers-oriented, quarter-to-quarter driven, may have no interest in anything *but* numbers. They'll have their opportunity in the following paragraphs and the attached balance-sheet data. But to those who have a personal involvement, a real feeling of ownership, let them read more than bad statistics.

In essence, marketing people should produce the earnings releases, not the financial people within the bank. Both the legal and the numbers people must sign off on what is written for accuracy, completeness, and adherence to regulatory requirements. But the tone of the piece should be in the hands of those who see beyond statistics and who understand the power of communications.

There is nothing wrong with the chairman stating his disappointment with past results. Or focusing on the problem areas. Nor is there anything wrong with pointing out the strengths, the virtues, and the promising opportunities that are there as well.

Finance, do your job. Then, marketers, do yours. ■

Mr. Pope is senior vice president-marketing at the Valley National Bank of Arizona, Phoenix.

LETTERS TO THE EDITOR

Management Consultants Can Provide Perspective

To the Editor:

In a letter to the editor, printed June 2, page 5 ["Consultants Not Needed"], Mr. Straight of Higbee Associates faults Pacific Western Bancshares, San Jose, Calif., for retaining management consultants to review the profitability of its product lines. He continues that management should know its costs better than any consultant.

In today's highly competitive banking environment, many banks realize that a fresh and objective look by experienced and knowledgeable management consultants, whose specialty is to help banks identify opportunities to reduce expenses and increase revenues, is valuable.

All but the largest banks most often do not have support staff to aid the line executive to plan and cope with change as well as provide in-depth analysis to challenge current ways of doing business.

In this age of specialization, it behooves management to use all resources that are available.

Eugene S. Mann
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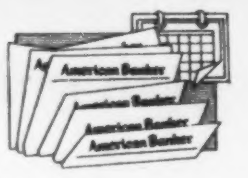
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- The Federal Reserve Board notified the Transamerica Corp. that the California banking giant faced charges that it was exercising a credit monopoly and was in violation of antitrust laws.

20 Years Ago

- The Federal Home Loan Bank Board joined the Federal Reserve Board, the Treasury, and the Federal Deposit Insurance Corp. in opposing a plan by Sen. William Proxmire, D-Wis., to force the Fed to take a more active role in supporting the mortgage market.

10 Years Ago

- Citibank, Midlantic National Bank, and United Jersey Bank were among several banks and retailers in the New York-New Jersey area that agreed to help the Federal Reserve Bank of New York and the U.S. Treasury increase the circulation of $2 bills in the district.
- Businesswomen applying for credit at commercial banks appeared to be victims of a "pattern of subtle discrimination," according to a White House survey of about 3,000 female entrepreneurs.
- Attorneys for the Bunny's Club filed a $10 million suit charging two top executives of United American Bank — chairman Jake F. Butcher and vice chairman Mark F. Vorder Bruegge — with conspiring to have the Memphis club's lease canceled. The owner of the building that housed the bank's headquarters and the club had earlier filed a complaint that noise from the club — which opened at 11 a.m. — created a disturbance, and that the topless dancers who worked in the club, and who shared a restroom with the bank's female customers and employees, were using the facilities while allegedly still in their working costumes.

5 Years Ago

- Citing $13.4 million in overdue loans, three banks and the Federal Deposit Insurance Corp. sued to put Knoxville, Tenn., banker C.H. Butcher Jr. into involuntary bankruptcy.
- Shareholders of the ailing Seafirst Corp., Seattle, approved the merger of their bank holding company with BankAmerica Corp., San Francisco, by a 79% majority.

1 Year Ago

- A House-Senate conference committee dealt the banking industry an unexpected setback by tightening a proposed moratorium on new powers to include curbs on the power of the Office of the Comptroller of the Currency to permit new bank activities. The committee also agreed to close the loophole allowing nonbank institutions to own limited-service banks, and to authorize an $8.5 billion rescue plan for the insolvent Federal Savings and Loan Insurance Corp.
- The Senate confirmed M. Danny Wall as chairman of the Federal Home Loan Bank Board.
- The Federal Home Loan Bank of New York sent two supervisory bulletins to its 276 member thrifts, calling for tighter controls on securities trading in the wake of significant losses.
- The Federal Reserve Board approved Citicorp's request for its Citicorp Savings unit to acquire 50 Sears Savings Bank branches in California.
- First RepublicBank Corp., Dallas, said it would make a special addition of $325 million to its reserve for loan losses in the second quarter, including $275 million against troubled international credits. The company forecast a loss of $313 million for the quarter but said it expected to make a profit in the second half of the year.
- Brazil suspended payment of principal on $1.05 billion in debt due to foreign export credit agencies.
- Revised government figures showed that S&Ls lost $400 million more in 1986 than had previously been reported. During the fourth quarter of the year, according to new numbers released by the Federal Home Loan Bank Board, the nation's thrifts lost $1.4 billion.

— **Domenica Trevor**

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The Daily Financial Services News

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VOL. CLIII NO. 128 Friday, July 1, 1988

Today

One year after the deregulation of Canada's financial services industry, remaining barriers to foreigners are crumbling fast. But some analysts question to what extent outsiders plan to establish a presence there. 2

Electronic Data Systems Inc. completed its merger with MTech Corp. this week and has brought its ex-rival into a new strategic business unit. 2

Commonwealth Savings and Loan, Fort Lauderdale, Fla., expects a loss of more than $20 million as a result of unauthorized trading activities in a series of investment accounts. ____2

The Senate Banking Committee is considering a bill that would let banks satisfy proposed rules for cashing government checks by offering all-electronic accounts to low-income people. ____3

John P. LaWare's nomination to the Federal Reserve Board, once considered in trouble, now appears to be on the fast track. ____3

Executive Changes ____ 12
In the News ____3

COMMENT

Instead of preventing foreign firms from operating in the United States, we should copy the European model and become more outward-looking, writes Atlanta Fed President Robert P. Forrestal. ____4

THRIFTS & MORTGAGES

Anybody want to buy an Atlanta thrift? At least three are on the block at fairly reasonable prices, but likely buyers remain few and far between. 6

Dennis Jacobe, an economist for the U.S. League of Savings Institutions, has written in a league magazine that the FDIC is as decrepit as the FSLIC. FDIC Chairman L. William Seidman calls the story misleading. ____6

James Thelen, a top originator at ComFed Mortgage Co., has jumped to San Diego-based ICA Mortgage Corp. to lead a New England expansion. ____7

Despite the attractions of mortgage banking, thrifts that stick to traditional portfolio lending have performed better, writes Stuart Feldstein in the Thrift Observer. ____4

Worth Repeating

There is an abundance of data to show that as you go down the education and income ladder, people just don't use direct deposit.

Peggy Miller of the Consumer Federation of America, in opposition to a proposal that would allow banks to satisfy rules on cashing government checks by offering all-electronic accounts to low-income people. [Page 3]

To Our Readers

The American Banker will not be published Monday in observance of Independence Day.

Thrift CEO Pay Rose 13% in '87

By LINDA ELLIS

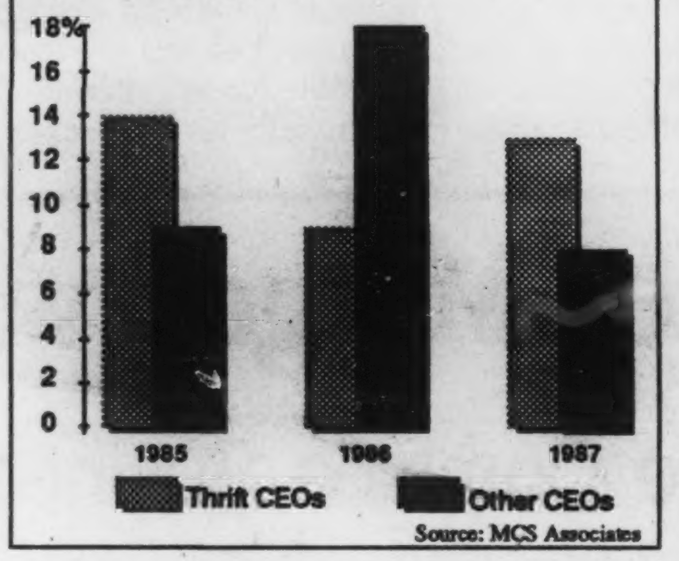
NEW YORK — Compensation increases for chief executive officers at the nation's publicly traded thrifts jumped 13% last year, outdistancing their counterparts in other industries by 5 percentage points and the consumer price index by 8.6 percentage points.

Section Begins on Page 6

That in a year when the thrift industry, including mutual institutions, lost $6.8 billion.

According to a study by MCS Associates Inc., Newport Beach, Calif., there is no clear-cut evidence that thrift executive pay is related to performance. Higher or lower levels of company performance apparently bear little relation to the compensation of senior executives.

How Thrift CEOs' Compensation Stacks Up



Source: MCS Associates

There is, however, a strong correlation between asset size and compensation; the bigger the thrift, the more it pays its top people. [A table listing the 100 highest paid executives at publicly

Thrift: Page 10 →

Mac ATM System Widens Lead; NYCE Now Ranks 2d in Volume

By JEFFREY KUTLER

NEW YORK — Mac, the automated teller machine network owned by Philadelphia National Bank, has widened its lead over other regional networks when ranked by interchange, or interbank, transaction volume.

Mac handled an average 7.9 million interchange transactions per month in 1987, double the volume of its two closest competitors, according to a survey conducted by the consulting firm of Speer & Associates.

The New York Cash Exchange, known as NYCE, and the Pulse network in Texas ranked second and third, respectively. Each had just under four million interchange transactions per month and grew faster in percentage terms than Mac. NYCE, on the strength of a 127% increase, jumped from ninth place to second, forcing Pulse to drop from second to third.

But Mac still managed to gain ground against its closest rivals, owing to its recent acquisition of the CashStream system from Mellon Bank, Pittsburgh.

Mac and CashStream — they actually merged in early 1988 but were treated as one in the Speer survey — were first and seventh, respectively, in Speer's 1986 ranking. Because of data-gathering complications, not all of CashStream's 1987 volume was count-

Mac: Page 16 →

2 Plead Guilty To Defrauding Continental

Lytle, Patterson Face 5-Year Prison Sentences

By LISABETH WEINER
Midwest Bureau

CHICAGO — Two former bankers facing a retrial pleaded guilty Thursday to felony charges of defrauding Continental Illinois National Bank and Trust Company of Chicago. The charges involved loans to Penn Square Bank, whose 1982 collapse almost toppled Continental.

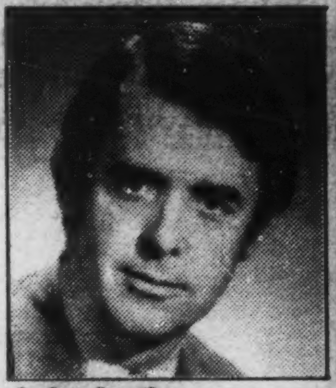
John Lytle, a former Continental Illinois loan officer, admitted to a single count of willfully misusing Continental Illinois funds. Former Penn Square executive William Patterson admitted to aiding Mr. Lytle.

In arranging the plea bargain, prosecutors agreed to drop 10 other charges of wire fraud and misapplication of bank funds. The two men were indicted on those charges in 1984.

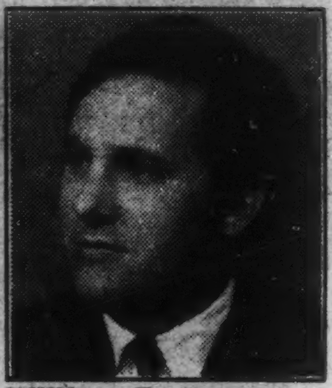
A sentencing hearing was set for Aug. 30. Each faces up to five years in prison and a maximum fine of $5,000. Prosecutors have recommended prison terms for both of them.

"I have no comment except to say I feel we've come to an agreement fair to

Lytle: Page 15 →



John Lytle



William Patterson

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By STUART FELDSTEIN

Portfolio Lenders Still Outperform Mortgage Bankers

ONE of the great mortgage industry trends of modern times began in the mid-1980s. That's when a number of the biggest U.S. thrifts rushed headlong into the mortgage-banking business. So far, it hasn't paid off.

Thrifts were drawn to mortgage banking by the seemingly very profitable spreads they could earn servicing loans for others. There was some logic behind the idea.

In the old days, thrifts were portfolio lenders. They held most or all of the loans they originated and then performed the servicing function (billing, collection, and customer service) on those loans. But by holding loans, portfolio lenders played a high-stakes game of interest rate risk.

As secondary markets for mortgages expanded, a number of thrifts moved to mortgage banking as a safer alternative. Some began selling almost all their loans, acquiring mortgage-banking firms and in general pegging their futures to servicing fees and loan-trading profits.

As it turns out, portfolio lending has been a better strategy so far. In both 1986 and 1987, the portfolio lenders were much more profitable than the thrift/mortgage bankers.

That conclusion comes from a new SMR Research Corp. study undertaken as part of our upcoming annual review of mortgage industry trends and competition. We examined profits, loan-portfolio composition, and loans serviced for others at the nation's 100 largest thrifts in assets.

We divided these big players into two groups. The first — thrifts with mortgage-banking strategies — had a greater volume of loans serviced for others than residential whole loans in portfolio. The second group included thrifts with bigger residential whole-loan portfolios than servicing portfolios. We used Federal Home Loan Bank Board data.

The thrift/mortgage bankers included 28 of the top 100 companies in 1986, and 25 of the top 100 in 1987. In 1986, the 28 earned a combined return on yearend assets of 0.25%. In the same year, the portfolio lenders were more than three times as profitable, earning 0.82% ROA. In 1987, the 25 thrift/mortgage bankers earned a combined return of negative 0.17%. Meanwhile, the portfolio lenders earned 0.29%

One glitch in the 1987 data involved American Savings and Loan Association, the huge but infamously troubled California thrift. This company has replaced many of its whole loans with purchased mortgage securities. Because the whole-loan portfolio was so small, American was counted with thrifts that had a mortgage-banking strategy. American lost $467.6 million in 1987.

But even when this company was removed from our group of thrift/mortgage bankers, the group still had a combined 1987 ROA of only 0.13% — less than half the level of the portfolio lenders.

We weren't surprised to see the portfolio lenders do better in 1986; they should do well in a declining interest rate environment. But, all other things being equal, the thrifts with a mortgage-banking strategy should have caught up in 1987. The gap did narrow, but the mortgage-banking thrifts never came close to matching the portfolio lenders' results.

We don't expect to see a change anytime soon in the performance of the thrift/mortgage bankers versus their portfolio-loving counterparts.'

— **Stuart Feldstein**
President
SMR Research Corp.

We don't expect to see a change anytime soon in the performance of the thrift/mortgage bankers versus their portfolio-loving counterparts. Recently, spreads on mortgage servicing have been growing thinner due to hard price competition.

At the same time, thrift loan portfolios are shifting fast toward adjustable rate mortgages. This will help the better portfolio lenders through a rising rate environment, even though ARMs have more credit risk than fixed-rate loans.

Thrifts that opted for the mortgage-banking strategy were not alone. In 1985 and 1986, a host of manufacturing and insurance companies ranging from General Motors to Metropolitan Life jumped into the mortgage-banking business. So did a number of commercial banks, whose mostly disappointing 1987 mortgage banking results were the subject of a different SMR study.

Times have been hard for most mortgage bankers. But the situation is mostly ironic among the thrifts. At the very time when casual observers view the traditional thrift industry as nearly sunk, the better thrifts happen to be those that stuck with the portfolio business and simply have run that business the right way. ■

Mr. Feldstein is president of SMR Research Corp., Budd Lake, N.J., a publishing and consulting firm specializing in strategy research on consumer financial services.

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COMMENT

US Must Look Outward Instead of Raising Barriers

By ROBERT P. FORRESTAL

UNTIL RECENTLY, foreign investment in the United States was not an issue of interest or concern. Now, debates over the pros and cons of foreign ownership of U.S. assets are covered extensively in the national media.

Interest in this topic intensified as foreign investment in property, plant, and equipment — as well as foreign purchases of U.S. government securities and corporate stocks and bonds — accelerated sharply in the 1980s, and the United States emerged as the world's largest debtor, with some half trillion dollars owed to foreigners. As recently as 1981, the United States was the world's largest creditor nation, with $141 billion in net foreign assets.

While large federal budget and trade deficits in the 1980s resulted in a huge surge of foreign portfolio investment in U.S. Treasury securities, they also contributed to a substantial increase in foreign direct investment, which includes U.S. businesses acquired or established by foreign investors holding at least a 10% ownership interest. Since 1981 one-fourth of the change in the nation's net indebtedness has been in this type of investment.

The heightened presence of foreign ownership of U.S. financial and real assets, especially the establishment of manufacturing and service affiliates, has raised not just interest but also concerns about the long-run consequences of these investments. Some people worry that the accumulation of foreign debt occasioned by our large federal budget deficit will lower future U.S. living standards.

Others are more apprehensive about foreign direct investment, citing potential national security and foreign policy risks, the eventual outflow of profits to the country of origin, and wasted public resources associated with competition among state and local governments to recruit foreign firms.

Foreign Investment in US Still Small

While I share the concerns about our external financial obligations and their likely adverse impact on future generations, I am not alarmed by the rise in foreign direct investment. First, it is important to bear in mind that the scale of foreign direct investment in the United States is still quite small. In terms of jobs, for example, only 3% of the U.S. work force is employed by U.S. affiliates of foreign-owned firms.

Certainly, some risk to national security is posed when defense contracts are let partially to foreign-owned firms. Safeguards are already in place, however, to guard against abuses. For example, defense contracts cannot be awarded to firms that are more than 25% foreign-owned, and foreign investment in a few sensitive industries is prohibited. We must be careful in drawing these lines of protection around certain industries, though. If overdone, they could dull the competitive edge of U.S. businesses.

It is also true that profits are ultimately repatriated to the country of origin, but we still enjoy many benefits, especially at the regional level —higher employment, more diversified local economies, and expanded property and payroll tax bases. I admit that competition among state and local governments to lure foreign direct investment with tax abatements, free land, subsidized labor training, and other inducements can be wasteful and cause a cleavage between national and local interests. In many instances the foreign direct investment would have occurred anyway.

However, these criticisms apply to all types of investment, not just foreign. The fact that Americans are concerned about such practices when the source is foreign reflects the vestiges of our isolationist traditions. Compared to other advanced economies, we are still very inward-looking in many respects. The irony, some would say hypocrisy, is that U.S. firms were leaders in setting up operations in Europe in the 1950s and 1960s, and even earlier in Latin America. Businesses abroad responded to this challenge by putting even greater emphasis on international markets, and many are now beating us at our own game.

The best strategy on our part is not to keep foreigners from opening up operations here or from acquiring U.S. firms. Rather, we should copy the successful model of Europe — and, indeed, the most rapidly developing countries — and become more outward-looking so that we are not left behind as the world economy becomes increasingly integrated. ■

Mr. Forrestal is president of the Federal Reserve Bank of Atlanta.

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

Thrift Executives Were Well Rewarded in '87 Despite Losses

Continued from Page 1

held thrifts appears on page 11.]

At first blush it could appear that the relatively high compensation might be one reason the thrift industry is so troubled, but "that's not the case," said Jon Rosenbaum of MCS.

"The challenges of the industry require that, in order to attract and retain good managers, you need to provide very competitive compensation programs," Mr. Rosenbaum said. "A lot of thrifts are seeking senior management from other industries and for that they need to offer higher compensation."

Compensation includes salaries, incentives, bonuses, deferred compensation payments, and accruals. MCS gleaned data from proxy statements and annual reports from a sample of 343 institutions.

According to a compensation study done by SNL Securities Inc., at least five thrift executives earned more than $1 million in fiscal 1987. The survey by the Hoboken, N.J., firm, which involved 409 companies, included individual results. There are 432 publicly traded thrifts.

Only one of the five thrifts that paid their executive more than $1 million posted an increase in profits during the period. At that one, CalFed Inc., Los Angeles, the chairman's compensation climbed 16.5%, while the thrift's profits grew 5.6%.

Thomas Spiegel, chief executive officer of Columbia Savings, led the pack with compensation of $4.46 million, up 15.5% from the previous year. A colleague, David A. Sachs, senior vice president at the Beverly Hills thrift, finished fifth with $1.04 million, up 98.1%.

But from this year forward, Mr. Spiegel's compensation will be tied to the thrift's profitability and stock performance. A new package for the CEO has satisfied the Federal Home Loan Bank Board, which had questioned Mr. Spiegel's compensation.

Charles H. Keating Jr., chairman of American Continental Corp., parent of Lincoln Savings and Loan Association, Irvine, Calif., took second place at $1.95 million, up 10%, during a year when Lincoln's earnings fell 19.9%.

Mr. Keating's salary is not paid out of Lincoln's earnings, but out of the parent company's return, a spokesman said. American Continental has strong earnings from nonthrift activities, unlike many thrift holding companies.

Robert R. Dockson, chairman of CalFed, parent of California Federal Savings and Loan Association, placed third with $1.136 million in 1987 compensation.

At Great Western Financial Corp.'s

Thrift: Page 11

Washington Briefing

Continued from Page 6

been written."

□

M. Danny Wall, chairman of the Federal Home Loan Bank Board, reproached us last week for an inaccuracy in this column describing his criticism of the press for inaccurate reporting. We said Mr. Wall no longer announces details of the sales of sick thrifts because the news reports have been "screwed up."

What Mr. Wall actually said was that people have told him he shouldn't release any additional details. The Bank Board continues to release the same basic information they have put out all along.

Mr. Wall was responding to a request from the Federal Savings and Loan Advisory Council for even greater disclosures about the transactions. The council thinks the information on past deals would encourage new ones.

Mr. Wall told us that Board member Roger Martin is the person who suggested releasing less information than is currently available.

Mr. Martin confirmed this. He said that some general circulation dailies, not the *American Banker*, are guilty of confusing the terms of those complex deals.

□

One Bank Board deal we'd like to see laid bare is the decision to let Lincoln Savings and Loan Association, Irvine, Calif., escape the regulatory clutches of the Federal Home Loan Bank of San Francisco. That decision, approved by a 3-to-2 vote of the Bank Board in May, is generally perceived as unwise because it set a worrisome precedent.

At a press conference on Wednesday, Mr. Wall told reporters that no other institutions have made similar applications to flee the grasp of their district examiners.

"No other institutions have undergone an examination that lasted three years [like Lincoln]," he said.

Why not remove the regulators instead of Lincoln? Mr. Wall declined to comment on the situation, citing his public trust to keep such deliberations confidential. But Congress, exercising its public trust of oversight, has requested transcripts of the 27 hours of interviews that led to the Bank Board's decision, and like it or not, the board will turn over its information.

Lincoln is owned by Charles Keating, an influential Republican fundraiser and chief executive officer of American Continental Corp. in Phoenix. He claims the examiners were unfair to his institution.

Mr. Wall and Mr. Martin voted in favor of letting Lincoln out if it can pass an exam by Bank Board regulators based in Washington. That exam is under way. Lincoln also must buy a thrift in another district first, then transfer its headquarters there.

Board member Lawrence White voted against the move. "I was in the middle," Mr. Wall said on Wednesday. ■

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Thrift Execs Won Big Raises in '87

➜ **Continued from Page 10**

Great Western Bank, Beverly Hills, profits fell 35.6%, but its chairman, James F. Montgomery, received a 4.3% boost in compensation to $1.128 million, to finish fourth.

Ian D. Campbell, a spokesman, said Mr. Montgomery is underpaid given the success of Great Western. Core earnings were up in 1987, he said, and overall profits were down only because of accounting changes and the writeoff of the Federal Savings and Loan Insurance Corp. secondary reserve fund.

The Great Western income statement for 1987, however, shows core earnings lower than in 1986 on a pretax and tax-adjusted basis, with core earnings excluding gains on asset sales, loan-loss provisions, the FSLIC secondary reserve charge, and gains or losses on subsidiary sales.

Merrill Butler, executive vice president of Financial Corporation of America, parent of the insolvent American Savings and Loan Association, Stockton, Calif., saw a 34.9% compensation increase to $730,897 last year. In the same period, American lost $467.5 million, a 470% nosedive. Payments to Victor H. Indiek, FCA executive vice president, rose 88% to $536,275.

"In both cases, the increases reflected well-deserved bonuses," said Layna Browdy, an FCA spokeswoman. "Merrill Butler heads up the real estate division and has the task of disposing of problem real estate, restructuring problem loans, managing real estate. He has consistently exceeded the ambitious goals of that division.

"American Savings has had enormous loan-quality problems," she said. "The only way to dig out of that is a first-class real estate job."

The MCS Associates survey indicates that the link between pay and company performance is relatively weak.

For example, Donald L. Thomas, chairman and chief executive of troubled Anchor Savings Bank, Northport, N.Y., was paid $747,436 in 1987. Earnings at Anchor, which has $7.7 billion in assets, fell 49% last year, yet Mr. Thomas' compensation was higher than that of 97% of executives of other publicly held thrifts, including much larger institutions.

The MCS study found a return on assets in 1987 of 0.84% for the surveyed group. In contrast, the median ROA achieved by the top 25% of companies as measured by profitability was 1.37%, 63% greater than for the entire sample. The median ROA for the bottom 25% was 0.12%, 86% less than for the overall sample.

"Our statistical regression analysis indicated that the highest paid executives at the top 25% earned, on average, only about 20% more than their counterparts at the bottom 25%," Mr. Rosenbaum said. "This small differential is insignificant when compared to the average differential in performance by these companies.

"The survey results do show that the strong traditional relationship between the highest paid executive's compensation and asset size still holds," he said. "Over 73% of the variance in total cash compensation was explained by the variance in asset size."

The survey by MCS Associates also showed that:

- Incentive plans have become almost universal at thrifts and were found at 98% of the surveyed companies. Incentive plans are short term (based on the annual performance of the executive) or long term (based on company profitability and stock performance).
- Incentives and other cash compensation ranged from 12% to 49% of base salary, with a 29% average overall.
- Employee stock ownership plans were in use at 33.9% of surveyed thrifts, up 59%. ■

The 100 Highest Paid Executives at Publicly Held Thrifts

1987 data compiled from proxy statements by SNL Securities Inc.

				Compensation[1]	% Incr.
1.	**Thomas Spiegel**	Columbia Savings	Chief Executive Officer	$4,460,000	15.5%
2.	**Charles H. Keating Jr.**	American Continental Corp.	Chairman	1,954,914	10.1
3.	**Robert R. Dockson**	CalFed Inc.	Chairman	1,136,233	16.5
4.	**James F. Montgomery**	Great Western Financial	Chairman	1,128,500	4.3
5.	**David A. Sachs**	Columbia Savings	Senior VP	1,040,000	98.1
6.	**George F. Rutland**	CalFed Inc.	President	948,894	11.6
7.	**Robert J. Kielty**	American Continental Corp.	Senior VP	873,962	17.2
8.	**Charles H. Keating 3d**	American Continental Corp.	Executive VP	863,494	7.9
9.	**Judy J. Wischer**	American Continental Corp.	President	839,693	NA
10.	**Richard H. Deihl**	H.F. Ahmanson & Co.	Chairman	837,750	7.4
11.	**Kenneth J. Thygerson**	Imperial Corp. of America	President	806,250	7.5
12.	**David L. Paul**	CenTrust Savings Bank	Chairman & President	761,625	39.1
13.	**Robert B. O'Brien Jr.**	Carteret Bancorp	Chairman	756,139	20.5
14.	**Donald L. Thomas**	Anchor Savings Bank	Chairman	747,436	10.0
15.	**Gordon C. Luce**	Great American First SB	Chairman	732,723	21.6
16.	**Merrill Butler**	Financial Corp. of America	Executive VP	730,897	34.
17.	**Herbert M. Sandler**	Golden West Financial	Chairman	702,134	38.8
18.	**Marion 0. Sandler**	Golden West Financial	President	695,164	36.5
19.	**John F. Maher**	Great Western Financial	President	678,325	33.3
20.	**Abraham Spiegel**	Columbia Savings	Chairman	660,000	14.6
21.	**Raymond D. Edwards**	GlenFed Inc.	Chairman	650,165	34.2
22.	**R. M. Wurzelbacher Jr.**	American Continental Corp.	Senior VP	647,129	NA
23.	**William F. Ford**	Broadview Savings Bank	Chairman	621,499	62.1
24.	**Lawrence Weissberg**	Homestead Financial	Chairman & President	618,442	–39.8
25.	**Kim Fletcher**	Home Federal Savings and Loan	Chairman	617,036	13.3
26.	**Thomas R. Bomar**	AmeriFirst Bank FSB	Chairman	602,000	2.1
27.	**Theodore H. Roberts**	Talman Home Federal Savings	Chairman	600,000	0.0
28.	**William J. Levy**	County Savings Bank	Chairman	590,235	13
29.	**Ross B. Kenzie**	Goldome FSB	Chairman	565,594	–2.1
30.	**Jenard M. Gross**	United Financial Grp.	President & Chairman	564,518	13.3
31.	**Mario Antoci**	H.F. Ahmanson & Company	President	558,500	12.6
32.	**Luke A. Balone**	CrossLand Savings FSB	Chairman	549,894	10.6
33.	**James C. Schmidt**	Great American First SB	Vice Chairman	547,672	20.3
34.	**Frank Wille**	Greater New York Savings Bank	Chairman & CEO	542,500	72.2
35.	**David E. Blackford**	Far West Financial	President	540,882	–2.8
36.	**Harry W. Albright Jr.**	The Dime Savings Bank of NY	Chairman	540,433	1.5
37.	**William A. Fitzgerald**	Commercial Federal Corp.	President	539,982	58.8
38.	**William J. Popejoy**	Financial Corp. of America	Chairman & President	539,717	3.0
39.	**Michael M. Pappas**	Great Western Financial	President of Finance Div.	536,617	NA
40.	**Victor H. Indiek**	Financial Corp. of America	Executive VP	536,275	88.0
41.	**Ray Martin**	Coast Savings	Chairman	533,406	32.5
42.	**Clifford J. Piscitelli**	Far West Financial	Executive VP	533,400	–36.7
43.	**Anthony C. La Scala**	Great Western Financial	Executive VP	513,500	0.7
44.	**E.R. Hoffman**	Great Western Financial	Executive VP	513,500	3.0
45.	**E. Virgil Conway**	Seamen's Corp.	Vice Chairman	512,000	–2.5
46.	**Norman M. Coulson**	GlenFed Inc.	Vice Chairman	503,291	48.7
47.	**James A. Aliber**	First Federal of Michigan	Chairman	501,078	21.3
48.	**John R. Lakian**	Merchants Cap Corp.	Chairman & Co-CEO	496,752	NA
49.	**Albert H. Hogerson Jr.**	Home Owners Federal Savings	President	492,011	66.7
50.	**Robert F. Adelizzi**	Home Federal Savings and Loan	President	489,570	17.8
51.	**Maurice L. Reissman**	CrossLand Savings FSB	President	475,700	44.8
52.	**Thomas J. Owen**	Perpetual Savings Bank FSB	Chairman	475,200	10.0
53.	**Alfred J. Hedden**	CityFed Financial Corp.	President	473,523	–5.2
54.	**Donald F. McCormick**	Howard Savings Bank	Chairman	470,501	18.4
55.	**Walter A. McDougal**	Richmond Hill Savings Bank	Chairman	466,733	138.9
56.	**Thomas R. Ricketts**	Standard Federal Bank	Chairman & President	462,262	13.0
57.	**William L. Walde**	Dominion Federal Savings	Chairman	460,236	1.6
58.	**Joseph C. Scully**	St. Paul Bancorp	President	450,019	13.6
59.	**William Belzberg**	Far West Financial	Chairman	450,000	0.1
60.	**Jerome R. McDougal**	Apple Bank for Savings	Chairman	448,638	NA
61.	**Herbert J. Young**	Gibraltar Financial Corp.	Chairman	445,216	–19.1
62.	**William L. Callender**	CalFed Inc.	President of Subs.	435,076	29.9
63.	**Kent Dixon**	Northeast Savings	Chairman	433,424	71.6
64.	**John B. Sweger**	Fortune Financial Group Inc.	Chairman & President	432,301	9.5
65.	**John W. Sapanski**	Dime Savings Bank of NY	President	429,000	7.5
66.	**Walter D. Shealy 3d**	CenTrust Savings Bank	Senior Executive VP	421,877	53.4
67.	**Junius F. Baxter**	Western Capital Investment	Chairman	419,013	2.6
68.	**Robert J. Spiller**	Boston Five Cents Savings Bank	Chairman	414,977	23.5
69.	**Philip R. Brinkerhoff**	Financial Corp., Santa Barbara, Calif.	Chairman & Pres.	412,000	–36.2
70.	**Paul A. Willax**	Empire of America	Chairman	411,899	–25.0
71.	**Barry Munitz**	United Financial Group	Chairman Exec. Comm.	409,496	11.7
72.	**Kevin E. Villani**	Imperial Corporation of America	Executive VP	408,000	20.0
73.	**Louis H. Pepper**	Washington Mutual Savings Bank	Chairman	402,073	38.0
74.	**Paul E. Rapchak**	Washington Federal Savings-DC	President of Subs.	401,432	33.8
75.	**John T. Morgan**	American Savings Bank	Chairman	401,071	–1.5
76.	**David Rosenthal**	Columbia Savings	Executive VP	400,000	NA
77.	**Donald C. Headlund**	Valley Federal Savings	President	395,679	NA
78.	**William F. Olson**	Peoples Westchester SB	Chairman & President	394,296	–5.0
79.	**John M. Robbins Jr.**	Imperial Corp. of America	Executive VP	394,197	17.6
80.	**Paul E. Ruch**	Goldome FSB	President	392,264	4.6
81.	**Alfred W. Archibald**	The Boston Bancorp	Chairman	387,503	–9.2
82.	**Frederick S. Hammer**	Meritor Financial Group	Chairman	383,464	–16.9
83.	**Larry W. Reed**	Columbia Savings	Senior VP	375,000	–8.5
84.	**John D. Driggs**	Western Savings and Loan	Chairman	372,851	–9.9
85.	**Gary H. Driggs**	Western Savings and Loan	President	372,851	–909
86.	**Jack D. Burstein**	American Capital Corp.	President	371,912	23.0
87.	**Robert D. Pierson**	Carteret Bancorp	Vice Chairman	369,052	13.5
88.	**Robert J. Mueller**	Carteret Bancorp	President	369,052	13.5
89.	**Maurice L. McAlister**	Downey Savings and Loan	President	367,765	–2.3
90.	**Britt Evans**	Homestead Financial	Executive VP	365,561	–29.3
91.	**Donald R. Caldwell**	Atlantic Financial Federal	President	365,510	5.1
92.	**Keith P. Russell Jr.**	GlenFed Inc.	Senior Executive VP	364,499	40.4
93.	**Robert R. Masterton**	The One Bancorp	Chairman & President	364,440	NA
94.	**Roger K. Lindland**	Great American First SB	Senior Executive VP	363,520	33.6
95.	**Roy E. Weber**	Great Lakes Bancorp FSB	Chairman & President	363,445	40.8
96.	**Richard R. Laine**	The Boston Bancorp	President	363,166	–13.7
97.	**George Graboys**	Citizens Financial Group Inc.	President	360,765	4.9
98.	**David E. Bradbury**	Co-Operative Bancorp	Chairman	360,000	NA
99.	**William S. Mortensen**	FirstFed Financial Corp.	Chairman	359,820	4.8
100.	**William S. Bushnell**	Amoskeag Bank Shares Inc.	Chairman	359,436	23.4

[1] Compensation is shown for the latest fiscal year and is annualized if paid for only a partial year. Bonus, salary, deferred compensation, and other forms of cash-equivalent compensation are shown together. Deferred compensation and bonuses, where applicable, are shown for the amount accrued during the fiscal year. Compensation does not include the premium value of stock options exercised or stock options awarded. Severance pay and signing bonuses are not included.

Source: Data are from proxy statements, in which public companies are required to report cash compensation paid to each of the five most highly compensated executive officers earning more than $60,000, as well as directors' fees and benefit plans offered.

Mac Widens Lead over ATM Networks, Survey Shows

Top 10 Regional ATM Networks

Based on interchange (interbank) transactions

1987 Rank	1986 Rank*	Network, home state	Interchange Uses per card Per year	Interchange Transactions (mil./month)	Change In year
1	1	**Mac/CashStream¹ (Pennsylvania)**	14.4	7,929	4 %
2	9	**NYCE (New York)**	5.2	3,981	127
3	2	**Pulse (Texas)**	6.6	3,964	31
4	3	**Exchange/Accel (Washington)**	8.0	3,333	11
5	5	**Honor (Florida)**	6.8	2,905	30
6	19	**Owl (Ohio)**	11.0	2,833	243
7	–	**Money Station (Ohio)**	4.8	2,744	...
8	–	**Most (Virginia)**	8.0	2,636	...
9	8	**Cash Station (Illinois)**	14.0	2,583	29
10	4	**Mpact (Texas)**	13.9	2,432	(11)

*1986 comparisons not available for networks not in that year's top 20 list.

¹Networks consolidated in 1988. Because only a portion of CashStream's volume is included, the transaction total and percentage increase understate the full impact of the merger. In 1986, Mac ranked first with 5.6 million transactions per month, CashStream seventh with 2,042 transactions per month.

Source: Speer & Associates, Atlanta; average monthly data for 1987.

➡ **Continued from Page 1**

ed in the survey. Therefore, Mac's lead probably was understated.

Mac and CashStream's combined 4,500 ATMs in six eastern states thus handled at least twice as much interchange volume as the second biggest network in 1987. Mac alone had slightly less than double its closest rival's volume the previous year.

Speer, which is based in Atlanta and counts several major ATM networks among its clients, builds its survey around interchange volume. Because it measures customers' use of machines away from their own financial institutions, interchange volume is "the No. 1 success factor for a shared network," the company said in its survey report.

Speer gathered data from only 47 of the 100 largest shared networks, so its rankings are less comprehensive than those of *Bank Network News* and *The Nilson Report*, trade newsletters that follow the electronic banking industry.

Different Results

In its most recent annual survey, using September 1987 figures, *Bank Network News* listed five networks among the Top 20 in interchange volume that did not show up in Speer's survey. The biggest of the missing is X-Press 24, a network operated by BayBanks Inc., Boston, which *Bank Network News* ranked second and which was in Speer's Top 20 for 1986.

Speer also averages transaction totals over a 12-month period, which tends to understate the current volumes of fast-growing networks. For example, NYCE shows up on the Speer list with 3.98 million interchange transactions, but that rose to 6.2 million in May 1988.

Speer said NYCE will challenge Mac for first place in the next two years. Its rate of 5.2 transactions per card per month, low by industry standards, is likely to rise among NYCE's 11.2 million cardholders — one of the largest of all customer bases.

By focusing on interchange volume, Speer disregards at least two other key measures of network size — total number of machines and total transactions. NYCE is the biggest by these measures, followed by Star System Inc. of California, Money Station of Ohio, and Pulse of Texas. Speer's survey ranked Money Station seventh in interchange volume with 2.7 million transactions per month, and Star System barely missed the Top 10 with 2.3 million.

Star System, TransFirst Corp.'s MoneyMaker network in Texas, Money Station of Ohio, and the Treasurer of New Jersey all broke into Speer's Top 20 this year.

The Owl network, owned by Central Trust Co., Cincinnati, leaped from 19th to 8th place after joining the statewide Money Station network. MTech Corp.'s Mpact system suffered with the Texas economy and fell from 4th to 10th.

'Over-ATMing' Continues

Speer pointed out that the 47 networks in its data base accounted for 68% of the 70,000 ATMs in the United States at the end of 1987. Therefore, if the Speer listings are not as complete as some others, they do reflect trends in the ATM market such as saturation, which Speer and other industry analysts have observed in recent years.

The consulting firm calls this phenomenon "over-ATMing" to suggest that the availability of ATMs outstrips consumer demand for the service.

Interchange volume at the 20 largest ATM networks grew 45% last year to 54.2 million per month at yearend, while the number of ATM installations was rising 40% to 70,000. The five-percentage-point difference was "not sufficient to stop the over-ATMing trend among regional network members and terminal providers," said Richard Speer, president of Speer & Associates.

Speer's data also reveal a growing concentration in the ATM networking business, with the biggest networks tending to accumulate ever-larger shares of the market at the expense of smaller organizations. The Mac-CashStream consolidation reinforces the notion that the big are getting bigger, but Speer backs that up with aggregate statistics.

The top 20 networks accounted for 80% of all interchange transactions at ATMs last year, and their proportion will grow to 85% by 1990, Speer predicted. The top 20 also linked a total of 39,252 machines in their systems, 40% more than in 1986 and 56% of all ATMs in the United States.

The top 15 networks — which Speer calls "superregionals" — averaged three million monthly interchange transactions in 1987, more than three times the volume of the next 15 most active systems.

"Speer & Associates attributes the differences in performance to the higher levels of convenience offered by the larger networks in terms of sheer geographical coverage, and to the greater awareness that larger networks typically create with signs and more intense marketing campaigns," the survey report said.

The major networks are expanding geographically and earning the "superregional" designation; for example, NYCE reaches into 21 states, Pulse and Star into six each. Speer said the basic character of the Top 20 ranking will not change much in the next few years.

Of the 20 biggest networks, 16 meet Speer's definition of superregional by doing at least two million interchange transactions per month. There were only eight of these last year out of an estimated 175 shared ATM systems in the United States.

"Probably no more than two additional networks have the potential to reach superregional status over the next year or so," Mr. Speer said.

Magic Line in Michigan, Metroteller in New York State, Rocky Mountain BankCard System in Colorado, and Treasurer all had at least 1.5 million monthly transactions last year on their way to becoming superregionals.

Networks that reach the 2-million-per-month threshold are likely to survive as independents, while many of the smaller networks will be merged and consolidated, Speer said in a four-year projection that accompanied the 1987 shared-network report. The superregionals will account for 77% of interchange volume in 1988 and 78% in 1991, while several other regional networks below that top tier will drop to 15% in 1991 from 16% this year. Another 150 independent networks will divide 4% of the market this year and only 3% in 1991.

Speer said that between the end of 1988 and 1991, the number of ATMs will rise from 80,000 to 96,000, the number of debit cards from 160 million to 186 million, and the annual number of ATM transactions from 4.6 billion to 7 billion. Of total ATM transactions, the percentage of interchange transactions would increase from 18.3% to 19.1%.

The Speer survey did not include retail payment systems such as Interlink in California and Cactus Switch in Arizona. Though technologically similar to shared ATM networks, these systems currently handle only point-of-sale payments.

Speer did find that 25 of the 47 networks it surveyed processed 12 million point-of-sale transactions last year through 34,764 direct-debit terminals. That averaged out to 44 transactions per active terminal per month, a rate that Speer said is "comparable to the levels in major markets where networks have been supporting POS services for some time." ■

NYCE Lowers Transaction-Processing Fees an Average of 20%

NEW YORK — The New York Cash Exchange, the largest regional automated teller machine network, has reduced transaction processing fees for the third time since its inception in 1985.

The network, linking more than 6,000 ATMs of 360 financial institutions in 21 states, said its switching fees will fall today by an average 20%. These fees, levied on "foreign" or interchange ATM transactions, have dropped a cumulative 50% in two years.

NYCE's cost reductions reinforce a nationwide trend among ATM networks. Star System Inc., a California-based network that is the second largest in the U.S. with more than 5,000 machines, cut prices by an average 20% early this year. Smaller networks have been following suit.

Because computer costs are relatively fixed, a network's costs of processing an incremental transaction — transmitting the relevant data between member banks — comes down as the number of transactions increases. This allows the networks to pass on their economies of scale to member institutions.

NYCE's monthly switch volume currently exceeds 6 million transactions, up from 4.5 million in October 1987 when the last price reductions took effect. The network switched only 44,000 items in March 1985, its first month of operation.

Although NYCE is the nation's biggest shared network, its interchange volume is half that of Mac, a network operated in the Middle Atlantic region by Philadelphia National Bank.

In the new NYCE pricing schedule, switch fees range between 13 cents and 6 cents per transaction. Card-issuing financial institutions with the highest transaction totals pay the lowest fees.

The sliding scale ranged from 19 cents down to 9 cents in the pricing system that expired on Thursday. The old price list gave preferential treatment to charter members of NYCE — they paid a maximum of 15 cents — but this differential is now being abolished.

Fee to Join Remains

Unchanged is the one-time participation fee that members pay upon joining the network. This fee rises according to a member's size, from $5,000 to $20,000 for institutions in the New York metropolitan area, and from $2,500 to $10,000 for those in nearby states but outside the core market. Members from distant states such as California and Missouri are not charged entry fees.

"It has always been understood that we would pass the benefits of cost reductions on to our members," Elizabeth Taylor, vice president of marketing for New York Switch Corp., said in a telephone interview. New York Switch is the company based in Fort Lee, N.J., that administers the NYCE operation.

New York Switch officials continually review NYCE's financial condition, Ms. Taylor said. But a recently concluded data processing agreement with Deluxe Data Systems, Brown Deer, Wis., helped the price-cutting process along.

Deluxe obtained a five-year extension of its contract to deliver switching services to the network. The contract "allows us to plan with some certainty of what our own costs will be," Ms. Taylor said.

"The terms of our processing arrangement with Deluxe allow us to be extremely competitive in both the performance and the pricing that we can offer our members," said Alan P. Pohlman, president of the network. He added that the series of fee reductions creates a positive image for NYCE as it seeks to attract and keep member institutions.

While financial institutions' cost of membership in NYCE and other networks has been declining, there is no sign that consumers are seeing any benefits. If anything, cardholders are finding it more common to be charged fees for using foreign ATMs.

Recent surveys by the American Bankers Association and by independent researchers have shown that a majority of banks with more than $500 million in assets charge for transactions performed at ATMs they do not own, with the average cash withdrawal fee exceeding 60 cents per transaction.

Prices charged to cardholders are "totally an individual bank decision," said Ms. Taylor of NYCE. "We as an organization never make or suggest policy respecting the member banks' pricing decisions. The bank-customer relationship is treated as sacred."

— Jeffrey Kutler

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Japanese banks posted a 21.1% rise in pretax profits for the year ended March 1. The increase was a record for the 87 members of the Federation of Bankers Associations of Japan. ____ 2

Chemical Bank has filed with the SEC to issue its first securities backed by credit card receivables. ____ 2

Salomon Brothers was the leading underwriter of asset-backed securities in the second quarter of 1988, as the volume of new issues jumped almost 75% from the previous quarter. __ 2

Gov. James J. Blanchard has signed legislation allowing Michigan banks to open branches anywhere in the state beginning Aug. 1. ____ 2

A listing of the FDIC-insured banks that have failed or been rescued so far this year includes 87 companies that were liquidated or merged. And 15 other banks have received assistance to keep from failing. ____ 10

Executive Changes ____ 5
In the News ____ 3

COMMENT

The single most important ingredient of an ethical corporate culture is the example set by senior management, according to Susan S. Spagnola, vice president-senior counsel of Chemical Bank. ____ 4

TECHNOLOGY

Visa is gaining ground in its battle with the Federal Reserve System to process automated clearing house transactions. The Hawaiian Electronic Funds Transfer Association plans to begin clearing direct salary deposits and other electronic payments through Visa's network by October. 3

MasterCard and Visa, in their latest skirmish, are arguing over the cause of an industrywide decline in credit card losses. ____ 6

Automated Financial Systems claims to be the leading software provider in commercial loan systems for big banks. Although its systems run on IBM mainframes, the company, based in Exton, Pa., has made its mark without an IBM marketing agreement. 6

J.C. Penney's payments and communications network has won the business of credit card authorization and data capture for Unocal Corp.'s service stations in the West. ____ 7

A Sallie Mae software package is helping Boatmen's National Bank of St. Louis process and track the more than 2,000 student loans it disburses each month. ____ 7

Worth Repeating

With the relatively weak dollar, there is still the possibility of foreign buyers. And the New York banks are certainly still interested in doing deals.

Virginia A. Adair, vice president of Merrill Lynch Capital Markets, on the merger situation in New Jersey. [Page 1]

Random Thoughts

By SANFORD ROSE

Theo H. Pitt Jr., chairman of the U.S. League of Savings Institutions, recently told a meeting of the New York Society of Securities Analysts that the interest-rate-mismatch problem of the thrift industry is not nearly as serious as many people suggest. Barring a massive increase in rates, averred the trade association executive, the thrifts are in relatively good shape.

Mr. Pitt is wrong — seriously wrong. Calculations based on Federal Home Loan Bank Board data indicate that even a 100-basis-point increase in rates would gravely damage the savings and loan industry.

If sustained over a period of one year, such a rise would cost the industry, other things being equal, $1.4 billion in income — more than it earned after taxes in 1986. If sustained over a three-year period, it would wipe out $4.6 billion in income — approximately three quarters of the industry's net after-tax profit for the 1984-86 period.

The thrift industry's one-year gap — calculated by subtracting the dollar volume of liabilities that will be repriced in the next year from

Random Thoughts: Page 4 ➻

FROM THE REGIONS:

THE MIDDLE ATLANTIC

After Flurry, Jersey Deals Wane

By GORDON MATTHEWS

NEW YORK — A year ago this week, New Jersey announced it would be the first major state, other than New York, to open its borders to nationwide banking on a reciprocal basis. The flurry of activity that followed and the quiet that has since descended are now being assessed by banking analysts and industry observers.

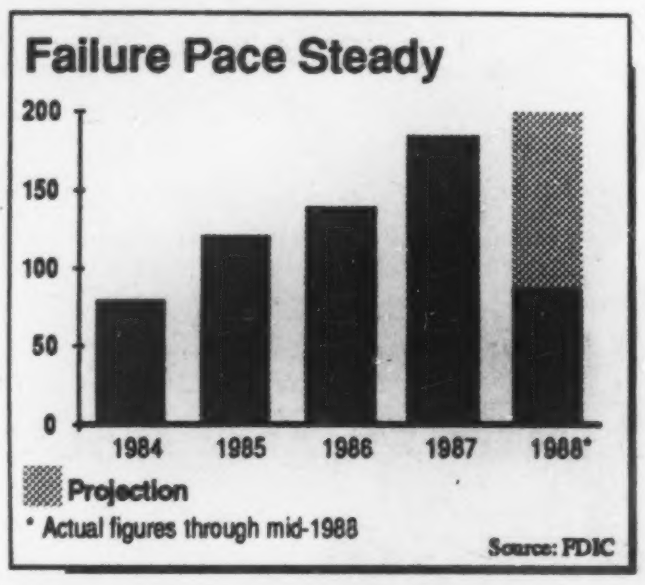
Among the principal developments were the nation's largest banking deal, which resulted in the creation of a new superregional bank, First Fidelity Corp.; a major interstate deal for the state's third largest banking company, United Jersey Banks; and the foreign acquisition of the fourth largest company, First Jersey National Corp.

Nearly as important as this $2.5 billion trio of deals — all unveiled in the month after New Jersey's announcement — are a pair of nondevelopments:

First, there have been no New Jersey deals completed by major banking companies in New York, which had long waited for the chance to move beyond their borders and then found other constraints on their plans.

Chemical New York Corp. agreed several years ago to acquire Horizon Bank Corp., Morristown, N.J., after the

From the Regions: Page 14 ➻



* Actual figures through mid-1988

Source: FDIC

Bank Failures Keeping Pace With Last Year

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Halfway through 1988, bank failures nearly match the record pace set in the first half of 1987. But this year the frequency and cost of government rescues of failing institutions may hit all-time highs.

In the first six months of this year, the banking system withstood 87 failures. At this time last year, 96 banks had closed, according to government figures.

Since January, however, 15 banks have been kept open with $2.4 billion in federal aid. By July of 1987, four banks had avoided failure as a result of government intervention. In all of 1987, a total of 19 bailouts had occurred at a cost to the Federal Deposit Insurance Corp. of $1.1 billion.

Bank Failure List
Page 10

One key to keeping the FDIC's costs down is luring private capital to bailout

Bank Failures: Page 12 ➻

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➡ Continued from Page 1

the dollar volume of assets to be repriced in the same period and dividing that number by total assets — amounts to minus 19% (the negative number indicating, of course, that more liabilities than assets reprice). The three-year gap equals minus 21%. These numbers could spell disaster in a period in which most analysts forecast rising rates.

Mr. Pitt is fond of asserting that the thrift problem is confined to a comparatively small percentage of savings and loans — those afflicted with much-publicized credit woes (although even he would probably have to admit that the percentage shows signs of rising). The great bulk of associations, it is claimed, are safe and sound.

But this is an illusory soundness, built on the temporary success of a widespread interest rate gamble.

What separates many of the so-called good associations (the interest rate gamblers) from the bad ones (the credit high rollers) is merely an inconsistent application of accounting principles. When a loan goes bad, the regulators force it to be marked to market, exposing the loss of equity. But when an interest rate mismatch begins to sour, there is no requirement to mark to market.

A rise in rates will adversely impact institutions that are long assets — asset durations greater than liability durations — by reducing the worth of assets by more than the worth of liabilities. Despite the lack of accounting recognition, the loss of equity values is just as real as in the case of defaulted loans, although the magnitude of the loss may initially be less. Eventually — and in many cases rather quickly — this decline in real net worth is reflected in lower income and lower accounting net worth.

As a spokesman for the thrift industry, Mr. Pitt is required to be optimistic. He is not, however, required to be pollyannish.

The sad fact is that savings and loans may be on the point of replaying, albeit with some attenuation, what has been termed phase one of the industry crisis — the crisis of 1980-82, when rising rates resulted in huge losses and failures for those whose maturities (durations) were seriously mismatched. This crisis, of course, led ineluctably to phase two of the thrift drama — the post-1982 debacle of credit-loss-induced failures and near-failures.

Many institutions that limped through phase one of the crisis attempted to recoup their losses by more expansive risk taking, much like a drunk who tries to stave off a hangover by prolonging his binge. As Dan Brumbaugh, the former deputy chief economist of the Bank Board, puts it: "Financial gains accrue primarily to owners and managers if an insolvent institution takes a significant risk that succeeds, while the deposit insurer bears most of the cost if the risk fails. Deposit insurance thus fosters a 'heads, I win; tails, the FSLIC loses' attitude in insolvent institutions that are allowed to continue operating.

"These perverse effects . . . also apply to depository institutions that are likely to become insolvent. Increased risk taking offers possible improvement and resurrection in a relatively short time. . . ."

As we now know, resurrection was quite selective in the post-1982 period. Those associations that tried to recover by replacing their interest rate bets did famously, at least for a while, because of the dramatic fall in rates. But those that elected to gamble on credit rather than exclusively in the interest rate area foundered. Unable to manage the risks of such activities as acquisition and development lending, they ultimately perished, leading in the process to the bankruptcy of the FSLIC.

Is the industry condemned to oscillate, almost mechanically, between ruinous credit losses and equally ruinous interest rate losses until the public, in vexation, votes to nationalize? Mr. Brumbaugh notes that the 1987 increase in interest rates accounted for a significant part of the thrift industry's losses during that year. Whether these losses adumbrate a rerun of the vicious cycle cannot be known with certainty because we cannot predict interest rates.

But the 1987 performance, warns the former Bank Board economist, is a sobering reminder of the interest rate danger. It is a danger that people like Mr. Pitt are foolish to minimize.

□ □ □

How does commercial loan pricing vary by maturity? Loan Pricing Corp. of New York has analyzed some 1,400 C&I loans made between mid-1987 and mid-1988. All loans are variable-rate credits with a Libor option, so that in each case the maturity of the yield is quite short.

However, the maturity of the facility varies sharply, and so does the pricing. The pricing pattern can be best delineated by a U-shaped curve. Raw spreads are high at the short end of the maturity curve, averaging about 175 basis points over Libor for under-six-month credits.

In the intermediate term — facilities with maturities of from 24 to 36 months — spreads decline sharply, averaging around 75 basis points over Libor. Then, in the longer term — facilities lasting upward of four years — spreads begin rising again, reaching an average of around 185 basis points on six-year-plus maturities.

The fee pattern traces a similar curve. Upfront fees are high for short-dated facilities, then drop sharply over the intermediate term, only to resume their climb for facilities with maturities of longer than four years.

This pricing pattern, superficially anomalous, is more easily understood when we examine the typical purpose of loans of various maturities. Customers for intermediate-term credit generally borrow for working-capital needs. The two-to-three-year revolving credit is the most uncomplicated of loans. It is also the bread and butter of most banks. What's more, many borrowers can, and frequently do, obtain at least a portion of their working-capital funds from insurance companies or in the commercial paper market.

Since this type of credit is relatively straightforward and is offered by practically all lenders, it is apt to be the most competitively priced vehicle. Banks simply cannot charge very much for these plain-vanilla accommodations, regardless of their maturities. Indeed, the evidence indicates that the maturity premium for working-capital revolvers is practically nonexistent, amounting to around two to three basis points per year.

Short-dated credits are predominantly bridge loans for capital equipment or real estate construction. At present, these loans appear to be concentrated in the water-transportation, textile-mills, primary-metals, and services industries.

Banks have little effective competition from nonbank lenders in the provision of this type of credit. Borrowers cannot very easily access the commercial-paper or private-placement markets for bridge loans, especially since most need considerable financing flexibility — i.e., they want to take down the funds as needed, instead of borrowing in a lump sum. Banks are thus able to charge spread and fee premiums for setting up a short-term facility that allows, say, a manufacturer to draw against a predetermined line in order to pay for equipment whose delivery date is uncertain.

In effect, the borrower is paying extra for the superior liquidity afforded by bank-type financing. Additionally, the fact that the bank has to recapture its fixed setup cost in a relatively short period of time tends to raise the price of this type of credit.

The very long-term credits are extended primarily for takeovers, leveraged buyouts, and corporate recapitalizations. These loans are currently most popular in such industries as health care, motion pictures, hotels, and of course air transportation. Such customized facilities are the most complicated and the riskiest, so it is easy to see why banks have been able to charge the highest fees and spreads.

Thus the smooth and highly symmetrical dish-shaped pattern of pricing by maturity is readily explicable. Banks can charge more for short loans because of liquidity and payments-mechanism factors that tend to restrict competition from nonbank lenders. They can charge more at the long end because of complexity and risk factors.

But they can't charge nearly as much for the intermediate-term loan, given its standardized purpose and the intensity of the competition — bank and nonbank — for the borrower's business. It is therefore not hard to figure out why bank lenders will gravitate inexorably to either end of the loan-maturity spectrum. ■

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BRIEF COMMENT

Spirit of Law Guides Manager's Decision

The following excerpt is from a speech by Susan S. Spagnola, vice president-senior counsel of Chemical Bank, delivered June 28 at Pace University. The presentation, titled "Making Ethics Work," was sponsored by the Institute of Business Ethics.

□

WITH or without a written code of ethics, the single most important ingredient of an ethical corporate culture is the example set by senior management — through actions and written and oral communications.

When employees know what type of behavior is expected of them and what is sauce for the goose is sauce for the gander, business ethics become not only valued and respected, but a necessary part of any business decision.

For example, a friend of mine is an international lawyer for a U.S. firm. She was asked to give her opinion on an activity taking place in South America that was tantamount to price-fixing and clearly would be in violation of U.S. antitrust laws.

She advised her boss, a senior executive, that although the activity would be illegal under U.S. law, this might not be the case under the governing foreign law, and she would look into it. The immediate and unequivocal response: "Don't bother; we are a U.S. company and the spirit of the U.S. law, if not the letter, governs our business wherever we are."

In the context of implementing business ethics, this response was worth more than any written rule or formalized compliance program. ■

FDIC-Insured Banks that Have Failed or Been Rescued in 1988

Washington Bureau

WASHINGTON — The following is a list of U.S. banks insured by the Federal Deposit Insurance Corp. that failed or received FDIC financial assistance during the first half of 1988.

A bullet (•) denotes an agricultural bank, defined by the FDIC as having agricultural loans exceeding 25% of its total loans.

The number of insolvent banks that were either liquidated or merged into other companies is 87. Fifteen banks received FDIC assistance to keep them from failing.

At mid-1987, there were 96 failures and four banks needing assistance.

In all of 1987, 184 banks closed and 19 received assistance. In 1986, 138 banks closed and seven got financial help from the FDIC.

□

1. **Commerce Bank of Plano**, Plano, Tex. closed Jan. 7. Insured deposits of $40.6 million transferred to Quinlan State Bank, Quinlan, Tex. Deposits of $251,000 were not insured.

2. **The North American Bank**, Phoenix, closed Jan. 8. Insured deposits of $29.4 million to Columbia Bank, Avondale, Ariz. Deposits of $496,000 were not insured.

3. **The Moran National Bank**, Moran, Tex., closed Jan. 14. Deposits of $15.9 million assumed by the Peoples State Bank, Clyde, Tex.

4. **Colonial Bank**, New Orleans, closed Jan. 14. Deposits of $47.4 million assumed by Pontchartrain State Bank, Metairie, La.

5. **Balboa National Bank**, National City, Calif., closed Jan. 14. Deposits payoff. All but $75,000 of total deposits of $25.2 million were within the federal insurance limit.

• 6. **Aredale State Bank**, Aredale, Iowa, closed Jan. 20. Deposits of $9.9 million assumed by First Security Bank & Trust Co., Charles City, Iowa.

• 7. **Cedar Vale State Bank**, Cedar Vale, Kan., closed Jan. 21. Deposits of $11.5 million assumed by Chisholm Trail State Bank, Wichita, Kan.

8. **The Williston Basin State Bank**, Williston, N.D., closed Jan. 21. Deposits of $12.1 million assumed by First National Bank & Trust Co. of Williston, N.D.

9. **Louisiana Commercial Bank**, Madisonville, La., closed Jan. 21. Deposits of $28.7 million assumed by Pontchartrain State Bank, Metairie, La.

10. **Sam Houston National Bank of Walker County**, Huntsville, Tex., closed Jan. 21. Deposits of $37.5 million assumed by the Huntsville National Bank, Huntsville, Tex.

11. **United Mercantile Bank**, Shreveport, La., closed Jan. 21. Deposits of $70.1 million assumed by Hibernia National Bank, New Orleans.

12. **Northwest Bank**, Dallas, closed Jan. 21. Insured deposits of $57.5 million transferred to Haltom Bank (American Bank of Haltom City), Haltom City, Tex.

13. **Bank of Casper**, Casper, Wyo., closed Jan. 22. Deposits of $5.4 million assumed by First Wyoming Bank-Casper, Casper, Wyo.

14. **Port City Bank**, Houston, closed Jan. 28. Deposits of $59.3 million assumed by Channelview Bank, Channelview, Tex.

15. **Houston Commerce Bank**, Houston, closed Jan. 28. The FDIC paid off deposits of $36.6 million.

16. **The Trust Bank**, Hialeah, Fla., closed Jan. 29. Insured deposits of $159.6 million transferred to Republic National Bank of Miami, Miami.

17. **The Bank of Louisburg**, Louisburg, Kan., closed Feb. 3. Deposits of $20.9 million assumed by Peoples National Bank & Trust, Ottawa, Kan.

18. **Bank of Dallas**, Dallas, closed Feb. 5. Deposits of $170.2 million assumed by Deposit Guaranty Bank, also of Dallas.

19. **First Houston Bank N.A.**, Houston, closed Feb. 11. Insured deposits of $28 million transferred to Texas Commerce Bank, N.A., also of Houston.

20. **First State Bank**, Oilton, Okla., closed Feb. 11. Deposits of $11.7 million assumed by the American National Bank of Bristow, Bristow, Okla.

21. **First State Bank**, White Cloud, Mich., closed Feb. 12. Deposits of $36.5 million assumed by Peoples State Bank, St. Joseph, Mich.

22. **Global Bank**, Hialeah, Fla., closed Feb. 12. Deposits of $19.2 million assumed by Ocean Bank, Miami.

23. **Basin State Bank**, Vernal, Utah, closed Feb. 12. Deposits of $11.3 million assumed by Zions First National Bank, Salt Lake City.

• 24. **The Farmers and Merchants Bank of Hill City**, Hill City, Kan., closed Feb. 18. Deposits of $16.6 million assumed by Farmers and Merchants Bank of Hill City, a newly chartered subsidiary of Stockton Bancshares Inc., Stockton, Kan.

25. **Mustang Community Bank**, Mustang, Okla., closed Feb. 18. Deposits of $9.6 million assumed by the First National Bank of Moore, Moore, Okla.

26. **Collin County State Bank**, Melissa, Tex., closed Feb. 25. Deposits of $11.9 million assumed by Willow Bend National Bank, Plano, Tex.

27. **Harris County Bank-Houston N.A.**, Houston, closed Feb. 25. Insured deposits of $78.3 million transferred to Omnibanc South N.A., Houston. About $663,000 in 28 accounts exceeded insurance limit.

28. **American National Bank**, Stafford, Tex., closed Feb. 25. Deposits of $26.3 million assumed by Park National Bank of Houston.

• 29. **The Home State Bank**, Russell, Kan., closed March 3. Deposits of $53.7 million assumed by First National Bank and Trust Co., Salina, Kan.

30. **Flower Mound Bank**, Flower Mound, Tex., closed March 3. Deposits of $17.2 million assumed by Security Bank, also of Flower Mound.

31. **The First National Bank and Trust Co. of Cushing**, Cushing, Okla., closed March 10. Insured deposits of $59.1 million transferred to the American Bank of Bristow, Bristow, Okla.

32. **First American Bank and Trust of Baytown**, Baytown, Tex., closed March 10. Deposits of $38.5 million assumed by Citizens Bank and Trust Co. of Baytown.

• 33. **Hayesville Savings Bank**, Hayesville, Kan., closed March 10. Insured deposits of $35.6 million transferred to Farmers Savings Bank, Fremont, Iowa.

34. **Security Bank of Denver N.A.**, Denver, closed March 10. Deposits of $16.8 million assumed by City Center National Bank of Aurora, Aurora, Colo.

35. **First American Bank and Trust of Manvel**, Manvel, Tex., closed March 10. Insured deposits of $12.4 million transferred to First National Bank of Alvin, Alvin, Tex.

36. **First American Bank and Trust of Friendswood**, Friendswood, Tex., closed March 10. Deposit payoff. All but $143,000 of total deposits of $6.4 million were within the federal insurance limit.

• 37. **Frenchman Valley Bank**, Palisade, Neb., closed March 10. Deposit payoff. All but $101,000 of total deposits of $2.6 million were within the federal insurance limit.

38. **First Intercounty Bank of New York**, New York City, closed March 11. Insured deposits of $36.1 million transferred to Community National Bank and Trust Co., also of New York City.

39. **First National Bank of Port Allen**, Port Allen, La., closed March 17. Deposits of $17.6 million assumed by Iberville Trust and Savings Bank, Plaquemine, La.

40. **Citizens State Bank**, Gibbon, Minn., closed March 18. Deposits of $14.9 million assumed by Minnesota Valley Bank, Redwood Falls., Minn.

41. **State Bank of Morgan**, Morgan, Minn., closed March 18. Deposits of $19.4 million assumed by Farmers and Merchants State Bank, Springfield, Minn.

42. **Cashion Community Bank**, Cashion, Okla., closed March 24. Deposits of $6.4 million assumed by Community State Bank, a newly chartered subsidiary of Warrior Bank Corp., also of Cashion, Okla.

43. **Century State Bank**, Tulsa, Okla., closed March 24. Deposits of $69.4 million assumed by the Fourth National Bank of Tulsa.

44. **First National Bank of Del City**, Del City, Okla., closed March 25. Insured deposits of $26.2 million transferred to Lincoln National Bank, Oklahoma City, including $29,000 in 40 accounts that exceeded the insurance limit.

45. **First Bank & Trust**, Tomball, Tex., closed March 31. Deposits of $56.7 million assumed by the Hamilton National Bank, Hamilton, Tex.

46. **Union Bank and Trust Co.**, Oklahoma City, closed March 31. Deposits of $167.5 million assumed by a newly chartered bank of the same name.

47. **Central National Bank**, Dallas, closed April 7. Deposits of $15.8 million assumed by Deposit Guaranty Bank, also of Dallas.

48. **Home State Bank**, Trent, Tex., closed April 7. Insured deposits assumed by the Farmers and Merchants National Bank of Merkel, Merkel, Tex.

• 49. **Citizens State Bank of Eagle Bend**, Eagle Bend, Minn., closed April 8. Deposits of $9.3 million assumed by Lake County State Bank, Long Prairie, Minn.

• 50. **Jennings Bank**, Jennings, Kan., closed April 14. Deposits of $6.8 million assumed by Bank of Oberlin, Oberlin, Kan.

51. **Cy-Fair Bank N.A.**, Harris County, Tex., closed April 14. Insured deposits of $11.5 million transferred to Charter National Bank-Willowbrook, Houston, Tex.

52. **Metropolitan Industrial Bank**, Denver, Colo., closed April 14. Insured deposits of $12.6 million assumed by Resources Industrial Bank, Denver.

53. **Colonial Thrift and Loan Association**, Culver City, Calif., closed April 15. Deposits of $22.5 million assumed by Southern Pacific Thrift and Loan Association, Beverly Hills, Calif.

54. **McAllen State Bank**, McAllen, Tex., closed April 19. Deposits of $550 million assumed by First City National Bank of Houston. Both banks are subsidiaries of First City Bancorporation of Texas.

55. **Texas National Bank**, Austin, Tex., closed April 21. Deposit payoff. All but $95,000 of total deposits of $16.9 million were within the federal insurance limit.

56. **Citizens National Bank**, Colorado Springs, Colo., closed April 21. Insured deposits of $14.4 million transferred to State Bank and Trust of Colorado Springs.

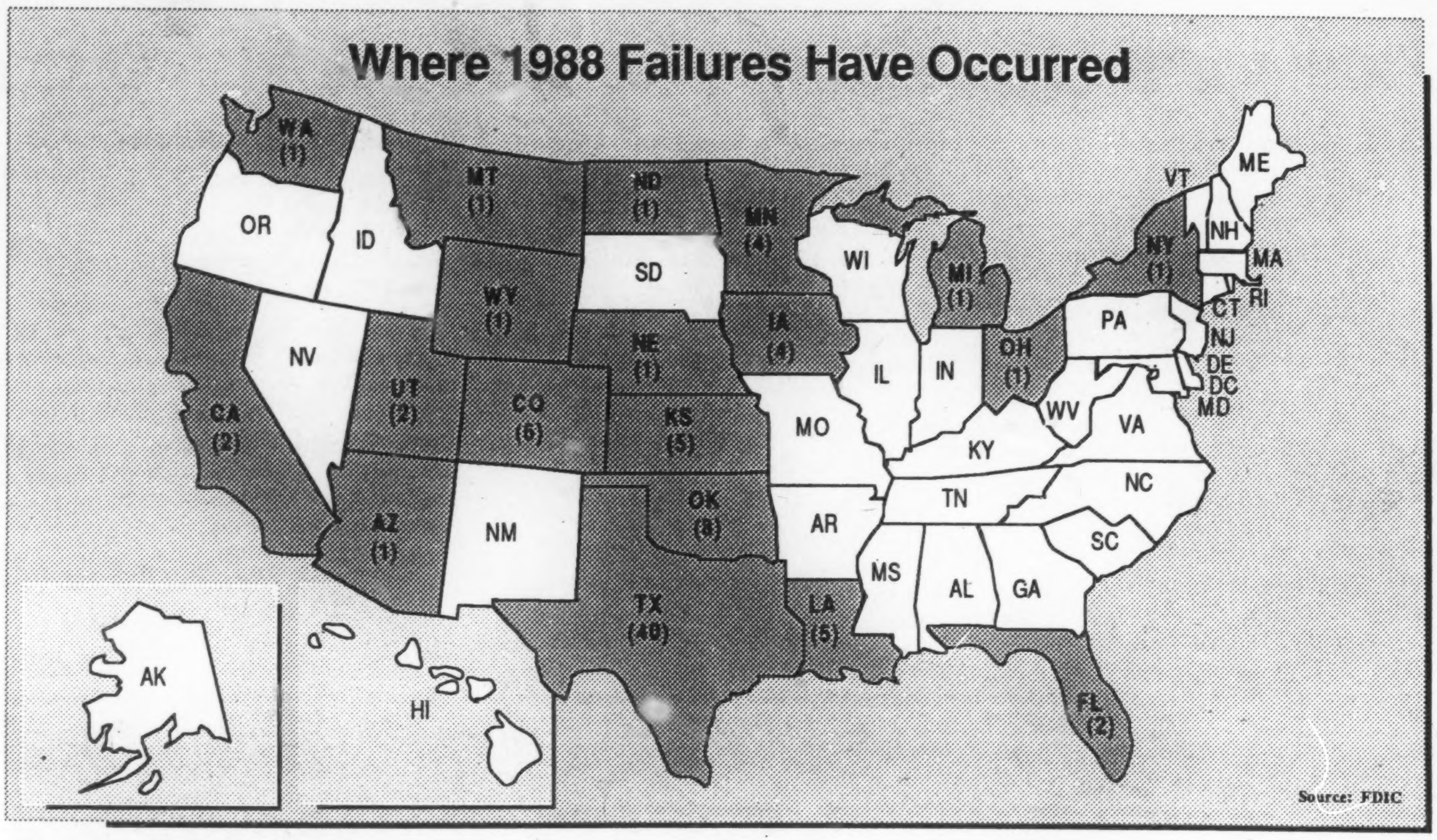
57. **Unity Bank**, Dayton, Ohio, closed April 22. Deposits of $5.9 million assumed by the First National Bank, Dayton.

58. **The Village Bank**, Great Falls, Mont., closed April 22. Deposits of $22.1 million assumed by the Village Bank of Great Falls, a newly chartered subsidiary of Shelby Investments Inc., also of Great Falls.

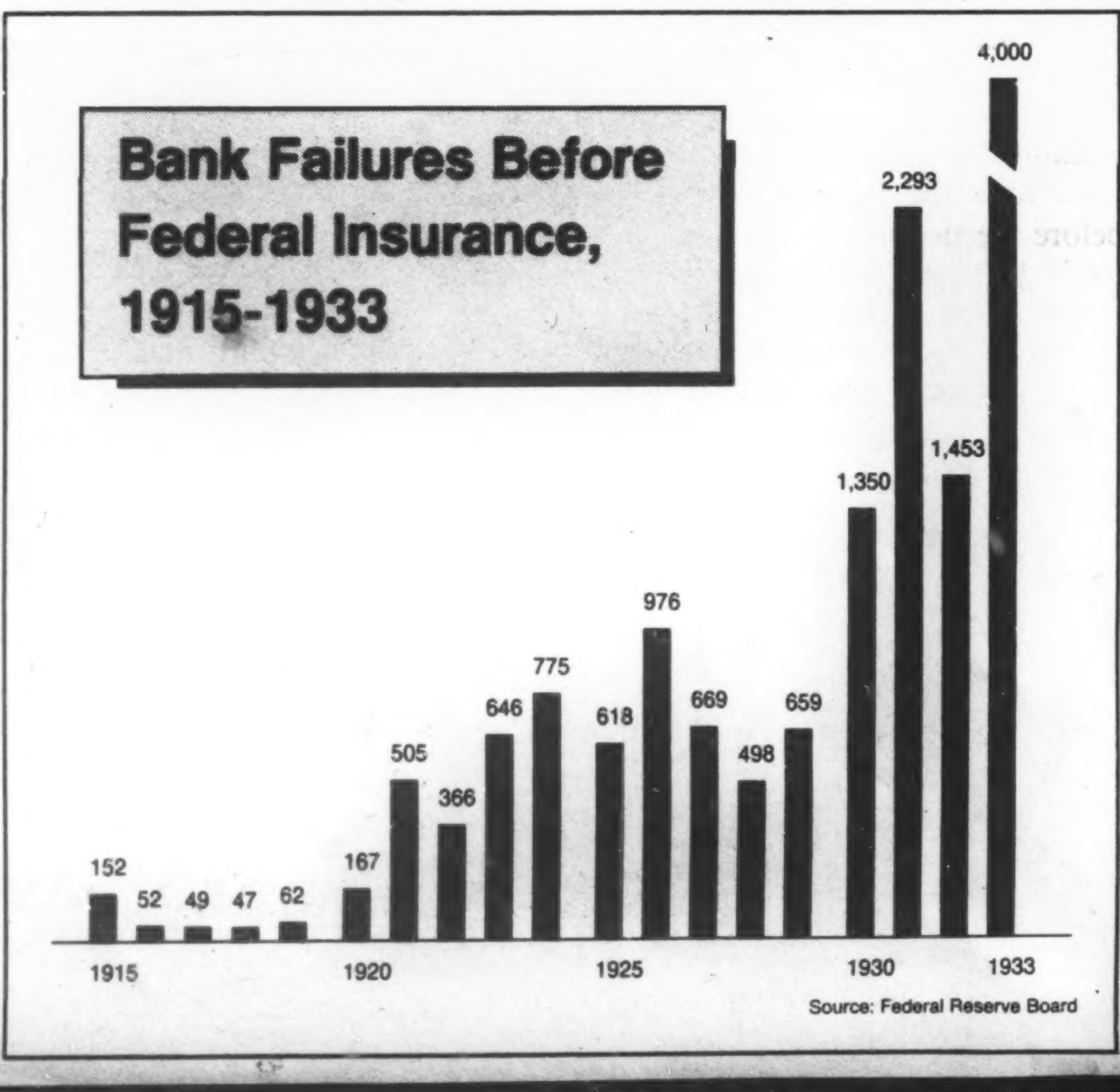
59. **Oak Park Bank**, Oak Park Heights, Minn., closed April 29. Deposits of $15.3 million assumed by the St. Croix Valley Bank, also of Oak Park Heights.

60. **Lincoln National Bank**, Arlington,

FDIC-Insured: Page 12 ➔

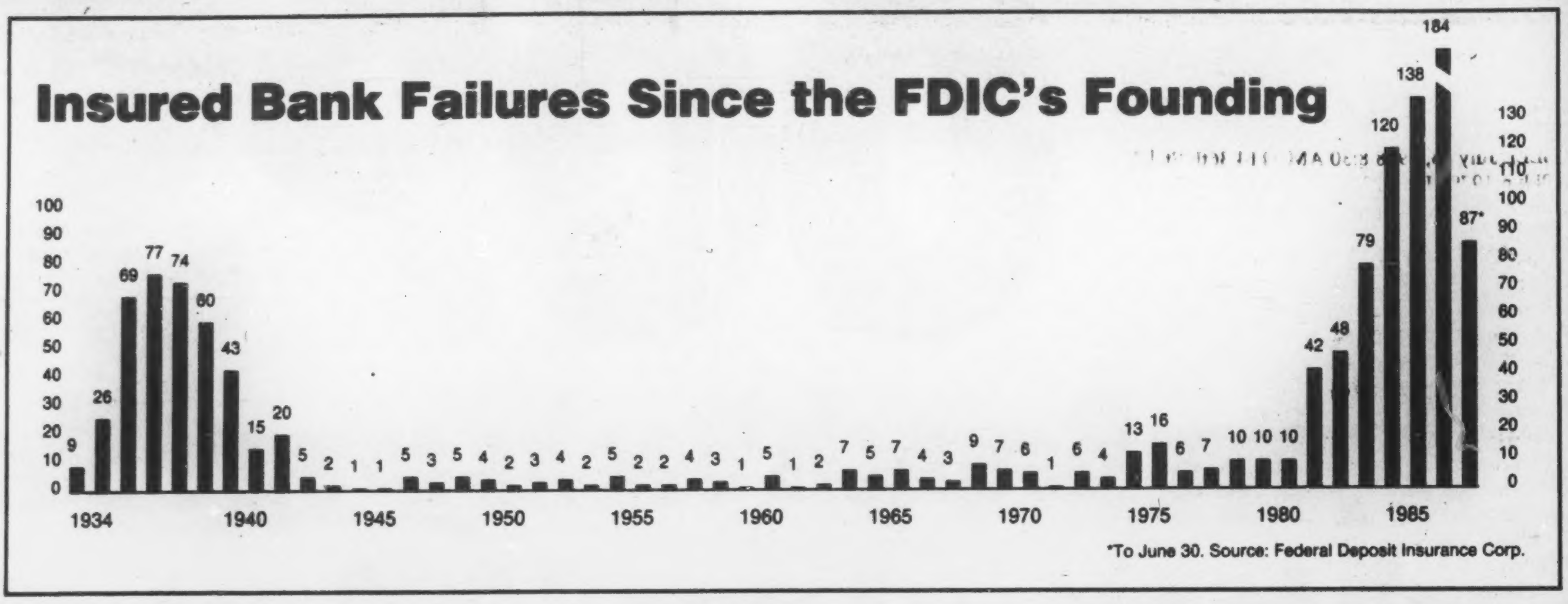


Source: FDIC



Source: Federal Reserve Board

FDIC-Insured Banks that Have Failed or Been Rescued in 1988



*To June 30. Source: Federal Deposit Insurance Corp.

➜ Continued from Page 10

Tex., closed May 5. Deposits of $11.5 million assumed by Tarrant Bank, Fort Worth, Tex.

61. **Union Bank & Trust**, Dallas, closed on May 5. Deposits of $35.6 million assumed by Cornerstone Bank National Association, also of Dallas.

• 62. **Forest City Bank and Trust Co.**, Forest City, Iowa, closed May 6. Deposits of $26.5 million assumed by Liberty Bank and Trust, also of Forest City, Iowa, a newly chartered subsidiary of Winnebago County Bancorp., Hampton, Iowa.

63. **The First State Bank**, Childress, Tex., closed May 12. Deposits of $14.3 million assumed by Citizens Sate Bank of Dalhart, Dalhart, Tex.

64. **The American State Bank**, Yankton, S.D., was merged on May 18 with First Dakota National Bank, also of Yankton. The $67 million-asset bank was bolstered by $4.28 million from the FDIC and $3.25 million from the shareholders of First Dakota.

65. **National Bank of Texas**, Houston, closed May 19. Deposits of $25.1 million assumed by Old Braeswood National Bank, also of Houston.

66. **Lone Star Bank-Harris County**, Baytown, Tex., closed May 26. Deposits of $12.5 million assumed by Citizens Bank and Trust Co., also of Baytown.

67. **First National Bank of Kingwood**, Kingwood, Tex., closed May 26. Deposits of $15 million assumed by Interstate Bank North, Houston.

68. **The First State Bank**, Rockwall, Tex., closed May 26. Insured deposits of $36.7 million transferred to Community Bank Rockwall, a newly chartered subsidiary of Community Bankers Inc., Granbury, Tex.

69. **Sandy State Bank**, Sandy, Utah, closed May 27. Deposits of $6.7 million assumed by Zions First National Bank, Salt Lake City.

• 70. **Community State Bank**, Whiting, Iowa, closed June 2. Deposits of $5.3 million assumed by Sloan State Bank, Sloan, Iowa.

71. **Guaranty Bank**, Dallas, closed June 2. Deposits of $73.7 million assumed by the Red Oak State Bank, Red Oak, Tex.

72. **Security Bank of Boulder**, Boulder, Colo., closed June 2. Deposits of $13 million assumed by First National Bank in Boulder.

73. **Security Bank of Aurora**, Aurora, Colo., closed June 2. Deposits of $10.2 million assumed by Security Bank of Colorado, also of Aurora, a newly chartered subsidiary of First United Bancorp.

74. **River Plaza National Bank**, Fort Worth, closed June 2. Deposits of $43.7 million assumed by Tarrant Bank, also of Fort Worth.

75. **Williamstown Bank N.A.**, Houston, closed June 2. Deposits of $23.5 million assumed by City National Bank, Houston.

76. **Parkway Bank and Trust**, Dallas, closed June 9. Deposits $39.3 million assumed by Deposit Guaranty Bank, Dallas.

77. **Century National Bank**, Austin, Tex., closed June 16. Deposits of $56.6 million assumed by Community National Bank, also of Austin.

78. **Kingsland National Bank**, Kingsland, Tex., closed June 16. Deposits of $13.2 million assumed by Security Bank and Trust, Fredericksburg, Tex.

79. **The Liberty Bank of Seattle**, Seattle, closed June 17. Deposits of $19 million assumed by the Emerald City Bank, also of Seattle, a newly chartered state nonmember bank.

80. **The Bank of Westminster**, Westminster, Colo., closed June 22. Deposits of $6 million assumed by First National Bank, Westminster, also in Westminster.

81. **Texas National Bank**, Victoria, Tex., closed June 23. Deposits of $12.7 million assumed by Texas National Bank of Victoria, a newly chartered subsidiary of Lone Star Bancshares Inc., also of Victoria.

82. **Northwest Bank and Trust**, Houston, closed June 23. Deposits of $89.9 million assumed by Northwest Bank, Houston, a newly chartered bank.

83. **Tri-Cities Bank and Trust**, Glenn Heights, Tex., closed June 23. Deposits of $9.2 million assumed by Abrams Centre National Bank, Dallas.

84. **The Claiborne Bank & Trust Company**, Homer, La., closed June 28. Deposits of $12.4 million assumed by the Homer National Bank.

85. **Republic National Bank**, Norman, Okla., closed June 30. Deposits of $27 million assumed by Republic Bank of Norman, a newly chartered bank.

86. **First National Bank**, Sherman, Tex., closed June 30. Deposits of $23.1 million assumed by the First National Bank of Van Alstyne, Van Alstyne, Tex.

87. **Mercantile Bank & Trust**, San Antonio, Tex., closed June 30. Deposits of $82.9 million assumed by Groos Bank N.A., San Antonio.

□

These banks, which have not failed, required financial assistance from the FDIC in order to stay open.

1. **The Peoples State Bank and Trust Co.**, Ellinwood, Kan., avoided closing Jan. 7 with $5.3 million from the FDIC. The $40.6 million-asset Kansas bank also got a $2.75 million capital injection from private investors.

2. **Jefferson Guaranty Bank**, Metairie, La., got final approval Jan. 13 for $57.5 million in FDIC assistance to prevent the $307 million-asset bank from failing. Jefferson Guaranty is now part of a newly formed holding company, Royal Windsor Holding Corp., which invested $17 million.

• 3. **Citizens State Bank**, Hayfield, Minn., avoided closing Jan. 27 with $900,000 from the FDIC. The $30.1 million-asset bank also received $1.8 million in additional capital from private local investors.

4. and 5. **Alaska Mutual Bank** and **United Bank Alaska**, both of Anchorage, got final approval Jan. 28 for a $295 million cash infusion from the FDIC. Original deal announced June 23, 1987.

6. **American National Bank**, Parma, Ohio, avoided closing Feb. 12 after receiving a guarantee from the FDIC to cover losses over the next two years up to $1 million. Shareholders put in $2.23 million to recapitalize the bank, which holds $27.2 million in assets and $24.7 million in deposits.

7. **Morehead National Bank**, Morehead, Ky., avoided closing March 15 after receiving a $1.1 million cash infusion from the FDIC. Private investors contributed $1.4 million to the failing $8.2 million-asset bank.

8. **First RepublicBank Corp.**, Dallas, Tex., received $1 billion from the FDIC March 17. A final assistance package for the $28 billion-asset bank is pending.

• 9. **Burns State Bank**, Burns, Kan., avoiding closing April 15 after receiving a $567,000 cash infusion from the FDIC. The money allowed the $4 million-asset failing bank to merge with First National Bank & Trust Co., El Dorado, Kan.

10. **First City Bancorporation of Texas**, Houston, concluded its $1.5 billion rescue April 19. The deal was announced Sept. 9, 1987. The FDIC assistance consisted of $970 million. A. Robert Abboud raised $500 million in private capital to save the $11 billion-asset bank.

11. **Bank of Santa Fe**, Santa Fe, N.M., was saved from failure April 20. The FDIC purchased a $5 million loan participation in a pool of assets, promised to purchase up to $6 million in additional assets, and bought $12 million in nonvoting, floating-rate preferred stock in the $101 million-asset bank. In return, the FDIC is entitled to an undisclosed proportion of the bank's net earnings above a certain level, will share in net recoveries on assets and claims, and will receive one-third of any gain on the sale of bank stock if it is sold in the next five years. Robert E. Keyes, a private investor, injected $7 million into the bank.

12. **Bond County State Bank**, Pocahontas, Ill., was acquired April 25 by an investor group headed by Karl D. Tauber, an Illinois banker. The group contributed $450,000 to the $6.6 million-asset bank while the FDIC pledged a cash infusion of up to $450,000 to cover deficit net worth of the bank; a guarantee of $825,000 covering losses of principal and interest on loans outstanding at the time of agreement; and indemnification up to $150,000 to cover possible losses and contingent liabilities.

13. **Citizens Bank of Tulsa**, Tulsa, Okla., was acquired April 28 by an investor group led by New Jersey businessman George A. Switlyk. The group contributed $720,000 to the $8.8 million-asset bank while the FDIC pledged a $2.075 cash infusion.

14. **The American State Bank**, Yankton, S.D., was merged May 18 with First Dakota National Bank, also of Yankton. The $67 million-asset bank was bolstered by $4.28 million from the FDIC and $3.25 million from the shareholders of First Dakota.

15. **Bank of Imboden**, Imboden, Ark., was acquired June 14 by Spring Rivers Bancshares Inc., a new bank holding company, also of Imboden. The FDIC pumped in $2.1 million to offset the bank's losses. $17.8 million-asset bank got $1.4 million in additional capital from Spring Rivers. ■

Bank Failures Keep Pace with '87, but Costs Rise

➜ Continued from Page 1

deals. In assistance deals to date this year, the FDIC has attracted $43 million in private capital and spent $2.4 billion of its own. For all of 1987, the FDIC spent $1.6 billion to keep dying banks open and pulled in $156 million in private funding.

The FDIC continues to predict that the 1988 casualty rate will approach 200, in the same range as last year, when 183 banks were closed. In each of the past four years, record numbers of banks have closed.

But FDIC Chairman L. William Seidman carefully steers clear of predicting failure rates too far into the future, merely suggesting that there will be "fewer" closings in 1989. "The next decade will be an important one for banks," he told a gathering of state bank supervisors last April.

Mr. Seidman predicts that this year the insurance fund will lose money for the first time in its 55-year history. Last month he told a group of Oregon bankers that the $18.3 billion fund may decline 10% because of FDIC aid to prop up ailing Texas banks.

The FDIC chairman, along with Federal Home Loan Bank Board Chairman M. Danny Wall, on Thursday will explain to the House Banking Committee how the federal deposit insurance funds are handling the bank and thrift industries' serious troubles.

The FDIC's staff is currently calculating what the future holds for the fund, Mr. Seidman said in a phone interview on Tuesday. He said he will reveal the agency's predictions at the congressional hearing on deposit insurance on Wednesday.

During the first half of 1988 — as in 1987 — bank closings are concentrated west of the Mississippi.

Texas, with 40 bank closings so far this year, is well on the way to retaining its title as the state with the most failures. It is expected to exceed its 1987 record of 50 bank failures this year.

Three adjacent states — Texas, Louisiana, and Oklahoma — have accounted for 62% of this year's failures. More than half of the banks that failed in 1987 were located in one of these three states, which have been hit hard by the decline in oil prices and depressed real estate.

> Texas, with 40 bank closings so far this year, is well on the way to retaining its title as the state with the most failures.

"Our problem bank list continues to grow, and nonperforming assets continue to grow," Texas Banking Commissioner Kenneth W. Littlefield said last week.

Despite the recent drought, the health of agricultural banks — those that dedicate 25% or more of their portfolios to farm loans — is improving. Last year at this time, 32 farm banks had failed. By contrast, only 10 farm banks have closed this year.

Thirty-one states are failure free so far this year; another nine states have had only one bank closing.

The FDIC must still deal soon with a handful of larger banks in need of expensive government aid. Assistance deals for BancTexas Group Inc., Dallas, and First City Bancorporation of Texas, Houston, already have consumed more than $1 billion in FDIC funds. The cash outlay to rescue struggling First RepublicBank Corp., Dallas, could hit $4.5 billion, matching the 1984 rescue of Continental Illinois in Chicago.

Mr. Seidman also has said two other Texas banks — Texas American Bancshares Inc., Fort Worth, and National Bancshares Corp., San Antonio — will be preserved this year with FDIC cash and notes.

Despite such pending transactions, Mr. Seidman appears to believe the insurance fund is coming through its darkest hour, somewhat drained but intact. He has said repeatedly in the past months that the industry will see modest improvement this year and that no unmanageable crises are in sight, despite predictions to the contrary.

That is good news to other federal regulators who watch the failures mount. "Last year almost 200 American banks failed," Federal Reserve Board Governor H. Robert Heller observed last week. "This constant hemorrhaging has to cease if we are to maintain a stable financial system and if we want to be a leader in international financial markets." ■

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American Banker

JUNE DEBT/EQUITY ISSUES — TABLES BEGIN ON P.81

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SPECIAL REPORT

American Banker

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Worth Repeating

It's a measure of Japan's postwar decision to concentrate capital and energy on civilian development, rather than military development. The success of the Japanese banking industry reflects the success of that decision.

John Kenneth Galbraith, economist at Harvard University, on the dominance of Japanese banks in global rankings. [Page 1]

AN AMERICAN BANKER STATISTICAL SURVEY

US Banks Drop Out of World's Top 25

By PHILIP T. SUDO

NEW YORK — Continuing an astonishing decade of growth, Japan's banks no longer just lead the list of global deposit takers, they dominate it. And for the first time, U.S. banks have fallen entirely out of the top 25.

The top 10 deposit takers are now all Japanese — as are 17 of the top 25, and 34 of the top 100, according to the *American Banker*'s annual ranking of the world's 500 largest banks. Statistical tables for that ranking begin on page 41.

Though a good part of the gain was attributable to a favorable exchange rate, Japanese banks still increased their deposits by more than 20% in yen terms, helped by the deregulation of domestic interest rates on large liabilities.

Dai-Ichi Kangyo Bank Ltd. extended its four-year stranglehold on the top spot by increasing its deposit base to $275.3 billion. That figure is higher than the combined deposits of Citibank, Bank of America, Chase Manhattan Bank, Morgan Guaranty Trust Co., and Manufacturers Hanover Trust Co.

Citibank continued to lead U.S. banks in deposits, with $104.9 billion, despite falling to 28th this year from 17th last year. Following in succession for U.S. banks were Bank of America, ranked 45th, Chase 51st, Morgan 69th, and Manufacturers 70th.

U.S. firms fared slightly better on the holding company level, as Citicorp remained in the top 10 with $198.4 billion in assets. Japanese banking companies took 8 of the first 10 slots, including the top 7. Credit Agricole Mutuel, Paris, ranked eighth.

Bankers, analysts, and legislators expressed astonishment at the Japanese dominance of the rankings, as well as how far U.S. banks had dropped.

"It's a measure of Japan's postwar decision to concentrate capital and energy on civilian development, rather than military development," said John

Japan: Page 6 ➙

How Japan Dominates

Category	Japanese Banks	Percent Of Group
Top 10	10	100%
Top 25	17	68
Top 50	24	48
Top 100	34	34
Top 500	111	22

Random Thoughts

By SANFORD ROSE

Borrowers who think they are getting a break when they obtain a Libor-based rather than a prime-based price quote from their banks are simply deluding themselves, says consultant Roger Ertefai, a former Chase Manhattan banker who is now president of Intelecon International of New York.

Intelecon maintains that Libor-based pricing is never as cheap as borrowers believe. In fact, in 1987, the middle-market commercial borrower (annual sales of between $5 million and $150 million) with a Libor quote paid an average of 9.28% for his loan, whereas a comparably sized borrower with a prime-based quote ended up with an average rate of 9.20%, eight basis points lower. (These numbers are derived from an analysis of between 3,000 and 4,000 middle-market loans tracked by the Intelecon Rate Monitor.)

Historically, the Libor rate has fluctuated between 125 to 138 basis points below the average prime rate. Hence the borrower with a Libor option would seem to be much more favored than one whose loan

Random Thoughts: Page 4 ➙

$324 Million Payout In Thrift Failure

By JIM McTAGUE and ROBERT LUKE

WASHINGTON — Federal thrift regulators closed the insolvent Farmers Savings, Davis, Calif., on Monday and spent $324 million paying off the institution's insured depositors. The payout was the third most costly settlement of accounts in U.S. banking history.

The costliest settlement was the $1.14 billion payout last month to insured depositors of American Diversified Savings Bank, Costa Mesa, Calif., by the Federal Savings and Loan Insurance Corp. The 1982 closing of Penn Square Bank, Oklahoma City, ranks second. The Federal Deposit Insur-

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➜ Continued from Page 1

price is based on the higher, administered charge. But this isn't necessarily the case.

The cost of the Libor option is typically composed of three parts: the base rate, adjustments to the base rate, and the loan spread. The base rate is the raw or unadjusted market index to which a Libor loan is tied. This rather straightforward benchmark, notes Mr. Ertefai, takes a somewhat elusive turn when it enters the loan agreement.

At many banks, the benchmark is different from the rate quoted in the major newspapers. Banks, especially those that are not participants in the Eurodollar markets, will arbitrarily jack up the benchmark, adding anywhere from a sixteenth to a quarter of one percentage point over the published number, with the most common addition amounting to one-eighth. Thus the cost to the borrower goes up by about 12 basis points.

The lender then pyramids other charges for reserves as well as for such items as rounding adjustments. Depending on the bank's pricing formula and the borrower's negotiating skill, these emendations to an already inflated benchmark or base rate can vary from a sixteenth to three-eighths of a percentage point. Typically, they amount to 25 basis points. So the Libor-prime differential, originally, say, 138 basis points, is narrowed to only about 100 basis points.

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Finally, the bank tacks on the spread, the third component of the pricing formula. Spreads on Libor loans vary from one to three percentage points over adjusted Libor and average about 200 basis points. By contrast, spreads on prime-based loans average only 100 basis points over the administered rate.

The net result is that the unwary borrower ends up with approximately the same or even a somewhat higher loan charge with a Libor option as he would with a prime option. Although he would seem to be better off tying his loan price to the cheaper Libor rate, in practice, after the bank has manipulated the Libor base, the adjustments to that base, and the spread, the advantage evaporates.

Concludes Mr. Ertefai: "When corporate borrowers have a Libor option, it is always in their interest to negotiate all the fine pricing details before finalizing a deal. The borrower needs to know how the Libor index is being defined in his particular loan agreement, where the current values of the index can be found, as well as when and how the index is calculated.

"Cutting through the Libor pricing maze, particularly in the absence of standard market practice, isn't easy. Yet savvy corporate borrowers are gradually finding that even a little probing into that intricate web can save them a substantial amount of money."

□ □ □

Bert Ely, a Virginia-based consultant who has achieved a certain amount of celebrity for his one-man effort to measure the cost of bailing out the savings and loan industry, recently went before Congress to vent his 1987 numbers. As of yearend, said Mr. Ely, some 853 insolvent thrifts were a total of approximately $64 billion in the hole.

That is, the true value of the assets of these associations fell $64 billion short of the worth of their liabilities. Otherwise stated, private investors would probably insist on a check for approximately this amount before agreeing to assume liability for the stricken institutions.

The consultant's estimate, which is somewhat, though not appreciably, higher than that of other analysts, represents a simple average derived from two different approaches to measuring valuation. One approach directly marks down the book value of thrift assets to their more realistic market value.

For example, Mr. Ely identifies excess ratios of accrued interest to gross mortgage and nonmortgage loans. Such outsize accruals obviously betoken high levels of nonperforming assets, whose true value is much below the stated value based on historical cost. The consultant proceeds to mark down the affected assets accordingly.

The other methodology assesses valuation by capitalizing the gross income stream of the stricken thrifts. That is, it divides reported interest income by a capitalization factor or discount rate. The basic capitalization rate is a weighted average of the cost of debt, net of the deposit premium currently being paid by thrifts, the cost of equity (assuming a price-earnings multiple of six) and the net overhead cost.

This basic capitalization rate is adjusted — both up and down — by a number of factors. The principal upward adjustment is for excess yield — that is, yield over and above that produced by the so-called good thrifts, the three-fifths of the industry that is currently solvent. It is assumed that this yield represents high-risk or even phantom income and that, in consequence, the assets generating such yield must be financed with higher-cost debt and/or equity.

The first valuation approach — the direct markdown methodology — yields a negative net worth (excess value of liabilities over assets) of $53.6 billion at the 853 insolvent associations. The second method — the capitalized-income approach, which is quite similar to the income method for valuing commercial real estate — produces a negative net worth at these same thrifts of $73.4 billion.

The fact that the income approach yields a lower value for the assets than does the direct markdown method may reflect the depreciation of the portfolio of mortgage-backed bonds. Since the Federal Home Loan Bank Board does not collect data on the current value of thrift investments, it is difficult to directly measure this depreciation. However, its impact should show up in a reduced income stream, and so the valuation loss would ordinarily be captured by a straightforward income-capitalization method.

Mr. Ely offers a breakdown of losses, the average derived from the two valuation methodologies, by individual thrifts in the various states. Thus, thrifts in eight states have estimated valuation losses of over $1 billion. Texas thrifts, of course, have more losses by far than institutions in any other state.

The estimated negative worth of insolvent institutions in that state amounts to $30.2 billion. That is, in Texas, losses represent a staggering 30% of total thrift assets, as defined under regulatory accounting policies.

Losses in California total $9.4 billion, while those in both Illinois and Florida are estimated at about $2.3 billion. The other four most affected jurisdictions — New York, Louisiana, Oklahoma, and Arizona — have losses ranging from $1.2 billion to $1.6 billion.

Since the federal government is profoundly disinclined to part with the approximately $64 billion necessary to resolve the thrift crisis, Mr. Ely adds a chilling postscript on the costs of procrastination. The accumulated thrift loss, he contends, is growing at a rate of at least 15% annually before taking into account the monies spent selling or liquidating insolvent institutions. This 15% reflects the interest and overhead costs of continuing to finance impaired assets, together with a projected 1% annual deterioration in the value of these assets.

Such a 1% deterioration rate is perhaps overly optimistic. Should the assets of the stricken institutions decline in value by 2% a year rather than 1%, the overall cost of carry would rise from 15% to closer to 21%. And if interest rates should rise, the cost of carry would likewise move up.

The fact that this year's $64 billion problem can quite easily become next year's $75 billion problem strongly argues for a prompt and efficacious solution to the insolvency issue, however painful and costly that solution might now appear. ■

BRIEF COMMENT

The Fight Against Fraud in FDIC-Insured Banks

L. William Seidman, chairman of the Federal Deposit Insurance Corp., offered the following comments on the financial condition of FDIC-insured institutions to the Senate Committee on Banking, Housing, and Urban Affairs on May 25.

□

WITH regard to the role of fraud and insider abuse in bank failures, we believe that such misconduct contributed significantly to about one-third of the bank failures in 1986, 1987, and so far in 1988. Outright criminal conduct was responsible for 12% to 15% of bank failures.

For example, from January 1985 through 1987, 98 of the 354 banks that failed were cited by examiners as having at least some element of fraud or insider abuse. Those 98 failed banks had assets of $2.7 billion and cost the FDIC nearly $676 million. Our experience since 1985, however, suggests a somewhat lessened impact of fraud and abuse compared to the late 1970s and early 1980s.

The FDIC recognized a need to strengthen efforts to deal with fraud and abuse and has taken several major steps since 1984 to improve the situation. We published a list of time-tested "red flags" and other warning signs of fraud and abuse to be used as an aid to examiners and auditors. We designated some 60 examiners as bank fraud specialists to be given specialized training in bank fraud and insider abuse.

Later this year, an intensive, highly specialized training session will be held for these examiners. It will focus on criminal motivation, early detection, and investigative techniques. Other training courses for examiners and liquidators have been developed or improved. ■

Something to Say? We Want to Hear

The *American Banker* welcomes letters, comments, and observations from you, our readers, on issues that interest and are important to you.

Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

Japan Dominates in Deposits; US Banks Fall from Top 25

➻ Continued from Page 1

Kenneth Galbraith, economist at Harvard University. "The success of the Japanese banking industry reflects the success of that decision. It's a lesson that we should take to heart."

While some expressed hope that the news might spur Congress to consider more liberal banking legislation, most sought to downplay the significance of the figures, noting the effect of currency fluctuations. From Sept. 30, 1986, to March 31, 1988 — the two points of comparison for the Japanese bank data — the yen appreciated 22% against the dollar.

In addition, they noted, Japanese banks have a larger deposit base from which to draw, as the largest firms are national banks. U.S. banks are limited geographically, either by state or by region.

Bigger Isn't Necessarily Better

Others said the ranking fails to capture the most significant difference between U.S. and Japanese banks — the strategic emphasis on profits versus size. While size has always been important to U.S. bankers — and to varying degrees remains so — they have shifted their focus toward improving return on assets and return on equity, concepts the Japanese have only begun to embrace.

The difference will take on more significance going forward as international banks position themselves to meet risk-adjusted capital guidelines ratified last week by the central banks of 12 industrialized nations.

> 'It doesn't bother me in the slightest where we rank.'
>
> — **Walter Wriston**
> **Former Chairman**
> **Citicorp**

"The Japanese are winning at the wrong game," said Walter Wriston, former Citicorp chairman. "They get the flowers for growth but the flunky marks for earnings. The only thing that matters is earnings. Our assets didn't grow because we didn't wish them to grow."

Citicorp's assets rose 3.7% through 1987, compared to more than 20% (in yen terms) at the large Japanese banks.

Historically, Japanese banks have pushed for asset growth above all else, paying little attention to profitability ratios.

"After World War II, the country had a shortage of funds and credit demand was strong," said Yoshindo Takahashi, president of Nomura Research Institute. "That's when the emphasis began on expanding assets and market share."

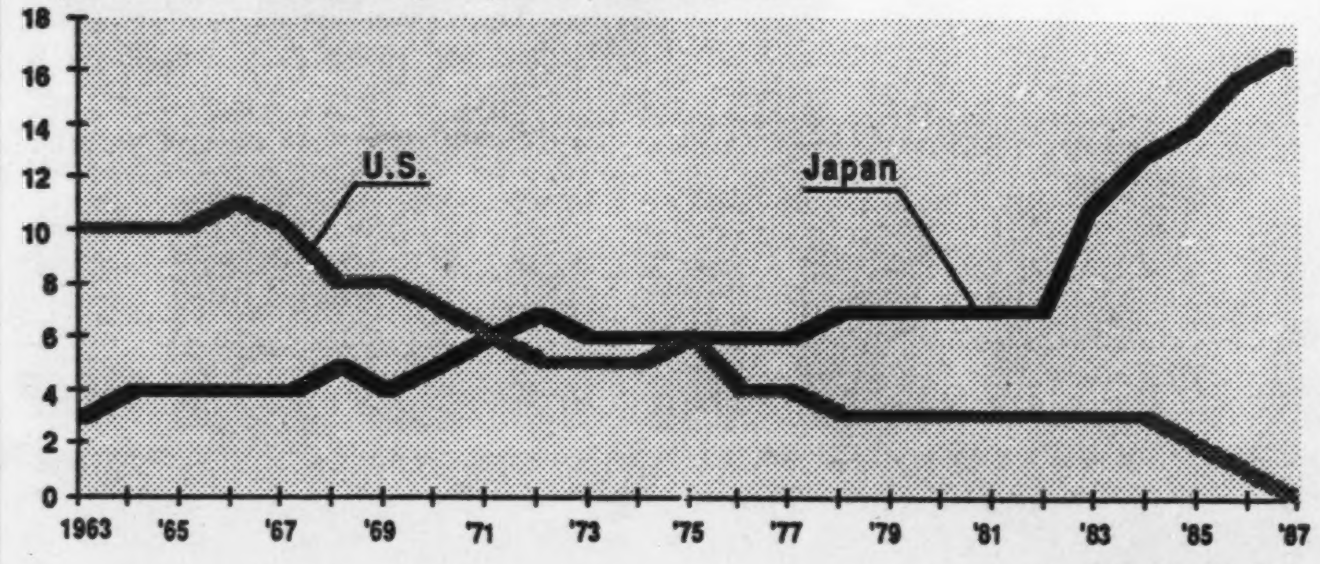
To control asset growth, the Bank of Japan set a series of policies that are still in force today. Each quarter, for example, the central bank establishes a ceiling for loan growth at the nation's largest banks.

The ceiling is dependent on size, with the largest banks given the highest cap. If a bank fails to reach its quarterly ceiling — essentially a growth target — the figure can be reduced for the next quarter, relative to the bank's peer group.

Given that incentive, Japanese banks have pursued growth aggressively, lending on thin margins to gain market share, and building massive operating networks both domestically and abroad. With greater market share in hand, analysts eventually expect the Japanese to begin raising prices and driving up profits — something the current strategy has not maximized.

Like Two Ships Passing in the Night

Japanese domination of top 25 pushes out US banks



Source: American Banker

For the fiscal year ended March 31, 1988, the nation's 13 money center, or "city," banks, returned less than 0.2% on their assets, according to *Nikkin*, a Japanese banking publication. By contrast, the top nine U.S. banks averaged a 0.58% return on assets in 1986. (Most U.S. money centers reported a negative ROA for 1987 due to their special reserves for Third World loans.)

"Growing assets or liabilities doesn't make sense in the current regulatory environment," Mr. Wriston said. "So it doesn't bother me in the slightest where we rank.

"If the game is trying to earn money, they're not so hot. And it's difficult to switch people's views from assets when that's how you've managed the business."

With the fiscal year beginning this April, however, the top Japanese banks have formally dedicated themselves to improving profitability, each making an announcement to that effect. The shift is prompted in large measure by the upcoming capital guidelines, which will require banks to increase their capital levels to 8% of assets by 1992. Of that 8%, half must be comprised of shareholder's equity, retained earnings, and noncumulative perpetual preferred stock.

Given the huge asset base of the top firms — Dai-Ichi Kangyo had $345 billion at March 31 — analysts say the Japanese will have to ease asset growth and generate more earnings in order to meet the required ratios in four years.

As Mr. Wriston noted, however, old habits die hard. When Japanese bankers talk of their newfound emphasis on profits, they do so in the context of asset growth.

"For the last two years, we've been trying to stop building up assets with thin-margin loans and looking to improve profitability," said banker with the Sanwa Bank Ltd., who asked not to be named. "In the old days, we weren't so eager to collect fees either, but that's changing.

"For the next three to four years, we'll slow our asset growth to 10% a year [from 27.3% last year in yen terms]. We think we can sustain 10% growth and still make the ratios."

Bred-in-the-Bone Love of Bigness

Masaru Kakutani, associate director for Moody's Investors Service, said, "The Japanese banks have a physiological preference for larger assets. You talk to them and they say profitability is becoming more important, but you look at what they do and it hasn't really changed."

In yen terms, the Japanese banking industry saw deposits grow by 13.6% from yearend 1986 to yearend 1987, according to figures from Dai-Ichi Kangyo Bank. Most of the increase was attributable to the deregulation of interest rates on large-denomination deposits, which grew 23.9%.

Also significant, Mr. Kakutani said, was the placement of deposits by U.S. regional banks and small European banks. Deposits from financial institutions, which made up 8.5% of the Japanese industry's total deposits, grew by 23% last year.

And as always, Japanese banks reaped the benefits of their nation's cultural penchant for savings. The average Japanese family saves 20% of its disposable income, compared to about 3% in the U.S., according to the Keizai Koho Center, a research institute. Consumer deposits — some 41% of industry total — increased 10.3% last year, and they could grow even more this year, if Japan decides to deregulate consumer deposit rates this fall.

Despite their rapid growth, Mr. Kakutani believes that Japanese banks "have a better chance than many people think of keeping a 10% growth rate and still making the requirements. It will get more challenging for them, but the equity markets would always be receptive," he said.

Given their substantial investment portfolios and real estate holdings — all booked at prices well below market — the Japanese banks have a wealth of hidden reserves available, a fact not lost on investors. Japanese banks have the highest market values in the world, all with share prices several times their respective book values.

The Sumitomo Bank Ltd., whose market valuation ranks top among all banks, trades at approximately 95 times earnings. The average U.S. money center bank trades at five to six times earnings.

As such, the equity markets have expressed their receptiveness to any issue of new Japanese bank shares, enabling those banks to raise their capital ratios with minimal dilution. The return on equity may be lower at Japanese banks than at U.S. firms, but then, stockholder pressure for profits is also lower. Most Japanese bank shares are held by the bank's large industrial clients, said Nomura's Mr. Takahashi.

"It's an indirect interlocking," he said. "These are stable shareholders who would never sell their stock."

Said Mr. Kakutani, "Their investment criteria are a lot different than those of a mutual fund manager in the U.S."

And for all the U.S. banks' talk about focusing on shareholder value, many of their actions indicate that growth still matters. Richard Fredericks, analyst for Montgomery Securities Inc., notes a strong correlation between size and a bank officer's compensation.

"There's no correlation between pay and performance," he said. "The bigger the bank, the bigger the pay."

In addition, many U.S. banks continue to seek growth through mergers and acquisitions — often to the detriment of shareholder value. In explaining his hostile bid for Irving Trust Corp. last year, Bank of New York Co. chairman J. Carter Bacot said, "If you look around the country at some of the big mergers that have occurred [and] at the superregionals, all of a sudden we don't look so big anymore. If you want to be competitive nationally and internationally, size becomes an important factor."

Experts debate on the various economies of scale that size offers, but all agree that there is a point at which additional size means nothing. "When you get to be as big as Morgan, what is more size going to buy you?" said Steve Berman, analyst for County Securities Inc. "The name of the game is to syndicate, not to book more risk. Once you get to the big leagues, it doesn't matter."

He said that size rankings not only fail to consider syndications but other fee-based businesses so vital to major U.S. banks, such as securitization and merger and acquisition advice. It is in these areas that U.S. banks have a vast competitive edge over the Japanese.

"The Japanese banks are incapable of doing the sophisticated, complicated deals," Mr. Berman said. "Maybe they'll be able to do it someday, but they're extremely risk-averse. They like the simple, brand-name loans at low-margins."

In the end, then, bankers and analysts are divided over how far the Japanese banking tidal wave will wash over these shores. Mr. Wriston feels that any talk of the Japanese buying up U.S. banks or Japan overtaking this country as the world's financial center is misguided.

"If they're going to take over the financial resources of U.S. banks, they

Japan: Page 57 ➻

Soaring Yen Aside, Deposits Jump

While the deposits at Japanese banks were bolstered by a 22% increase in the value of the yen against the dollar, this table shows that, excluding foreign exchange rates, deposits still grew by 23.7% between September 1986 and March 1988. Figures in billions of yen.

	Deposits 3/31/88	Deposits 9/30/86	% Chg.
1. Dai-Ichi Kangyo Bank Ltd., Tokyo	34,776	28,713	21.1%
2. Sumitomo Bank Ltd., Osaka	32,552	25,391	28.2
3. Fuji Bank Ltd., Tokyo	31,511	25,706	22.6
4. Mitsubishi Bank Ltd., Tokyo	30,605	24,490	25.0
5. Sanwa Bank Ltd., Osaka	30,096	23,441	28.4
6. Norinchukin Bank, Tokyo	26,589	22,262	19.4
7. Industrial Bank of Japan Ltd., Tokyo	26,033	21,211	22.7
8. Mitsubishi Trust & Banking Corp., Tokyo	22,094	17,060	29.5
9. Tokai Bank Ltd., Nagoya	21,128	17,481	20.9
10. Sumitomo Trust & Banking Co. Ltd., Osaka	20,129	16,999	18.4
Totals for Top 10	**275,513**	**222,754**	**23.7**
Compound Annual Growth Rate			**15.2**

Source: American Banker

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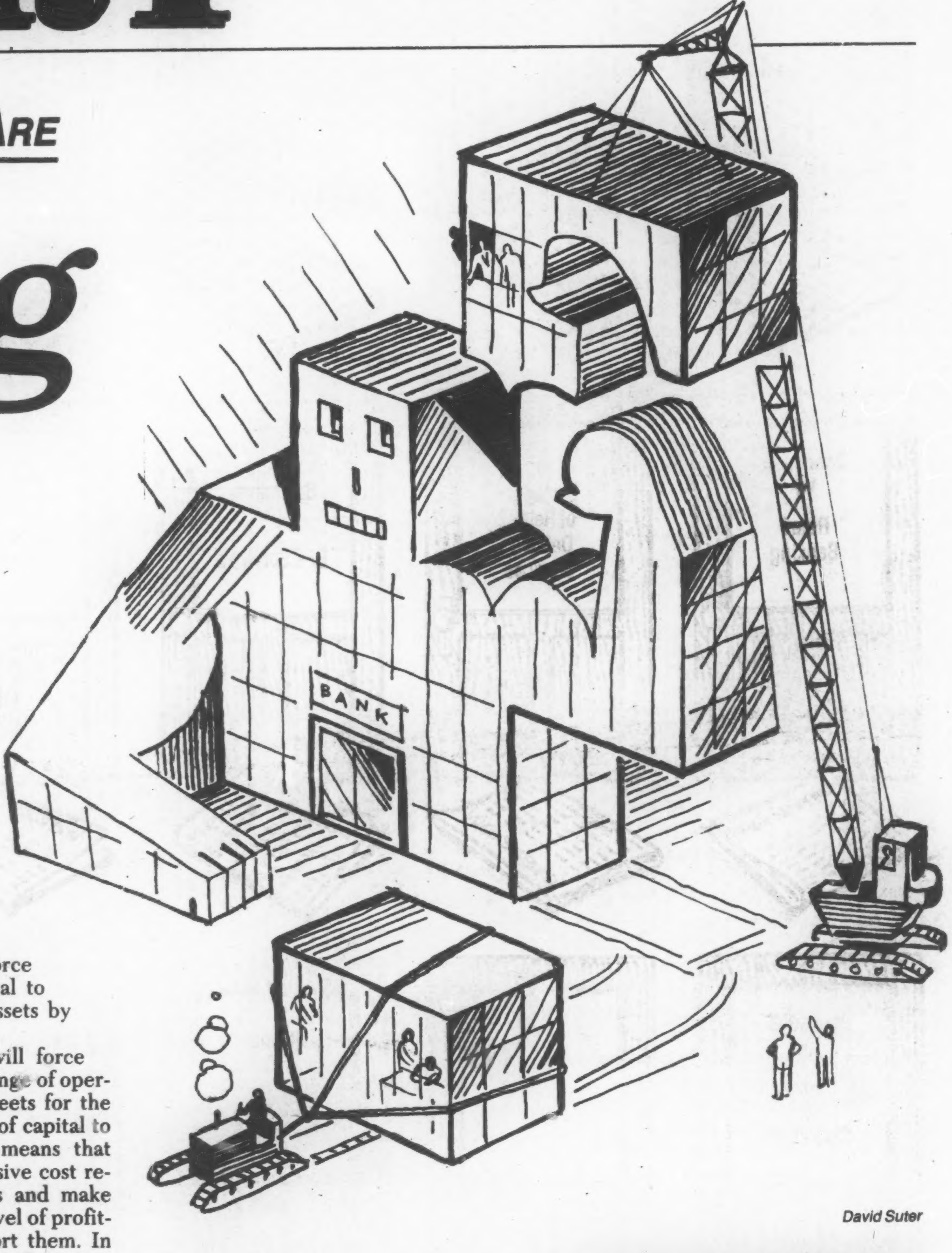

David Suter

By John J. Duffy

London

IF THE EVENTS OF TWO days can ever be responsible for shaping the course of an industry for years to come, the banking sector in 1987 was a classic case.

The two days in question — Tuesday, May 19, and Monday, Oct. 19 — do not even require further identification for most bankers. On May 19, Citicorp shocked the banking world by making huge provisions for its doubtful Third World loans. On Oct. 19, world stock markets crashed as the Dow Jones industrial average plunged a record 508 points.

OVERVIEW

The two events, looked at with roughly a year's hindsight, come together to form a watershed in modern banking history. The dominant banking trends of a few years earlier — the securitization of lending and the globalization of markets — lost their urgency in the post-Citicorp, post-Crash world.

In 1988, the most pressing need for many major banks is to raise capital and cut costs.

The twin goals of cost cutting and capital raising have been given added urgency by the development of international capital standards over the past year and a half. On July 11, central bank governors from the Group of Ten industrial nations gave final approval to the measures, which will force banks to have capital equal to 8% of the risk-adjusted assets by 1992.

The capital measures will force banks to declare a broad range of operations on their balance sheets for the first time. The added cost of capital to support such operations means that banks must conduct extensive cost reviews of many businesses and make new decisions about the level of profitability necessary to support them. In many cases, such reviews will lead to cutbacks.

Budgeting for the Future

Cost cutting, however, is not a simple process. To do so effectively, banks must decide not only on the cost level that is appropriate for today's business, but for tomorrow's as well. In effect, banks must think hard about where they want to be in the future and budget for it accordingly.

"You cut costs without thinking about it at your peril," says Norman Bernard, a vice president at the consulting firm of Booz Allen & Hamilton in London. "Because without thinking, you may in fact be chopping away at a major pillar of your future growth."

Management consultants point out that there are basically two approaches to cost cutting: a knee-jerk approach and a long-term strategic approach. Booz Allen, for example, calls this second choice the "chess" approach.

Each style is appropriate for certain circumstances. In the case where a cash hemorrhage has become so rapid that a bank's capital adequacy is in danger, the knee-jerk approach is clearly the right one.

In less severe cases, however, the chess approach is clearly superior because each cost-cutting move is considered in relation to its long-term effect, experts say.

"You particularly have to take into account the risk-reward tradeoff," says Mr. Bernard. "The tradeoff is the likely benefit of cuts as compared with the likely cost of loss of marketshare, loss of clients, loss of morale, and the specific loss of income."

In some cases, in fact, the correct approach to cost cutting requires substantial expenditures up front in order to reap long-term savings, experts say. Such spending could be for technology to automate or consolidate operations, or to buy out people who do not fit in long-term strategic plans.

Cost-cutting experts say it is also helpful to divide costs into categories that show how severely spending cuts affect products and customers.

Overhead costs, for example, are generally seen as those for premises,

Continued on Next Page

John J. Duffy is chief of American Banker's bureau in London.

Continued from Previous Page

equipment, and general management. Process costs are those that directly relate to producing and delivering a product or service. A third group, marketing, selling, and servicing costs, cover salesmen, account managers, and those employees who service or support the product once it is in the market.

"If you can identify where costs come from, you have a much better handle on how to cut them and do the least damage," says one cost-control expert at an American bank in London who asked not to be identified.

The effects of such cost-cutting programs have already been seen in a number of ways.

In international business, banks have been forced more than ever to redefine their target markets and develop new strategies for serving those markets thoroughly but with the least cost.

Thus Chemical Bank (New York) and Bank of America (San Francisco) have decided to focus their international resources solely on corporate business. Consequently, Bank of America sold its Italian retail bank and British mortgage subsidiary, while Chemical is in the process of selling its foreign private banking and mortgage businesses.

Low-yielding businesses and branches are being ruthlessly chopped or abandoned altogether. First Chicago Corp. recently sold branches in Paris, Milan, and Rome while Citibank (New York) has closed branches in regional British cities after attempts to develop a middle-market lending business did not pan out. Among low-yielding businesses, American banks have recently opted out of Eurobond trading and international letters of credit.

Non-American Allegiances

Among non-American banks, cost cutting has often taken the form of strategic alliances. Last year, for example, Midland Bank (London) sold a 14.9% stake in its equity to Hongkong and Shanghai Banking Corp.

The two banks are now in the process of rationalizing operations throughout the world, with Midland taking over many of Hongkong's European businesses and Hongkong taking over Midland's Far Eastern businesses. Overlapping operations, such as Midland's Hong Kong-based equity dealing arm, have simply been closed.

The process has been imitated throughout Europe as banks struggle desperately to improve their cost efficiency in preparation for the single European market after 1992. The 12 members of the European Economic Community have agreed to a monetary union by that date.

With the prospect of European-wide competition less than five years away, banks in Spain, West Germany, Scandinavia, Belgium, and the Netherlands have all formed alliances in the hopes of becoming not only bigger, but leaner, more cost-efficient institutions.

Cost cutting has forced the banking industry to question the whole concept of super banks. The widely held theory that in order to prosper in the 1990s and beyond major banks would have to provide a full range of services in all major markets is undergoing a radical re-think.

A few banks like Citibank still profess the "all things to all people" strategy, but overall the ranks of the potential super banks appear to be thinning rapidly.

In the 1990s, experts say, banks will not be judged by their asset size or even by their return on assets. They will be judged on things like equity, return on equity, market capitalization, noninterest expenses, and even return on noninterest expenses.

It is this radical shift away from size and toward profitability, bankers say, that makes cost cutting in 1988 such an important task. ■

CUTTING COSTS

Plug Further Brain Drain And Help Survivors, Too

After the layoffs, the emotional toll on those left behind can diminish the benefits gained from restructuring.

By Merri Rosenberg

AFTER THE GIDDY EXpansion of the early 1980s, the recent trend toward retrenchment has been a sobering reminder to many in the global financial services community that good times cannot last forever. Few institutions are immune to the pressures of the lean and mean mandate that permeates today's newly competitive environment.

Yet in the frenzy to cut costs, far too many companies forget that the high human cost of downsizing can defeat the purported benefits of restructuring. The dampened morale and fears of survivors can inhibit risk-taking and innovating, exactly those attributes that the new organization most needs.

One of the fundamental problems, say many human resource specialists, is that management too often assumes that those who survive layoffs do not need the same attention or services that are offered to those who are fired.

"The expectation is that these 'invisible victims' should be grateful and glad that they had been spared," says Marilyn Machlowitz, PhD, president of The Machlowitz Co., a management consulting firm in New York City. "Yet survivors don't view it as positively as employers might hope. Researchers have found that the mere threat of losing a job has the same emotional effects as actually losing a job."

First Step in a Solution

What management needs to realize, say experts, is that downsizing is only the first step in a solution, not the end. "It gives a false sense of security to senior executives that the problem is solved and it's back to business as usual," says Robert Tomasko, a principal in the Washington, D.C.-based consulting firm of Temple, Barker & Sloane Inc., as well as the author of "Downsizing: Reshaping the Corporation for the Future."

But "layoffs have negative consequences to those who are laid off and those who are left behind," adds Mr. Tomasko. "The survivors who've lost their work teams or their social relationships within a company need to be helped."

Sometimes, in fact, the special problems that survivors face are ignored by a management team that believes the employees who have survived cutbacks are "lucky to have jobs," and expect them to carry on as usual.

Companies ignore these survivors' plight at their own peril.

"It's as much a responsibility of management to plan for people as for technology," says Robert Zager, vice president for policy studies at Work In America, a not-for-profit policy research group in Scarsdale, N.Y.

One of the problems that survivors may face, according to Dr. Machlowitz, is feeling "vulnerable, betrayed, and isolated." Further, she says, "they turn to their managers for advice and information but the managers may be among the 'walking wounded' and may withdraw from their subordinates. Team spirit suffers as survivors feel they have to look out for themselves. Survivors reduce their risk-taking behavior, so there's less room for innovation."

> ***"The mere threat of losing a job has the same emotional effects as actually losing a job."***

Guilt in the Closet

Hidden guilt can often be a significant obstacle for many survivors, and managers should be sensitive to this possibility. There are those employees who may feel guilty because they still have a job while their colleagues do not.

And survivors whose personal job status has improved as a result of a restructuring may have a particularly difficult time with their situation, say human resource experts. "Some people who end up with a promotion or a better job may feel that their good fortune came at the expense of someone's bad luck," says Dr. Machlowitz.

Managers need to be aware of their own guilt. "Perhaps they gave off negative information that may have gotten an employee fired," says Marcia Meislinti, president of the Westchester-based MCM, a management training and consulting group. Such guilt is likely to surface during downsizing, which may make them less than effective managers.

Still, they need to be particularly sensitive to the anger, hurt, and betrayal that survivors frequently feel. The process of recovery cannot be rushed.

"People will be defensive and fearful for awhile,' says Laurence J. Stybel, EdD, general partner of Stybel, Peabody & Associates, a management consulting firm in Boston and Wellesley, Mass. "Don't expect more than people should be able to give. Acknowledge the loss. And be aware that there is a period of time after the old organization is swallowed up when there is a myth about it. That's simply part of the natural process of mourning."

Ironically, contend some consultants, a well-handled termination program can have a positive side effect on survivors. "If survivors see that there

Merri Rosenberg is a business writer and editor based in New York.

E.F. Hutton Speaks from the Firing Line

Whether restructuring results in job loss, a promotion, or a new career, the impact is still felt. Following are the stories of some individuals who emerged from a recent restructuring, with varying degrees of satisfaction and success.

Perhaps no merger created more anguish, or was so contrary to all the advice on how to handle a massive layoff, than last winter's acquisition of E.F. Hutton by Shearson Lehman Brothers Inc.

"We all felt very left out in the cold during the entire process," says Greg Usry, an associate in the public finance section of the investment banking company, Ehrlich Bober & Co. Inc., who had been with Hutton for three years. "In a two-week period, everything fell apart. There was a very betrayed feeling . . . to be told on Wednesday that I couldn't go back into the building after Friday.

Shearson also an actu e of "we wrote the book on merger — but what they didn't realize was that handling a company of 2,000 employees with assets of $50 million is different from handling 19,000 employees in a company wort h $1 billion," Mr. Usry continues. "Then again, I'm not sure there is an easy way to handle the merger of 19,000 employees."

For his former Hutton colleague and current Ehrlich Bober associate, Jim Goodwin, the experience was different. "Four different Shearson groups interviewed us, but then they forgot to fire most of us — so for three months we were sitting around collecting paychecks," says Mr. Goodwin. "It was very surgical, and not very humanitarian. Essentially, they took only the cream of the crop.

For a Hutton alumnus who was retained by Shearson (and who declined to be identified), his privileged status as one of the first to be brought over to Shearson was a mixed blessing. "I personally kept everything as quiet as I could," he says. "It feels bad when one person goes down. I think the appropriate channels weren't used. At first, people were relieved that they had a steady job, but after a few months there was a lot of dissatisfaction and anger, especially with regard to compensation."

A spokesman from Shearson says, "We made every attempt in reviewing personnel to be honest and fair. We thought it was in everyone's best interest to let people know their fate sooner rather than later. And those who were let go, we feel we gave them a generous severance package."

— *Merri Rosenberg*

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The World's
Top 500 Banks
By Deposits

American Banker, for the 31st consecutive year, ranks the world's 500 largest banks in deposits as of yearend 1987. In addition to the top 500 listing, a geographical breakdown of the group identifies the foreign banks by country and the U.S. banks by state. An alphabetical listing of the top 500 shows each bank's deposit and asset rank for 1987. Finally, a "Post 500" listing identifies banks ranked 501 through 1,000 in deposits as of Dec. 31, 1987.

BANK OF ENGLAND
EL BANCO DE MEXICO S.A.
BANCO CENTRAL DE VENEZUELA
BANK INDONESIA
THE BANK OF KOREA
BANK OF JAMAICA
KONINKLIJK BELGIE
בנק ישראל
BANK OF ISRAEL

Guide to World Deposit Data

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Deposits on Dec. 31, 1987 or Nearest Fiscal Yearend

Rank 12/87			Deposits 12/31/87 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/87 (Nation's Currency)	Deposits 12/31/86 (U.S. Dollars)	Rank 1986	Gain in Rank
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	Japan	275,255,823,370u	0.007915	Y 34,776,478,000,000u	186,029,628,653s	1	
2	**Sumitomo Bank Ltd., Osaka**	Japan	257,645,383,695u	0.007915	Y 32,551,533,000,000u	164,507,271,797s	3	+ 1
3	**Fuji Bank, Ltd., Tokyo**	Japan	249,411,504,175u	0.007915	Y 31,511,245,000,000u	166,547,333,964s	2	
4	**Mitsubishi Bank Ltd., Tokyo**	Japan	242,241,899,300u	0.007915	Y 30,605,420,000,000u	158,671,131,135s	4	
5	**Sanwa Bank Ltd., Osaka**	Japan	238,210,085,365u	0.007915	Y 30,096,031,000,000u	151,871,893,602s	5	
6	**Norinchukin Bank, Tokyo**	Japan	210,453,969,155	0.007915	Y 26,589,257,000,000	144,233,722,754	6	
7	**Industrial Bank of Japan, Ltd., Tokyo**	Japan	206,051,012,955u	0.007915	Y 26,032,977,000,000u	137,424,332,628s	7	
8	**Mitsubishi Trust & Banking Corp., Tokyo**	Japan	174,870,685,700u	0.007915	Y 22,093,580,000,000u	110,529,232,627u	13	+ 5
9	**Tokai Bank Ltd., Nagoya**	Japan	167,228,769,030u	0.007915	Y 21,128,082,000,000u	113,260,733,674s	12	+ 3
10	**Sumitomo Trust & Banking Co., Ltd., Osaka**	Japan	159,322,214,335u	0.007915	Y 20,129,149,000,000u	110,136,767,202u	14	+ 4
11	**Deutsche Bank, Frankfurt**	Germany	155,438,523,877s	0.637000	DM244,016,521,000s	121,574,053,210s	10	
12	**Credit Agricole Mutuel, Paris**	France	151,111,320,000u	0.187700	FF805,068,300,000u	113,665,515,000	12†	
13	**Banque Nationale de Paris**	France	150,194,568,334s	0.187700	FF800,184,168,000s	121,830,138,297s	9	
14	**Mitsui Bank, Ltd., Tokyo**	Japan	149,393,685,825	0.007915	Y 18,874,755,000,000	104,352,303,044	16	+ 2
15	**Mitsui Trust & Banking Co., Ltd., Tokyo**	Japan	148,666,518,945u	0.007915	Y 18,782,883,000,000u	98,919,395,905u	19	+ 4
16	**National Westminster Bank Plc, London**	United Kingdom	144,003,644,000s	1.886000	P76,354,000,000s	107,831,802,000s	15	
17	**Credit Lyonnais, Paris**	France	142,075,625,481s	0.187700	FF756,929,278,000s	115,235,251,599s	11	
18	**Long-Term Credit Bank of Japan Ltd., Tokyo**	Japan	142,018,884,575u	0.007915	Y 17,943,005,000,000u	98,645,684,071u	20	+ 2
19	**Barclays Plc, London**	United Kingdom	139,301,846,000s	1.886000	P73,861,000,000s	96,793,866,000s	21	+ 2
20	**Taiyo Kobe Bank, Ltd., Kobe**	Japan	129,419,304,760u	0.007915	Y 16,351,144,000,000u	91,240,394,399u	23	+ 3
21	**Societe Generale, Paris**	France	128,290,960,005s	0.187700	FF683,489,398,000s	99,084,964,111s	18	
22	**Yasuda Trust & Banking Co. Ltd., Tokyo**	Japan	124,593,727,135	0.007915	Y 15,741,469,000,000	85,901,361,491	26	+ 4
23	**Daiwa Bank, Ltd., Osaka**	Japan	124,131,554,455u	0.007915	Y 15,683,077,000,000u	88,296,103,555u	24	+ 1
24	**Dresdner Bank, Frankfurt**	Germany	123,263,959,000s	0.637000	DM193,507,000,000s	95,656,271,900s	22	
25	**Bank of Tokyo, Ltd.**	Japan	113,480,916,750u	0.007915	Y 14,337,450,000,000u	86,863,648,487s	25	
26	**Union Bank of Switzerland, Zurich**	Switzerland	108,015,321,706u	0.787300	SF137,197,157,000u	81,743,463,927u	27	+ 1
27	**Toyo Trust & Banking Co. Ltd., Tokyo**	Japan	107,193,644,415	0.007915	Y 13,543,101,000,000	71,515,662,009	32	+ 5
28	**Citibank NA, New York**	United States	104,907,000,000	......	....	102,933,000,000	17	
29	**Swiss Bank Corp., Basle**	Switzerland	101,094,043,800u	0.787300	SF128,406,000,000u	74,603,109,260u	30	+ 1
30	**Commerzbank, Frankfurt**	Germany	97,786,507,000s	0.637000	DM153,511,000,000s	72,143,790,542s	31	+ 1
31	**Hongkong and Shanghai Banking Corp., Hong Kong**	Hong Kong	92,779,148,000s	0.128800	H$720,335,000,000s	77,975,856,000s	28	
32	**Nippon Credit Bank, Ltd., Tokyo**	Japan	90,473,333,555	0.007915	Y 11,430,617,000,000	68,801,207,211u	34	+ 2
33	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	Germany	89,873,693,000s	0.637000	DM141,089,000,000s	71,512,709,800s	33	
34	**Bayerische Vereinsbank, Munich**	Germany	89,608,642,396s	0.637000	DM140,672,908,000s	68,383,919,785s	35	+ 1
35	**Banca Nazionale del Lavoro, Rome**	Italy	82,556,738,000s	0.000869	L 95,002,000,000,000s	64,609,892,244s	37	+ 2
36	**Shoko Chukin Bank, Tokyo**	Japan	82,540,176,545	0.007915	Y 10,428,323,000,000	64,259,656,298	38	+ 2
37	**Kyowa Bank, Ltd., Tokyo**	Japan	81,256,347,715u	0.007915	Y 10,266,121,000,000u	57,828,988,316s	43	+ 6
38	**Midland Bank Plc, London**	United Kingdom	78,606,594,000s	1.886000	P41,679,000,000s	68,293,524,000s	36	
39	**Zenshinren Bank, Tokyo**	Japan	77,949,698,165	0.007915	Y9,848,351,000,000	50,138,162,635	51	+ 12
40	**Lloyds Bank Plc, London**	United Kingdom	76,548,968,000s	1.886000	P40,588,000,000s	63,171,732,000s	39	
41	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	Germany	76,267,687,283s	0.637000	DM119,729,493,380s	59,504,546,763s	42	+ 1
42	**Credit Suisse, Zurich**	Switzerland	75,095,071,328u	0.787300	SF95,383,045,000u	57,277,935,000u	44	+ 2
43	**Bayerische Landesbank Girozentrale, Munich**	Germany	72,239,045,515s	0.637000	DM113,405,095,000s	54,559,121,921s	46	+ 3
44	**Algemene Bank Nederland, Amsterdam**	Netherlands	71,034,602,600s	0.562900	G126,194,000,000s	54,833,290,200s	45	+ 1
45	**Bank of America NT&SA, San Francisco**	United States	70,221,000,000	......	....	76,084,000,000	29	
46	**Saitama Bank Ltd., Urawa**	Japan	69,728,506,390u	0.007915	Y8,809,666,000,000u	51,716,634,926s	49	+ 3
47	**Chuo Trust & Banking Co., Ltd., Tokyo**	Japan	67,913,288,205u	0.007915	Y8,580,327,000,000u	43,566,253,775u	61	+ 14
48	**Amsterdam-Rotterdam Bank, Amsterdam**	Netherlands	66,844,375,000s	0.562900	G118,750,000,000s	52,916,557,200s	48	
49	**Rabobank Nederland, Utrecht**	Netherlands	65,397,159,100	0.562900	G116,179,000,000	51,558,650,122s	50	+ 1
50	**Royal Bank of Canada, Montreal**	Canada	65,216,382,800s	0.760000	C$85,811,030,000s	60,645,504,466s	41	
51	**Chase Manhattan Bank NA, New York**	United States	63,740,897,000	......	....	60,899,893,000	40	
52	**Generale Banque, Brussels**	Belgium	60,578,331,000s	0.030200	BF 2,005,905,000,000s	47,733,849,600s	54	+ 2
53	**Bank of Yokohama, Ltd.**	Japan	60,485,266,495u	0.007915	Y7,641,853,000,000u	42,889,379,687u	62	+ 9
54	**Norddeutsche Landesbank Girozentrale, Hannover**	Germany	59,860,035,060s	0.637000	DM93,971,797,583s	46,060,755,534s	56	+ 2
55	**Istituto Bancario San Paolo di Torino, Turin**	Italy	58,451,717,324s	0.000869	L 67,263,196,000,000s	45,570,109,761s	57	+ 2
56	**Hokkaido Takushoku Bank, Ltd., Sapporo**	Japan	57,251,514,095	0.007915	Y7,233,293,000,000	41,438,375,242u	80	+ 24
57	**Banque Paribas, Paris**	France	55,626,584,300s	0.187700	FF296,359,000,000s	35,539,246,410s	70	+ 13
58	**Banca Commerciale Italiana, Milan**	Italy	55,171,158,900s	0.000869	L 63,488,100,000,000s	48,758,706,900s	52	
59	**Bank of Montreal**	Canada	54,783,999,600s	0.760000	C$72,084,210,000s	53,896,029,841s	47	
60	**Canadian Imperial Bank of Commerce, Toronto**	Canada	54,728,848,680s	0.760000	C$72,011,643,000s	48,598,024,718s	53	
61	**Cassa di Risparmio delle Provincie Lombarde, Milan**	Italy	42,160,404,000u	0.000869	L48,516,000,000,000u	40,766,186,376s	65	+4
62	**Monte dei Paschi di Siena**	Italy	52,018,455,577s	0.000869	L 59,860,133,000,000s	44,697,269,783s	60	
63	**Standard Chartered Bank, London**	United Kingdom	51,543,248,400s	1.886000	P27,329,400,000s	40,479,644,400s	66	+ 3
64	**Banco di Napoli, Naples**	Italy	51,404,268,971u	0.000869	L 59,153,359,000,000u	38,397,409,679u	69	+ 5
65	**Banco di Roma, Rome**	Italy	49,065,391,100s	0.000869	L 56,461,900,000,000s	45,089,069,400s	58	
66	**Deutsche Genossenschaftsbank, Frankfurt**	Germany	48,592,455,462s	0.637000	DM76,283,289,579s	33,923,983,324s	74	+ 8
67	**Bank of Nova Scotia, Toronto**	Canada	46,208,816,240s	0.760000	C$60,801,074,000s	38,402,067,075s	68	+ 1
68	**Credito Italiano, Milan**	Italy	45,858,520,400s	0.000869	L 52,771,600,000,000s	41,743,201,411s	63	
69	**Morgan Guaranty Trust Co., New York**	United States	45,756,499,000	......	....	44,935,863,000	59	
70	**Manufacturers Hanover Trust Co., New York**	United States	45,667,000,000	......	....	46,117,000,000	55	
71	**Banque Bruxelles Lambert, Brussels**	Belgium	44,623,655,053s	0.030200	BF1,477,604,471,967s	31,634,086,614s	76	+ 5
72	**Chemical Bank, New York**	United States	42,242,000,000	......	....	39,163,000,000	67	
73	**Rafidain Bank, Baghdad**	Iraq	41,727,414,400	3.200000	ID13,039,817,000	41,142,034,096	64	
74	**Groupe Des Banques Populaires, Paris**	France	40,313,411,466	0.187700	FF 214,775,767,000	31,066,200,000s	77	+ 3
75	**Hessische Landesbank-Girozentrale, Frankfurt**	Germany	39,774,058,324s	0.637000	DM62,439,652,000s	30,360,538,442s	79	+ 4
76	**Chiba Bank, Ltd.**	Japan	38,942,583,585	0.007915	Y 4,920,099,000,000	24,846,666,966	93	+ 17
77	**Nederlandsche Middenstandsbank, Amsterdam**	Netherlands	37,767,775,500s	0.562900	G67,095,000,000s	27,947,485,800s	83	+ 6
78	**Hokuriku Bank Ltd., Toyama**	Japan	37,738,522,125	0.007915	Y 4,767,975,000,000	25,063,182,188	90	+ 12
79	**Joyo Bank, Ltd., Mito**	Japan	37,364,118,880	0.007915	Y 4,720,672,000,000	24,376,317,482	94	+ 15
80	**Shizuoka Bank Ltd.**	Japan	36,229,574,865u	0.007915	Y4,577,331,000,000u	24,250,553,613	95	+ 15
81	**Bank Melli Iran, Tehran**	Iran	35,950,993,000	0.013000	Ri 2,765,461,000,000	27,366,900,000	85	+ 4
82	**Bank fuer Gemeinwirtschaft, Frankfurt**	Germany	35,246,659,826s	0.637000	DM55,332,276,022s	29,155,926,353s	81	
83	**Caisse Generale d'Epargne et de Retraite, Brussels**	Belgium	34,741,528,295u	0.030200	BF 1,150,381,731,620u	26,279,840,800u	87	+ 4
84	**Banco Central, Madrid**	Spain	34,345,975,840s	0.009328	SP 3,682,030,000,000s	25,407,503,240s	88	+ 4
85	**Toronto Dominion Bank**	Canada	34,123,657,240	0.760000	C$44,899,549,000	30,729,419,438s	78	
86	**Ashikaga Bank, Ltd., Utsunomiya**	Japan	34,057,611,800	0.007915	Y4,302,920,000,000	22,800,423,833	97	+ 11
87	**Security Pacific National Bank, Los Angeles**	United States	33,847,250,000	......	....	34,574,626,000	72	
88	**Wells Fargo Bank NA, San Francisco**	United States	32,350,223,000	......	....	33,286,916,000	75	
89	**Bankers Trust Co., New York**	United States	32,175,832,000	......	....	34,162,759,000	73	
90	**Banque Indosuez, Paris**	France	32,033,238,630s	0.187700	FF170,661,900,000s	28,124,466,210s	82	
91	**Bank of Hiroshima, Ltd.**	Japan	30,671,835,995	0.007915	Y3,875,153,000,000	19,576,933,442	107	+ 16
92	**State Bank of India, Bombay**	India	29,933,316,600s	0.077800	InR384,747,000,000s	26,301,069,600s	86	
93	**Bank of Fukuoka, Ltd.**	Japan	29,602,859,840	0.007915	Y3,740,096,000,000	20,435,873,909	104	+ 11
94	**Creditanstalt-Bankverein, Vienna**	Austria	29,584,486,710	0.090900	AS325,461,900,000	21,854,135,710	99	+ 5
95	**Kredietbank International Group, Brussels**	Belgium	29,465,711,000u	0.029000	BF 1,016,059,000,000u	34,734,056,700s	71	
96	**Australia & New Zealand Banking Group, Ltd., Melbourne**	Australia	29,079,999,225s	0.708400	A$41,050,253,000s	23,969,248,906s	96	
97	**Westpac Banking Corp., Sydney**	Australia	28,457,490,600s	0.708400	A$40,171,500,000s	24,946,078,987s	91	
98	**Skandinaviska Enskilda Banken, Stockholm**	Sweden	28,063,335,000s	0.172500	SK162,686,000,000s	20,630,864,800	103	+ 5
99	**Svenska Handelsbanken, Stockholm**	Sweden	27,412,837,500s	0.172500	SK158,915,000,000s	16,987,496,400s	127	+ 28
100	**Hachijuni Bank, Ltd., Nagano**	Japan	27,341,014,035	0.007915	Y3,454,329,000,000	18,462,130,786	115	+ 15

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Australian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)**— Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.**— Not available. **(†)**— Rank based on revised deposit total for 1986.

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Deposits on Dec. 31, 1987 or Nearest Fiscal Yearend

Rank 12/87			Deposits 12/31/87 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/87 (Nation's Currency)	Deposits 12/31/86 (U.S. Dollars)	Rank 1986	Gain in Rank
101	**Banco de Bilbao**	Spain	27,315,667,456s	0.009328	SP 2,928,352,000,000s	20,026,613,600s	105	+ 4
102	**First National Bank, Chicago**	United States	27,243,360,000	......	....	24,909,690,000	92	
103	**Credit Commercial de France, Paris**	France	27,052,368,738s	0.187700	FF144,125,566,000s	25,347,875,318s	89	
104	**Royal Bank of Scotland Plc., Edinburgh**	United Kingdom	26,925,848,800s	1.622000	P16,600,400,000s	20,693,981,100s	101	
105	**International Westminster Bank Plc, London**	United Kingdom	26,717,076,000t	1.886000	P14,166,000,000t	22,481,940,000t	98	
106	**Banco Hispano-Americano, Madrid**	Spain	26,446,260,544s	0.009328	SP 2,835,148,000,000s	20,630,871,450s	102	
107	**Banco do Brasil, Brasilia**	Brazil	26,360,815,800s	0.013850	BC 1,903,308,000,000s	27,471,479,199s	84	
108	**Banco Espanol de Credito, Madrid**	Spain	25,996,548,336s	0.009328	SP 2,786,937,000,000s	18,793,453,000s	110	+ 2
109	**Landesbank Stuttgart Girozentrale**	Germany	25,883,485,418	0.637000	DM40,633,415,099	18,528,195,122	113	+ 4
110	**Banco di Sicilia, Palermo**	Italy	25,521,011,857s	0.000869	L 29,368,253,000,000s	19,439,580,645	108	
111	**Banco de Vizcaya, Bilbao**	Spain	25,257,052,480s	0.009328	SP 2,707,660,000,000s	16,830,246,370s	129†	+ 36
112	**Gunma Bank, Ltd., Maebashi**	Japan	24,698,401,325	0.007915	Y 3,120,455,000,000	16,885,032,043u	128	+ 16
113	**Hamburgische Landesbank-Girozentrale, Hamburg**	Germany	24,341,561,881	0.637000	DM 38,212,813,000	17,815,801,337	120	+ 7
114	**Hyogo Sogo Bank, Ltd., Kobe**	Japan	24,141,557,330	0.007915	Y 3,050,102,000,000	13,846,238,505	150	+ 36
115	**Banque Cantonale de Zurich**	Switzerland	23,836,838,583	0.787300	SF 30,276,690,693	17,041,175,226	124	+ 9
116	**Banque Populaire Suisse, Berne**	Switzerland	23,327,802,596	0.787300	SF 29,630,131,584	16,408,849,428	132	+ 16
117	**PKbanken, Stockholm**	Sweden	22,770,690,000s	0.172500	SK 132,004,000,000s	21,250,434,800s	100	
118	**Landesbank Rheinland-Pfalz Girozentrale, Mainz**	Germany	22,727,429,302s	0.637000	DM 35,678,852,908s	18,511,399,200s	114	
119	**Nippon Trust & Banking Co., Ltd., Tokyo**	Japan	22,672,691,630	0.007915	Y 2,864,522,000,000	15,841,103,168	135	+ 16
120	**National Bank of Greece, Athens**	Greece	22,631,322,760s	0.007960	GD 2,843,131,000,000s	17,216,424,000s	123	+ 3
121	**Banco Exterior de Espana, Madrid**	Spain	22,420,519,616s	0.009328	SP 2,403,572,000,000s	18,013,850,120s	119	
122	**Bank of Seoul**	Korea	21,289,091,187	0.001263	KW 16,855,970,853,000	14,538,550,100	145	+ 23
123	**Bank Hapoalim, Tel-Aviv**	Israel	21,234,015,482s	0.644600	IS 32,941,383,000s	18,064,665,862s	118	
124	**Credit Industriel et Commercial, Paris (h)**	France	21,219,544,501	0.187700	FF 113,050,317,000	13,629,190,674s	151	+ 27
125	**Commonwealth Banking Corp., Sydney**	Australia	21,123,084,367s	0.721000	A$ 29,296,927,000s	17,609,504,314s	122	
126	**Bank Leumi le-Israel, Tel-Aviv**	Israel	20,906,878,403s	0.644600	IS 32,433,879,000s	19,808,612,446s	106	
127	**Kansallis-Osake Pankki, Helsinki**	Finland	20,897,080,300s	0.251000	FM83,255,300,000s	17,618,637,300s	121	
128	**Yamaguchi Bank, Ltd., Shimonoseki**	Japan	20,762,746,725	0.007915	Y2,623,215,000,000	14,668,112,613	143	+ 15
129	**Chugoku Bank, Ltd., Okayama**	Japan	20,469,931,300	0.007915	Y2,586,220,000,000	13,552,616,704	152	+ 23
130	**Nishi-Nippon Sogo Bank, Ltd., Fukuoka**	Japan	20,441,389,810	0.007915	Y2,582,614,000,000	14,080,648,725	148	+ 18
131	**77 Bank, Ltd., Sendai**	Japan	20,322,371,955	0.007915	Y2,567,577,000,000	13,520,234,662	153	+ 22
132	**Commonwealth Bank of Australia, Sydney**	Australia	20,151,484,955st	0.721000	A$27,949,355,000st	16,999,353,008st	126	
133	**Great Western Bank, FSB, Beverly Hills**	United States	20,054,706,000	......	....	18,130,530,000	116	
134	**Danske Bank, Copenhagen**	Denmark	20,047,048,070s	0.164300	DK122,014,900,000s	15,154,611,200s	139	+ 5
135	**Bank of Taiwan, Taipei**	Taiwan	20,015,436,910	0.035000	T$571,869,626,000	12,942,371,052	157	+ 22
136	**Banco Santander**	Spain	19,995,407,520s	0.009328	SP 2,143,590,000,000s	15,581,612,130s	137	+ 1
137	**Union Bank of Finland, Ltd., Helsinki**	Finland	19,928,446,200s	0.251000	FM79,396,200,000s	16,150,182,400s	134	
138	**Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna**	Austria	19,761,070,765u	0.090900	AS217,393,517,772u	15,645,699,685	136	
139	**Continental Illinois Nat'l Bank & Trust Co., Chicago**	United States	19,697,101,000	......	....	18,695,628,000	112	
140	**Landesbank Schleswig-Holstein Girozentrale, Kiel**	Germany	19,601,439,167s	0.637000	DM30,771,490,058s	14,417,348,247s	146	+ 6
141	**Caja de Pensiones para la Vejez, Barcelona**	Spain	18,920,570,064	0.009328	SP 2,028,363,000,000	12,401,252,640	169	+ 28
142	**National Bank of Canada, Montreal**	Canada	18,727,733,040s	0.760000	C$24,641,754,000s	16,752,669,828	130	
143	**Tokyo Sogo Bank, Ltd.**	Japan	18,584,594,130u	0.007915	Y2,348,022,000,000u	14,542,491,282	144	+ 1
144	**Berliner Bank, Berlin**	Germany	18,584,574,853s	0.637000	DM29,175,156,755s	13,871,453,954s	149	+ 5
145	**Bank of Kyoto, Ltd.**	Japan	18,520,735,910	0.007915	Y2,339,954,000,000	13,341,537,363	155	+ 10
146	**Hokkaido Bank, Ltd., Sapporo**	Japan	18,401,132,345	0.007915	Y2,324,843,000,000	13,190,926,529	156	+ 10
147	**Bank of Scotland, Edinburgh**	United Kingdom	18,149,732,400s	1.886000	P 9,623,400,000s	12,480,160,000s	166	+ 19
148	**Oesterreichische Laenderbank, Vienna**	Austria	18,078,491,879s	0.090900	AS198,883,299,000s	16,796,893,300s	129	
149	**Banca Nazionale dell'Agricoltura, Rome**	Italy	17,875,531,786	0.000869	L 20,570,232,204,550	18,702,055,064	111	
150	**Cooperative Bank of Taiwan, Taipei**	Taiwan	17,837,307,709	0.035000	T$509,637,363,102	12,046,604,618	175	+ 25
151	**Juroku Bank, Ltd., Gifu**	Japan	17,759,922,365	0.007915	Y2,243,831,000,000	12,466,146,715	167	+ 16
152	**National Australia Bank Ltd, Melbourne**	Australia	17,726,332,554u	0.708400	A$25,023,055,554u	19,317,662,445s	109	
153	**Nanto Bank, Ltd., Nara**	Japan	17,590,644,260	0.007915	Y2,222,444,000,000	12,629,022,296	163	+ 10
154	**Banque Francaise du Commerce Exterieur, Paris**	France	17,534,860,234u	0.187700	FF93,419,607,000u	9,156,097,351	212	+ 58
155	**Banco di Santo Spirito, Rome**	Italy	17,469,103,507s	0.000869	L 20,102,535,681,090s	14,816,539,206s	142	
156	**Iyo Bank, Ltd., Matsuyama**	Japan	17,337,459,240	0.007915	Y2,190,456,000,000	12,537,966,430	165	+ 9
157	**Credit du Nord, Lille**	France	17,292,050,200s	0.187700	FF92,126,000,000s	12,191,945,723st	172	+ 15
158	**National Commercial Bank, Jeddah**	Saudi Arabia	17,183,600,000	0.266000	SAR64,600,000,000	15,549,155,887	138	
159	**Hyakujushi Bank, Ltd., Takamatsu**	Japan	17,136,996,035	0.007915	Y2,165,129,000,000	12,003,636,821	176	+ 17
160	**First National Bank, Boston**	United States	17,043,994,000	......	....	16,689,981,000	131	
161	**Shiga Bank, Ltd., Otsu**	Japan	16,868,970,390	0.007915	Y2,131,266,000,000	12,110,870,750	173	+ 12
162	**First Interstate Bank of California, Los Angeles**	United States	16,829,226,000	......	....	18,115,591,000	117	
163	**Daishi Bank, Ltd., Niigata**	Japan	16,812,275,245	0.007915	Y2,124,103,000,000	11,866,884,568	179	+ 16
164	**Marine Midland Bank NA, Buffalo, N.Y.**	United States	16,638,545,000t	......	....	17,034,413,000t	125	
165	**Bremer Landesbank Kreditanstalt Oldenburg, Bremen**	Germany	16,480,712,430t	0.637000	DM25,872,390,000t	12,429,983,802t	168	+ 3
166	**Trustee Savings Bank England & Wales, London**	United Kingdom	16,411,919,600	1.723000	P 9,525,200,000	11,075,785,600	189	+ 23
167	**Bank of New York**	United States	16,392,251,000	......	....	14,970,194,000	141	
168	**Suruga Bank, Ltd., Numazu**	Japan	16,363,186,060	0.007915	Y2,067,364,000,000	11,131,984,556	186	+ 18
169	**Badische Kommunale Landesbank-Girozentrale, Mannheim**	Germany	16,216,624,695u	0.637000	DM25,457,809,568u	12,718,008,341u	159	
170	**Copenhagen Handelsbank**	Denmark	16,029,740,884s	0.164300	DK97,563,852,000s	11,869,942,081s	178	+ 8
171	**Banca Popolare di Novara**	Italy	15,712,712,621u	0.000869	L 18,081,372,406,470u	12,764,496,555u	158	
172	**Zentralsparkasse und Kommerzialbank, Vienna**	Austria	15,541,239,826u	0.090900	AS170,970,735,161u	12,048,786,390	174	+ 2
173	**Banca Popolare di Milano, Milan**	Italy	15,450,912,983s	0.000869	L 17,780,107,000,000s	12,263,769,414s	171	
174	**Westdeutsche Genossenschafts-Zentralbank, Duesseldorf**	Germany	15,328,131,000	0.637000	DM24,063,000,000	11,986,744,700	177	+ 3
175	**Mellon Bank NA, Pittsburgh**	United States	15,271,394,000	......	....	15,049,613,000	140	
176	**Norske Creditbank, Oslo**	Norway	15,022,258,380s	0.160200	NK93,771,900,000s	12,663,980,000s	161	
177	**Arab Banking Corp., Manama**	Bahrain	14,951,000,000s	......	....	12,295,000,000s	170	
178	**Hamburger Sparkasse, Hamburg**	Germany	14,915,670,409	0.637000	DM23,415,495,148	11,610,153,493	181	+ 3
179	**Kiyo Bank, Ltd., Wakayama**	Japan	14,603,760,710	0.007915	Y1,845,074,000,000	10,189,691,754	200	+ 21
180	**Oesterreichische Postsparkasse, Vienna**	Austria	14,449,282,200s	0.090900	AS158,958,000,000s	....	...	
181	**Bank fuer Arbeit und Wirtschaft, Vienna**	Austria	14,443,279,662u	0.090900	AS158,891,965,477u	11,446,842,003u	182	+ 1
182	**Banco Popular Espanol, Madrid**	Spain	14,407,394,496s	0.009328	SP 1,544,532,000,000s	11,093,836,880s	187	+ 5
183	**Genossenschaftliche Zentralbank, Vienna**	Austria	14,342,744,015	[illegible]	[illegible]	[illegible]	184	+ 1
184	**Hyakugo Bank, Ltd., Tsu**	Japan	14,312,441,220	0.007915	Y1,808,268,000,000	10,205,494,035	199	+ 15
185	**Caisse Centrale des Banques Populaires, Paris**	France	14,129,280,661t	0.187700	FF75,275,869,265t	10,650,034,219t	193	+ 8
186	**Allied Irish Banks Ltd., Dublin**	Ireland	13,991,200,712s	1.613000	IP8,674,024,000s	11,275,608,540	183	
187	**Privatbanken, Copenhagen**	Denmark	13,902,062,620s	0.164300	DK84,613,893,000s	10,559,889,993s	194	+ 7
188	**Cassa di Risparmio di Torino, Turin**	Italy	13,848,979,253	0.000869	L 15,936,684,986,010	10,387,533,238	197	+ 9
189	**Kinki Sogo Bank, Ltd., Osaka**	Japan	13,848,638,050	0.007915	Y1,749,670,000,000	9,556,648,101	206	+ 17
190	**Hokkoku Bank, Ltd., Kanazawa**	Japan	13,625,506,285	0.007915	Y1,721,479,000,000	9,608,713,345	204	+ 14
191	**Nuovo Banco Ambrosiano, Milan**	Italy	13,413,322,626s	0.000869	L 15,435,354,000,000s	9,819,952,938s	202	+ 11
192	**Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt**	Germany	13,088,813,556	0.637000	DM20,547,588,000	9,334,120,817	208	+ 16
193	**Higo Bank, Ltd., Kumamoto**	Japan	13,071,305,900	0.007915	Y1,651,460,000,000	9,246,828,800	209	+ 16
194	**Hang Seng Bank Ltd., Hong Kong**	Hong Kong	12,959,637,040st	0.128800	H$100,618,300,000st	10,812,362,650st	192	
195	**Cassa di Risparmio di Roma, Rome**	Italy	12,943,220,565	0.000869	L 14,894,385,000,000	12,540,583,710	164	
196	**Fukuoka Sogo Bank, Ltd.**	Japan	12,938,579,265	0.007915	Y1,634,691,000,000	9,079,307,776	214	+ 18
197	**Meritor Savings Bank, Philadelphia**	United States	12,915,395,000	......	....	12,676,100,000	160	
198	**Republic National Bank, New York**	United States	12,777,172,000	......	....	11,139,069,000	185	
199	**Nagoya Sogo Bank, Ltd.**	Japan	12,702,688,520	0.007915	Y1,604,888,000,000	8,982,919,693	217	+ 18
200	**Deutsche Bank Compagnie Financiere Luxembourg**	Luxembourg	12,641,895,890t	0.030100	LF419,996,541,208t	10,476,790,845t	195	

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The Top 500 Banks in the World

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201	Christiania Bank og Kreditkasse, Oslo	Norway	12,607,517,518u	0.160200	NK78,698,611,221u	9,185,616,503s	211	+10
202	First Commercial Bank, Taipei	Taiwan	12,495,068,944	0.035000	T$357,001,969,816	8,628,052,303	223	+ 21
203	Bank of Ireland, Dublin	Ireland	12,446,069,300s	1.613000	IP7,716,100,000s	10,469,340,000s	196	
204	Arab Bank Ltd., Ammen	Jordan	12,386,002,520s	2.970000	JD4,170,371,219s	11,719,748,776s	180	
205	Credit Lyonnais Bank Nederland , Rotterdam	Netherlands	12,347,973,667st	0.562900	G21,936,354,000st	6,635,165,000st	295	+ 90
206	American Express Bank Ltd. New York	United States	12,186,000,000s	......	....	13,406,000,000	154	
207	Irving Trust Co., New York	United States	12,129,150,000	......	....	12,662,578,000	162	
208	Ogaki-Kyoritsu Bank, Ltd., Ogaki	Japan	12,108,794,410	0.007915	Y1,529,854,000,000	8,659,274,206	222	+ 14
209	Societe Nationale de Credit a l'Industrie, Brussels	Belgium	12,070,746,999	0.030200	BF399,693,609,251	9,587,605,016	205	
210	First Nationwide Bank, FSB, San Francisco	United States	12,033,764,000	......	....	11,079,351,000	188	
211	Bausparkasse Gemeinschaft der Freunde Wuestenrot, Ludwigsburg	Germany	12,005,539,000	0.637000	DM18,847,000,000	....	...	
212	Bergen Bank	Norway	11,989,896,660s	0.160200	NK74,843,300,000s	8,524,248,800s	227	+ 15
213	Kofuku Sogo Bank, Ltd., Osaka	Japan	11,851,905,170	0.007915	Y1,497,398,000,000	8,112,291,110	237	+ 24
214	San-in Godo Bank, Ltd., Matsue	Japan	11,765,639,585	0.007915	Y1,486,499,000,000	7,727,671,754	253	+ 39
215	Israel Discount Bank, Ltd., Tel-Aviv	Israel	11,582,832,226s	0.644600	IS17,969,023,000s	10,826,984,784s	191	
216	Societe Generale Alsacienne de Banque, Strasbourg	France	11,506,734,897st	0.187700	FF61,303,862,000st	8,064,660,000st	241	+ 25
217	First Bank NA, Minneapolis	United States	11,481,224,000	......	....	5,826,850,000	327	+110
218	Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	Belgium	11,460,124,279	0.030200	BF379,474,313,879	8,161,610,552	232	+ 14
219	Boston Safe Deposit & Trust Co.	United States	11,445,040,000	......	....	6,830,142,000	290	+ 71
220	Caixa Geral de Depositos, Lisbon	Portugal	11,414,087,068s	0.007660	PE 1,490,089,695,563s	9,006,505,619s	216	
221	Berliner Handels und-Frankfurter Bank, Frankfurt	Germany	11,240,874,750s	0.637000	DM17,646,585,165s	8,225,901,600s	230	+ 9
222	Fukui Bank, Ltd.	Japan	11,157,862,565	0.007915	Y1,409,711,000,000	8,131,112,605	235	+ 13
223	Caja de Madrid	Spain	11,126,876,816s	0.009328	SP 1,192,847,000,000s	8,218,479,010	231	+ 8
224	Tokyo Tomin Bank, Ltd.	Japan	11,037,831,590	0.007915	Y1,394,546,000,000	7,350,043,239	260	+ 36
225	Goldome FSB, Buffalo, N.Y.	United States	11,033,778,000	......	....	11,016,213,000	190	
226	Kagoshima Bank, Ltd.	Japan	10,984,626,960	0.007915	Y1,387,824,000,000	7,878,243,714	245	+ 19
227	Fukutoku Sogo Bank, Ltd., Osaka	Japan	10,[illegible]2,014,750	0.007915	Y1,378,650,000,000	7,856,655,686	247	+ 20
228	Land Bank of Taiwan, Taipei	Taiwan	10,868,277,770	0.035000	T$310,522,222,000	7,925,383,898	244	+ 16
229	National Bank of Detroit	United States	10,850,031,000	......	....	9,714,319,000	203	
230	Shikoku Bank, Ltd., Kochi	Japan	10,824,791,450	0.007915	Y1,367,630,000,000	8,006,255,796	243	+ 13
231	Toho Bank, Ltd., Fukushima	Japan	10,735,304,460	0.007915	Y1,356,324,000,000	7,868,136,47[illegible]	246	+ 15
232	Postipankki, Helsinki	Finland	10,665,341,400s	0.251000	FM42,491,400,000s	9,029,489,700s	215	
233	Erste Oesterreichische Spar-Casse, Vienna	Austria	10,654,569,208u	0.090900	AS117,211,982,488u	8,422,826,610	228	
234	Musashino Bank, Ltd., Omiya	Japan	10,645,540,445	0.007915	Y1,344,983,000,000	7,234,904,930	268	+ 34
235	Great American First Savings Bank, San Diego, Calif.	United States	10,639,905,000	......	....	8,877,414,000	219	
236	NCNB National Bank of North Carolina, Charlotte	United States	10,584,957,000	......	....	9,847,559,000	201	
237	Compagnie Luxembourgeoise de la Dresdner Banque	Luxembourg	10,561,432,303t	0.637000	DM16,579,956,520t	8,903,322,397t	218	
238	Sparkasse der Stadt Berlin West, Berlin	Germany	10,433,299,089	0.637000	DM16,378,805,478	8,082,439,871	239	
239	Genossenschaftliche Zentralbank, Stuttgart	Germany	10,403,356,600	0.637000	DM16,331,800,000	7,653,292,940	255	+ 16
240	Bank of Osaka, Ltd.	Japan	10,335,177,465	0.007915	Y1,305,771,000,000	6,987,050,785	280	+ 40
241	Hiroshima Sogo Bank, Ltd.	Japan	10,277,587,925	0.007915	Y1,298,495,000,000	6,883,237,768	284	+ 43
242	Landesgirokasse, Stuttgart	Germany	10,269,332,816	0.637000	DM16,121,401,595	7,716,978,587	254	+ 12
243	Banca Toscana, Florence	Italy	10,248,778,492t	0.000869	L 11,793,761,211,000t	8,066,954,421t	240	
244	Bank of New Zealand, Ltd., Wellington	New Zealand	10,212,920,020s	0.651300	N$15,680,823,000s	5,388,511,448s	353	+109
245	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	Germany	10,198,976,300u	0.637000	DM16,010,951,805u	7,089,991,366u	275	+ 30
246	Banque Internationale a Luxembourg	Luxembourg	10,185,076,032s	0.030100	LF338,374,619,000s	7,263,900,932s	265	+ 19
247	National Bank of Kuwait	Kuwait	10,176,653,306s	3.680000	KD2,765,394,920s	8,753,476,820s	221	
248	Hokuetsu Bank, Ltd., Nagaoka	Japan	10,050,474,915	0.007915	Y1,269,801,000,000	6,911,583,393	283	+ 35
249	Awa Bank, Ltd., Tokushima	Japan	10,014,667,455	0.007915	Y1,265,277,000,000	7,325,546,140	262	+ 13
250	Chuo Sogo Bank, Ltd., Nagoya	Japan	9,975,385,310	0.007915	Y1,260,314,000,000	7,111,816,888	274	+ 24
251	Commerzbank International, Luxembourg	Luxembourg	9,873,941,991t	0.637000	DM15,500,693,863t	8,085,568,523t	238	
252	Chiba Sogo Bank, Ltd.	Japan	9,867,677,990	0.007915	Y1,246,706,000,000	6,588,670,033	298	+ 46
253	Bank Leu, Ltd., Zurich	Switzerland	9,811,775,106u	0.787300	SF12,462,562,055u	7,530,218,676u	258	+ 5
254	State Bank Victoria, Melbourne	Australia	9,790,738,027s	0.721000	A$13,579,387,000s	7,281,862,974s	264	+ 10
255	Sovran Bank NA, Richmond	United States	9,743,571,000	......	....	8,352,879,000	229	
256	Oita Bank, Ltd.	Japan	9,677,116,450	0.007915	Y1,222,630,000,000	7,055,721,706	277	+ 21
257	Vereins-und Westbank, Hamburg	Germany	9,652,042,693s	0.637000	DM15,152,343,317s	8,558,335,981s	226	
258	Commonwealth Savings Bank of Australia, Sydney	Australia	9,583,975,415t	0.721000	A$13,292,615,000t	8,046,755,918t	242	
259	Norddeutsche Genossenschaftsbank, Hannover	Germany	9,570,288,000u	0.637000	DM15,024,000,000u	8,141,905,450	233	
260	Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	9,567,004,698s	1.886000	P 5,072,643,000s	7,773,155,208s	251	
261	Hua Nan Commercial Bank, Ltd., Taipei	Taiwan	9,546,905,760	0.032000	T$423,070,424,000	6,614,029,352u	296	+35
262	National Westminster Bank USA, New York	United States	9,543,872,000t	......	....	8,784,311,000t	220	
263	Bank of New England NA, Boston	United States	9,423,023,000	......	....	7,337,376,000	261	
264	Southeast Bank NA, Miami	United States	9,390,212,000	......	....	9,461,003,000	207	
265	Chukyo Sogo Bank, Ltd., Nagoya	Japan	9,361,260,460	0.007915	Y1,182,724,000,000	6,533,617,970	299	+ 34
266	Sparekassen SDS, Copenhagen	Denmark	9,311,245,166u	0.164300	DK56,672,216,471u	7,175,647,783u	272	+ 6
267	Banque Generale du Luxembourg	Luxembourg	9,162,161,586s	0.030100	LF304,390,750,352s	6,529,806,140s	300	+ 33
268	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	United States	9,140,295,000	......	....	8,608,158,058	225	
269	Yamanashi Chuo Bank, Ltd., Kofu	Japan	9,122,433,250	0.007915	Y1,152,550,000,000	6,830,356,170	288	+ 19
270	Sparbankernas Bank, Stockholm	Sweden	8,996,910,000	0.172500	SK52,156,000,000	7,816,376,400	248	
271	Bangkok Bank, Ltd.	Thailand	8,969,802,361	0.039700	TB225,939,606,073	7,813,789,459	249	
272	C.O.B.-Caisse d'Epargne Privee, Brussels	Belgium	8,959,886,499	0.030200	BF296,684,983,427	6,498,676,853	301	+ 29
273	Valley National Bank, Phoenix	United States	8,902,705,000	......	....	9,218,623,000	210	
274	Stadtsparkasse Koeln, Cologne	Germany	8,891,301,905	0.637000	DM13,958,087,763	6,809,107,800	291	+ 17
275	First National Bank of South Africa Ltd., Johannesburg	South Africa	8,869,508,000s	0.482500	SR18,382,400,000s	7,586,730,000s	257	
276	Hokuyo Sogo Bank, Ltd., Sapporo	Japan	8,854,170,155	0.007915	Y1,118,657,000,000	6,124,754,196	315	+ 39
277	Chang Hwa Commercial Bank, Ltd., Taichung	Taiwan	8,847,282,912	0.032000	T$276,477,591,000	5,776,606,000	331	+ 54
278	Chiba Kogyo Bank, Ltd.	Japan	8,778,930,165	0.007915	Y1,109,151,000,000	5,952,594,208	322	+ 44
279	Korea Exchange Bank, Seoul	Korea	8,766,989,255s	0.001263	KW 6,941,385,000,000s	5,776,203,840s	332	+ 53
280	Dai-San Sogo Bank, Ltd., Matsuzaka	Japan	8,761,604,230	0.007915	Y1,106,962,000,000	6,039,399,850	320	+ 40
281	Akita Bank, Ltd.	Japan	8,701,679,765	0.007915	Y1,099,391,000,000	6,258,234,554	309	+ 28
282	Eighteenth Bank, Ltd., Nagasaki	Japan	8,687,203,230	0.007915	Y1,097,562,000,000	6,740,265,675	294	+ 12
283	Union Bank of Switzerland (Luxembourg)	Luxembourg	8,685,966,469v	0.787300	SF11,032,600,646v	5,562,409,353t	343	+ 60
284	Credito Romagnolo, Bologna	Italy	8,685,383,054u	0.000869	L9,994,698,565,873u	7,168,808,547u	273	
285	Taisei Sogo Bank, Ltd., Maebashi	Japan	8,667,605,690	0.007915	Y1,095,086,000,000	5,994,344,884	321	+ 36
286	Pittsburgh National Bank	United States	8,552,591,000	......	....	7,421,031,000	259	
287	Banque Worms, Paris	France	8,501,496,100s	0.187700	FF45,293,000,000s	6,221,570,292s	310	+ 23
288	Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	8,492,774,257	0.030100	LF282,151,968,686	6,348,531,710	307	+ 19
289	First RepublicBank Dallas NA	United States	8,431,214,000	......	....	8,623,009,000	224	
290	Bank of Iwate, Ltd., Morioka	Japan	8,400,624,825	0.007915	Y1,061,355,000,000	6,362,384,479	306	+ 16
291	Ehime Sogo Bank, Ltd., Matsuyama	Japan	8,398,218,665	0.007915	Y1,061,051,000,000	5,808,948,299	328	+ 37
292	Union de Banques Arabes et Francaises, Neuilly (w)	France	8,366,147,507s	0.187700	FF44,571,910,000s	6,843,295,171s	287	
293	Riyad Bank Ltd., Jeddah	Saudi Arabia	8,330,305,774	0.266000	SAR31,316,939,000	7,253,022,000u	266	
294	Shinwa Bank, Ltd., Sasebo	Japan	8,249,701,605	0.007915	Y1,042,287,000,000	6,220,695,228	311	+ 17
295	Societe Lyonnaise de Banque, Lyons	France	8,212,499,853st	0.187700	FF43,753,329,000st	5,243,882,020s	367	+ 72
296	Bank of India, Bombay	India	8,193,988,501	0.077800	InR105,321,188,964	6,830,355,781s	289	
297	Gulf International Bank B.S.C., Manama	Bahrain	8,186,933,850	2.650000	BaD3,089,409,000	7,081,823,760	276	
298	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	8,151,356,733	0.000869	L9,380,157,345,000	6,933,402,635	282	
299	Banque Cantonale de Berne	Switzerland	8,139,517,680	0.787300	SF10,338,521,123	5,883,472,611	324	+ 25
300	Provinsbank, Aarhus	Denmark	8,134,790,337s	0.164300	DK49,511,809,718s	6,956,558,600s	281	

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Austrailian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(p)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)**— Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.**— Not available. **(†)**— Rank based on revised deposit total for 1986.

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American Banker /WORLD BANKING

The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Deposits on Dec. 31, 1987 or Nearest Fiscal Yearend

Rank 12/87			Deposits 12/31/87 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/87 (Nation's Currency)	Deposits 12/31/86 (U.S. Dollars)	Rank 1986	Gain in Rank
301	**Citizens & Southern National Bank, Atlanta**	United States	8,124,102,000	......	....	7,198,662,000	271	
302	**Seattle-First National Bank**	United States	8,117,101,000	......	....	7,753,514,000	252	
303	**Aomori Bank, Ltd.**	Japan	8,097,171,640	0.007915	Y1,023,016,000,000	6,086,936,273	318	+ 15
304	**First Union National Bank, Charlotte, N.C.**	United States	8,061,095,000	......	....	7,597,348,000	256	
305	**Empire of America FSB, Buffalo, N.Y.**	United States	7,996,568,000	......	....	4,967,439,000	383	+ 78
306	**Hanil Bank Ltd., Seoul**	Korea	7,976,338,833s	0.001263	KW 6,315,391,000,000s	5,091,369,800s	375	+ 69
307	**Dime Savings Bank of New York FSB, Garden City**	United States	7,845,831,000	......	....	6,464,274,000	304	
308	**Bank of the Ryukyus, Ltd., Naha**	Japan	7,751,088,265	0.007915	Y979,291,000,000	5,557,666,763	344	+ 36
309	**CrossLand Savings FSB, Brooklyn, New York**	United States	7,748,030,000	......	....	6,876,465,000	286	
310	**Commercial Bank of Korea Ltd., Seoul**	Korea	7,579,230,162s	0.001263	KW 6,000,974,000,000s	4,821,859,990s	399	+ 89
311	**First Fidelity Bank NA, Newark, N.J.**	United States	7,566,364,000	......	....	7,209,772,000	270	
312	**Kredietbank S.A. Luxembourgeoise, Luxembourg**	Luxembourg	7,537,158,200s	0.028600	LF263,537,000,000s	6,172,452,000s	312	
313	**Miyazaki Bank, Ltd.**	Japan	7,471,736,255	0.007915	Y943,997,000,000	5,193,618,232	370	+ 57
314	**Bancomer, Mexico City**	Mexico	7,469,695,618u	0.000451	MP 16,562,518,000,000u	7,309,394,174s	263	
315	**Connecticut National Bank, Hartford**	United States	7,446,761,000	......	....	7,045,299,000	278	
316	**Senshu Bank, Ltd., Kishiwada**	Japan	7,430,617,830	0.007915	Y938,802,000,000	4,940,652,156	385	+ 69
317	**Korea First Bank, Seoul**	Korea	7,407,267,609s	0.001263	KW 5,864,819,960,000s	4,916,754,726s	390	+ 73
318	**Luzerner Kantonalbank, Lucerne**	Switzerland	7,401,815,909	0.787300	SF9,401,519,000	5,288,632,236	361	+ 43
319	**Gotabanken, Stockholm**	Sweden	7,374,030,000s	0.172500	SK42,748,000,000s	6,158,896,800s	314	
320	**Baden-Wuerttembergische Bank, Stuttgart**	Germany	7,343,299,391s	0.637000	DM11,527,942,529s	5,595,128,899s	341	+ 21
321	**Tokiwa Sogo Bank, Ltd., Tokyo**	Japan	7,333,841,125	0.007915	Y926,575,000,000	4,727,227,417	402	+ 81
322	**Bank of Credit & Comm Int'l (Overseas) Ltd., Georgetown**	Cayman Islands	7,315,180,000	......	....	6,879,993,617	285	
323	**Yamagata Bank, Ltd.**	Japan	7,306,122,795	0.007915	Y923,073,000,000	5,268,476,598	364	+ 41
324	**Connecticut Bank & Trust Co. NA, Hartford**	United States	7,295,089,000	......	....	7,215,016,000	269	
325	**Michinoku Bank, Ltd., Aomori**	Japan	7,294,194,890	0.007915	Y921,566,000,000	5,334,402,154	357	+ 32
326	**Banque Regionale d'Escompte et de Depots, Vincennes**	France	7,254,845,367u	0.187700	FF38,651,280,590u	4,707,000,000	406	+ 80
327	**Bank of Credit & Commerce International, Luxembourg**	Luxembourg	7,254,579,000	......	....	5,836,670,304	326	
328	**City Federal Savings Bank, Bedminster, N.J.**	United States	7,230,507,000	......	....	6,998,588,000	279	
329	**Union Bank, Los Angeles**	United States	7,221,322,000	......	....	8,122,922,000t	236	
330	**Banque Cantonale Vaudoise, Lausanne**	Switzerland	7,203,503,306	0.787300	SF9,149,629,501	5,325,355,806	360	+ 30
331	**Sal. Oppenheim jr. & Cie., Cologne**	Germany	7,189,821,519s	0.637000	DM11,287,003,955s	5,642,314,068s	336	+ 5
332	**Cho Hung Bank Ltd., Seoul**	Korea	7,128,736,910s	0.001263	KW 5,644,288,923,404s	4,502,081,576u	415	+ 83
333	**Bank of Saga, Ltd.**	Japan	7,125,423,345	0.007915	Y900,243,000,000	5,189,866,891	371	+ 38
334	**Banque Cantonale de St. Gall**	Switzerland	7,073,528,342	0.787300	SF8,984,540,000	5,111,740,386	374	+ 40
335	**CIC-Union Europeenne, International & Cie, Paris**	France	7,065,178,911	0.187700	F37,640,804,000	5,546,340,472s	346	+ 11
336	**Standard Bank of South Africa Ltd., Johannesburg**	South Africa	7,028,746,662	0.518000	SR13,569,009,000	5,724,915,728	333	
337	**Bank of Ikeda, Ltd.**	Japan	6,990,314,295	0.007915	Y883,173,000,000	4,873,458,447	393	+ 56
338	**Banque Paribas Belgique, Brussels (q)**	Belgium	6,914,350,400st	0.030200	BF228,952,000,000st	5,090,242,160s	376	+ 38
339	**Banco Nacional de Mexico, Mexico City**	Mexico	6,911,578,608s	0.000451	MP 15,325,008,000,000s	6,595,467,968	297	
340	**Banco Brasileiro de Descontos, Sao Paulo**	Brazil	6,879,943,665s	0.013850	BC496,746,835,000s	7,782,610,000s	250	
341	**Fidelity Bank NA, Malvern, Pa.**	United States	6,857,854,000	......	....	7,242,812,000	267	
342	**Michigan National Bank, Farmington Hills**	United States	6,851,694,000	......	....	....	...	
343	**Maryland National Bank, Baltimore**	United States	6,830,893,000	......	....	5,789,068,000	330	
344	**Bikuben, Copenhagen**	Denmark	6,810,563,600	0.164300	DK41,452,000,000	5,333,907,447	358	+ 14
345	**NCNB National Bank of Florida, Tampa**	United States	6,803,122,000	......	....	6,746,423,000	293	
346	**Cassa di Risparmio di Verona, Vicenza & Belluno, Verona**	Italy	6,764,322,070	0.000869	L7,784,030,000,000	5,711,413,347	334	
347	**Union Bank of Norway, Oslo**	Norway	6,741,758,793s	0.160200	NK42,083,388,222s	4,714,852,352s	403	+ 56
348	**Texas Commerce Bank NA, Houston**	United States	6,727,460,000	......	....	5,607,112,000	340	
349	**Bank of Baroda, Bombay**	India	6,674,911,217	0.077800	InR85,795,773,993	5,614,862,833u	339	
350	**Malayan Banking Berhad, Kuala Lumpur**	Malaysia	6,669,895,212s	0.401400	M$16,616,580,000s	5,573,830,500s	342	
351	**Andelsbanken-Danebank, Copenhagen**	Denmark	6,627,040,500	0.164300	DK40,335,000,000	5,441,237,220	351	
352	**Crestar Bank, Richmond**	United States	6,609,130,000	......	....	6,111,774,000	316	
353	**Anchor Savings Bank FSB, Northport, N.Y.**	United States	6,581,206,000	......	....	6,468,025,000	303	
354	**Banca Cattolica del Veneto, Vicenza**	Italy	6,515,219,744t	0.000869	L7,497,376,000,000t	4,780,675,998t	400	+ 46
355	**Bank of Communications, Taipei**	Taiwan	6,507,297,882	0.035000	T$185,922,796,619	4,937,294,333	386	+ 31
356	**Kreissparkasse Koeln, Cologne**	Germany	6,505,213,815	0.637000	DM10,212,266,585	5,022,288,277	379	+ 23
357	**Istituto Bancario Italiano, Milan**	Italy	6,501,415,708t	0.000869	L7,481,491,033,604t	4,838,997,829t	396	+ 39
358	**Banco Portugues do Atlantico, Oporto**	Portugal	6,474,341,430u	0.007660	PE845,214,285,919u	4,936,994,479	387	+ 29
359	**Stadtsparkasse Munchen, Munich**	Germany	6,463,561,923u	0.637000	DM10,146,879,000u	4,831,860,198u	398	+ 39
360	**Central Bank of India, Bombay**	India	6,412,861,712	0.077800	InR82,427,528,427	5,465,205,297	350	
361	**Bank fuer Handel und Industrie, Berlin**	Germany	6,398,175,831tu	0.637000	DM10,044,232,073tu	4,911,869,453tu	391	+ 30
362	**Jyske Bank, Silkeborg**	Denmark	6,376,357,762s	0.164300	DK38,809,237,748s	4,634,278,118s	408	+ 46
363	**Banque de l'Union Europeenne, Paris**	France	6,362,567,028	0.187700	FF33,897,533,448	4,951,232,567t	384	+ 21
364	**Philadelphia National Bank**	United States	6,362,369,000	......	....	6,442,770,000	305	
365	**Bank Mees & Hope, Amsterdam**	Netherlands	6,344,647,981st	0.562900	G11,271,359,000st	5,325,785,533st	359	
366	**Harris Trust & Savings Bank, Chicago**	United States	6,219,856,000t	......	....	6,096,175,000t	317	
367	**Banco de la Nacion Argentina, Buenos Aires**	Argentina	6,216,066,895	0.185000	AA33,600,361,597	7,917,260,301	245†	
368	**Cassa di Risparmio di Firenze, Florence**	Italy	6,198,112,331	0.000869	L7,132,465,283,000	4,839,599,136	395	+ 27
369	**Caja de Ahorros y Monte de Piedad de Barcelona**	Spain	6,197,821,696	0.009328	SP664,432,000,000	4,346,589,730	430	+ 61
370	**Credit Industriel d'Alsace et de Lorraine, Strasbourg**	France	6,188,282,614s	0.187700	FF32,969,007,000s	4,581,914,142s	412	+ 42
371	**Dai-Ichi Sogo Bank Ltd., Tokyo**	Japan	6,160,695,655	0.007915	Y778,357,000,000	3,852,257,904	467	+ 96
372	**Rainier National Bank, Seattle**	United States	6,154,505,000	......	....	6,316,803,000	308	
373	**Bank of Okinawa, Ltd., Naha**	Japan	6,143,156,015	0.007915	Y776,141,000,000	4,135,571,616	443	+ 70
374	**Canara Bank, Bangalore**	India	6,129,418,066	0.077800	InR78,784,293,907	5,222,894,400	369	
375	**Banque Misr, Cairo**	Egypt	6,080,745,000u	0.685000	EP8,877,000,000u	9,099,972,680s	213	
376	**National Bank of Egypt, Cairo**	Egypt	6,070,470,000u	0.685000	EP8,862,000,000u	10,313,880,000u	198	
377	**Nordbanken, Stockholm**	Sweden	6,049,782,000s	0.172500	SK35,071,200,000s	4,171,271,720s	440	+ 63
378	**Gulf Bank, Kuwait**	Kuwait	6,034,169,096	3.680000	KD1,639,719,863	5,627,433,733	338	
379	**Manufacturers National Bank, Detroit**	United States	6,030,732,000	......	....	5,237,695,000	368	
380	**AmeriTrust Co. NA, Cleveland**	United States	6,006,409,000	......	....	6,081,623,000	319	
381	**Hambros Bank Ltd., London**	United Kingdom	5,955,372,000s	1.887000	P 3,156,000,000s	4,492,274,560s	417	+ 36
382	**Kyushu Sogo Bank, Ltd., Sasebo**	Japan	5,944,101,680	0.007915	Y750,992,000,000	3,960,832,986	459	+ 77
383	**Florida National Bank, Jacksonville**	United States	5,933,449,000	......	....	5,795,374,000	329	
384	**Shiga Sogo Bank, Ltd., Otsu**	Japan	5,913,771,400	0.007915	Y747,160,000,000	4,006,151,458	453	+ 69
385	**Banca Provinciale Lombarda, Bergamo**	Italy	5,899,617,682t	0.000869	L6,788,973,166,719t	4,918,518,110t	389	+ 4
386	**Tochigi Sogo Bank, Ltd., Utsunomiya**	Japan	5,884,992,460	0.007915	Y743,524,000,000	4,010,345,504	450	+ 64
387	**Hanshin Sogo Bank, Ltd., Kobe**	Japan	5,883,195,755	0.007915	Y743,297,000,000	3,989,042,552	455	+ 68
388	**Banca Popolare di Bergamo**	Italy	5,805,060,587u	0.000869	L6,680,161,779,946u	4,713,345,509u	404	+ 16
389	**United States National Bank, Portland**	United States	5,792,745,000	......	....	5,638,056,000	337	
390	**BFG Luxembourg**	Luxembourg	5,780,838,700tu	0.637000	DM9,075,100,000tu	4,324,872,679tu	432	+ 42
391	**Banca Catalana, Barcelona**	Spain	5,771,755,104tu	0.009328	SP618,755,907,420tu	3,301,432,927tu	534	+143
392	**Morgan Grenfell & Co. Ltd., London**	United Kingdom	5,763,180,334	1.886000	P 3,055,769,000	3,729,432,252	485	+ 93
393	**Commercial Bank of Kuwait**	Kuwait	5,755,626,720	3.680000	KD1,564,029,000	4,970,982,060	382	
394	**Banque Commerciale pour l'Europe du Nord, Paris**	France	5,745,323,053t	0.187700	FF30,609,073,270t	5,856,139,241t	325	
395	**Comerica Bank-Detroit**	United States	5,714,440,000	......	....	5,911,414,000	323	
396	**Niigata Sogo Bank, Ltd.**	Japan	5,705,369,450	0.007915	Y720,830,000,000	3,926,235,126	461	+ 65
397	**Kansai Sogo Bank, Ltd., Osaka**	Japan	5,690,987,895	0.007915	Y719,013,000,000	3,631,777,534	496	+ 99
398	**First Union National Bank of Florida, Jacksonville**	United States	5,685,051,000	......	....	5,346,832,000	356	
399	**Cassa di Risparmio di Padova e Rovigo, Padova**	Italy	5,681,087,355	0.000869	L6,537,499,833,393	4,427,489,916	423	+ 24
400	**Kitanippon Sogo Bank, Ltd., Morioka**	Japan	5,680,864,610	0.007915	Y717,734,000,000	3,662,209,397	494	+ 94

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Austrailian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)**— Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.**— Not available. **(†)**— Rank based on revised deposit total for 1986.

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Deposits on Dec. 31, 1987 or Nearest Fiscal Yearend

Rank 12/87			Deposits 12/31/87 (U.S. Dollars)	Exchange Rate (U.S. Dollars)	Deposits 12/31/87 (Nation's Currency)	Deposits 12/31/86 (U.S. Dollars)	Rank 1986	Gain in Rank
401	**Banco di Sardegna, Sassari**	Italy	5,642,673,167s	0.000869	L6,493,294,783,695s	4,457,576,835s	418	+ 17
402	**Frankfurter Sparkasse von 1822, Frankfurt**	Germany	5,640,654,390	0.637000	DM8,855,030,439	4,154,094,279	441	+ 39
403	**Huntington National Bank, Columbus, Ohio**	United States	5,631,268,000	......	....	5,414,927,000	352	
404	**First Interstate Bank of Arizona NA, Phoenix**	United States	5,629,029,000	......	....	5,702,441,000	335	
405	**West LB International, Luxembourg**	Luxembourg	5,568,990,770t	0.637000	LF8,742,528,681t	4,439,766,767t	421	+ 16
406	**United Mizrahi Bank Ltd., Tel-Aviv**	Israel	5,551,885,654s	0.644600	IS8,612,916,000s	5,067,002,438	377	
407	**Banca della Svizzera Italiana, Lugano**	Switzerland	5,551,718,876s	0.787300	SF7,051,592,628s	4,436,050,779s	422	+ 15
408	**Meridian Bank, Reading, Pa.**	United States	5,532,291,000	......	....	5,359,657,000	355	
409	**MBank Dallas NA**	United States	5,504,756,000	......	....	5,465,342,000	349	
410	**Banco Lariano, Como**	Italy	5,497,075,187t	0.000869	L6,325,748,201,708t	4,494,125,069t	416	+ 6
411	**Development Bank of Singapore Ltd.**	Singapore	5,488,705,400	0.500800	S$10,959,875,000	3,619,788,134	497	+ 86
412	**Westpac Savings Bank Ltd., Sydney**	Australia	5,475,436,120t	0.708400	A$7,729,300,000t	4,123,496,931st	445	+ 33
413	**Northern Trust Co., Chicago**	United States	5,441,841,000	......	....	5,013,678,000	380	
414	**Banque Internationale pour l'Afrique Occidentale, Paris**	France	5,436,542,800s	0.187700	FF28,964,000,000s	3,915,510,262s	462	+ 48
415	**Credit Foncier Vaudois, Lausanne**	Switzerland	5,436,080,545	0.787300	SF6,904,713,000	4,193,473,896	438	+ 23
416	**Thurgauische Kantonalbank, Weinfelden**	Switzerland	5,387,969,838u	0.787300	SF6,843,604,519u	4,075,430,490	447	+ 31
417	**Mie Bank, Ltd., Yokkaichi**	Japan	5,385,057,315	0.007915	Y680,361,000,000	3,595,851,479	501	+ 84
418	**California First Bank, San Francisco**	United States	5,372,111,000v	......	....	5,268,106,000t	365	
419	**Clydesdale Bank Plc, Glasgow**	United Kingdom	5,363,310,614v	1.886000	P 2,843,749,000t	3,454,733,178t	514	+ 95
420	**Bank of Tokyo Trust Co., New York**	United States	5,361,415,000v	......	....	5,168,657,000t	372	
421	**Forsta Sparbanken, Stockholm**	Sweden	5,293,868,888	0.172500	SK30,689,095,000	3,882,493,334	466	+ 45
422	**Cassa di Risparmio di Genova e Imperia, Genoa**	Italy	5,255,042,319	0.000869	L6,047,229,366,507	4,183,305,179u	439	+ 17
423	**Signet Bank/Virginia, Richmond**	United States	5,238,495,000	......	....	4,394,393,000	425	+ 2
424	**United Overseas Bank Ltd., Singapore**	Singapore	5,233,563,826s	0.500800	S$10,450,407,000s	4,137,598,310s	442	+ 18
425	**Bowery Savings Bank, New York**	United States	5,200,433,000	......	....	5,136,413,000	373	
426	**Banco Intercontinental Espanol, Madrid**	Spain	5,169,661,552	0.009328	SP554,209,000,000	2,592,994,460	631†	+205
427	**Scandinavian Bank Ltd., London**	United Kingdom	5,161,714,188s	1.886000	P 2,736,858,000s	4,347,243,966s	429	+ 2
428	**Turkiye Cumhuriyeti Ziraat Bankasi, Ankara**	Turkey	5,159,497,858	0.001000	TP 5,159,497,858,080	4,919,234,295	388	
429	**Kagawa Sogo Bank, Ltd., Takamatsu**	Japan	5,158,197,585	0.007915	Y651,699,000,000	3,776,550,789	476	+ 47
430	**Alahli Bank of Kuwait**	Kuwait	5,112,186,087s	3.680000	KD1,389,181,002s	4,570,141,508	414	
431	**Nassauische Sparkasse Wiesbaden, Wiesbaden**	Germany	5,049,279,294	0.637000	DM7,926,655,092	5,520,355,625	347	
432	**First National Bank, Atlanta**	United States	5,048,845,000	......	....	4,976,636,000	381	
433	**Kochi Sogo Bank, Ltd.**	Japan	5,046,319,060	0.007915	Y637,564,000,000	3,731,029,335	484	+ 51
434	**Credit Suisse (Luxembourg)**	Luxembourg	5,044,743,235t	0.030100	LF167,599,443,035t	3,342,129,774t	529	+ 95
435	**Banco Urquijo Union, Madrid**	Spain	5,020,587,220st	0.009328	SP538,227,617,951st	2,800,278,670tu	597	+162
436	**Riggs National Bank, Washington, D.C.**	United States	5,007,555,000	......	....	4,832,701,000	397	
437	**Krung Thai Bank Ltd., Bangkok**	Thailand	4,994,905,340	0.039700	TB125,816,255,427	3,503,116,324	507	+ 70
438	**Shawmut Bank of Boston NA**	United States	4,989,948,000	......	....	3,790,637,000	474	+ 36
439	**Fleet National Bank, Providence, R.I.**	United States	4,962,063,000	......	....	4,620,169,000	409	
440	**Oesterreichische Volksbanken, Vienna**	Austria	4,960,854,139	0.090900	AS54,574,853,010	3,293,549,516	535	+ 95
441	**Schweizer Verband der Raiffeisenkassen, St. Gall**	Switzerland	4,957,492,472	0.787300	SF6,296,827,730	3,474,233,552	512	+ 71
442	**National City Bank, Cleveland**	United States	4,932,377,000	......	....	4,020,597,000	449	+ 7
443	**Habib Bank Ltd., Karachi**	Pakistan	4,930,784,897s	0.057300	PR86,052,092,449s	4,350,058,000s	428	
444	**Stadt-Sparkasse Duesseldorf**	Germany	4,916,173,316	0.637000	DM7,717,697,513	3,737,247,882	482	+ 38
445	**Kanto Bank, Ltd., Tsuchiura**	Japan	4,911,510,780	0.007915	Y620,532,000,000	3,417,400,382	519	+ 74
446	**Ljubljanska Banka, Ljubljana**	Yugoslavia	4,897,036,164s	0.000804	YD 6,090,841,000,000s	5,279,037,390s	363	
447	**Bank of Hawaii, Honolulu**	United States	4,835,452,000	......	....	4,320,112,000	433	
448	**Coutts & Co., London**	United Kingdom	4,834,068,838st	1.886000	P 2,563,133,000st	2,900,389,596st	579	+131
449	**National Bank of Dubai Ltd., Dubai**	United Arab Emirates	4,818,264,318	0.272400	UD17,688,195,000	4,606,750,766	410	
450	**Volkskas, Ltd., Pretoria**	South Africa	4,813,096,974s	0.518000	SR9,291,693,000s	4,693,677,626s	407	
451	**Banca San Paolo di Brescia**	Italy	4,752,813,879s	0.000869	L5,469,291,000,000s	3,689,607,798s	490	+ 39
452	**Caisse Hypothecaire Anversoise, Antwerp**	Belgium	4,737,833,463	0.030200	BF156,881,902,740	3,503,139,408	506	+ 54
453	**N.M. Rothschild & Sons Ltd., London**	United Kingdom	4,727,123,807	1.601000	P 2,952,607,000	3,827,052,740	468	+ 15
454	**State Bank of New South Wales, Sydney**	Australia	4,722,693,479	0.721000	A$6,550,199,000	3,978,735,906	456	+ 2
455	**First Interstate Bank of Oregon NA, Portland**	United States	4,709,734,000	......	....	4,711,130,000	405	
456	**Societe de Banque Suisse (Luxembourg)**	Luxembourg	4,706,374,126v	0.030100	BF156,357,944,401v	3,665,752,255t	493	+ 37
457	**Banco Espirito Santo e Comercial, Lisbon**	Portugal	4,691,198,480u	0.007660	PE612,428,000,000u	3,680,990,579	491	+ 34
458	**Skopbank, Helsinki**	Finland	4,690,188,383s	0.251000	FM18,686,009,496s	3,809,162,665s	472	+ 14
459	**AmSouth Bank NA, Birmingham, Ala.**	United States	4,688,758,000	......	....	4,446,849,000	420	
460	**Peoples Bank, Bridgeport, Conn.**	United States	4,676,625,000	......	....	4,352,744,000	427	
461	**Sparkasse in Bremen**	Germany	4,672,648,984u	0.637000	DM7,335,398,719u	3,734,703,733u	483	+ 22
462	**Deutsche Bank Berlin**	Germany	4,655,204,656t	0.637000	DM7,308,013,589t	3,349,858,602t	527	+ 65
463	**Gifu Sogo Bank, Ltd.**	Japan	4,652,349,935	0.007915	Y587,789,000,000	3,435,861,686	517	+ 54
464	**Provident National Bank, Philadelphia**	United States	4,622,805,000	......	....	4,384,556,000	426	
465	**Banco de Sabadell**	Spain	4,622,326,447s	0.009328	SP495,532,423,595s	3,037,541,150	563	+ 98
466	**Tokuyo Sogo Bank, Ltd., Sendai**	Japan	4,615,750,975	0.007915	Y583,165,000,000	3,741,965,887	481	+ 15
467	**Shimizu Bank, Ltd.**	Japan	4,613,115,280	0.007915	Y582,832,000,000	3,397,496,894	521	+ 54
468	**Bayerische Vereinsbank International, Luxembourg**	Luxembourg	4,607,227,079t	0.637000	DM7,232,695,572t	3,493,956,422t	510	+ 42
469	**Caisse Hypothecaire du Canton de Berne**	Switzerland	4,591,951,656	0.787300	SF5,832,531,000	3,439,756,260	516	+ 47
470	**Caja de Ahorros de Cataluna, Barcelona**	Spain	4,572,688,208s	0.009328	SP490,211,000,000s	3,120,090,120s	555	+ 85
471	**Basellandschaftliche Kantonalbank, Liestal**	Switzerland	4,562,409,011	0.787300	SF5,795,007,000	3,467,021,886	513	+ 42
472	**Banca d'America e d'Italia, Milan**	Italy	4,550,733,485tu	0.000869	L5,236,747,393,027tu	3,601,239,462tu	499	+ 27
473	**State Street Bank & Trust Co., Boston**	United States	4,540,702,000	......	....	5,254,894,000	366	
474	**International Commercial Bank of China, Taipei**	Taiwan	4,531,802,167	0.035000	T$129,480,061,907	6,472,158,341u	302	
475	**European American Bank, New York**	United States	4,513,240,000	......	....	4,593,372,000	411	
476	**Banco Atlantico, Barcelona**	Spain	4,501,804,736st	0.009328	SP482,612,000,000st	3,046,567,440st	561	+ 85
477	**Standard Federal Bank, Troy, Mich.**	United States	4,500,435,454	......	....	4,450,335,801	419	
478	**Banco Pastor, Coruna**	Spain	4,497,821,680s	0.009328	SP482,185,000,000s	2,744,887,682	607	+129
479	**Banco Popular de Puerto Rico, San Juan**	United States	4,492,171,000	......	....	3,820,226,000	469	
480	**Thai Farmers Bank, Bangkok**	Thailand	4,487,820,077	0.039700	TB113,043,326,880	3,777,963,121	475	
481	**Banque Cantonale des Grisons, Coire**	Switzerland	4,486,952,604	0.787300	SF5,699,165,000	3,290,813,757	537	+ 56
482	**Udruzena Banka Hrvatske, Zagreb**	Yugoslavia	4,479,646,800	0.000804	YD 5,571,700,000,000	8,140,311,291	234	
483	**Banco do Estado de Sao Paulo**	Brazil	4,456,781,680s	0.013850	BC321,789,291,000s	3,967,011,130s	458	
484	**Banque Nationale de Paris Plc, London**	United Kingdom	4,456,308,696t	1.886000	P 2,362,836,000t	3,775,110,456t	477	
485	**Turkiye Is Bankasi, Ankara**	Turkey	4,439,650,000u	0.001000	TP 4,439,650,000,000u	4,008,564,593	451	
486	**Bayerische Landesbank International, Luxembourg**	Luxembourg	4,427,218,512t	0.637000	LF6,950,107,554t	3,815,814,918t	470	
487	**Oversea-Chinese Banking Corp., Ltd., Singapore**	Singapore	4,427,016,411s	0.500800	S$8,839,889,000s	3,680,658,893s	492	+ 5
488	**Stadtsparkasse Hannover, Hanover**	Germany	4,413,136,000	0.637000	DM6,928,000,000	2,541,208,600	639	+151
489	**Hypobank International, Luxembourg**	Luxembourg	4,408,625,944t	0.637000	DM6,920,919,850t	3,356,706,230	526	+ 37
490	**Caja de Ahorros y Monte de Piedad de Zaragoza**	Spain	4,404,327,136	0.009328	SP472,162,000,000	3,285,020,200	539	+ 49
491	**Barnett Bank of South Florida NA, Miami**	United States	4,388,167,000	......	....	4,004,588,000	454	
492	**Commercial Bank of Greece, Athens**	Greece	4,378,000,000u	0.007960	GD550,000,000,000u	4,274,618,400u	434	
493	**Society National Bank, Cleveland**	United States	4,377,453,000	......	....	3,968,552,000	457	
494	**First Tennessee Bank NA, Memphis**	United States	4,360,545,000	......	....	4,255,373,000	435	
495	**Banca Popolare di Verona**	Italy	4,332,309,606	0.000869	L4,985,396,554,517	3,358,836,591	525	+ 30
496	**Lombard North Central Plc, London**	United Kingdom	4,309,510,000t	1.886000	P 2,285,000,000t	3,810,222,000t	471	
497	**Sparkasse Essen**	Germany	4,293,167,897	0.637000	DM6,739,667,028	3,286,733,507	538	+ 41
498	**UCO Bank, Calcutta**	India	4,246,905,930	0.077800	InR54,587,479,816	3,236,030,562	541	+ 43
499	**Citizens & Southern National Bank, Fort Lauderdale, Fla.**	United States	4,233,293,000	......	....	....	...	
500	**Banque Sudameris, Paris**	France	4,233,285,193s	0.187700	FF22,553,464,000s	3,382,111,610s	524	+ 24

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Banks Ranked After the First 500

With Deposit on Dec. 31, 1987

Rank 12/87			12/31/87 Deposits (U.S. Dollars)
501	Howard Savings Bank, Newark, N.J.	United States	4,203,982,000
502	Sanwa Bank California, San Francisco	United States	4,202,947,000v
503	Trade Development Bank, Geneva	Switzerland	4,168,796,742t
504	Long Island Savings Bank FSB, Syosset, N.Y.	United States	4,165,793,000
505	Fukushima Sogo Bank, Ltd.	Japan	4,149,003,425u
506	First Pennsylvania Bank NA, Philadelphia	United States	4,136,159,000
507	Hibernia National Bank, New Orleans, La.	United States	4,130,496,000
508	Banco Pinto & Sotto Mayor, Lisbon	Portugal	4,126,243,520s
509	Jugobanka-United Bank, Belgrade	Yugoslavia	4,122,864,640
510	National Bank of New Zealand, Ltd., Wellington	New Zealand	4,122,679,600st
511	Taiko Sogo Bank, Ltd., Nagaoka	Japan	4,116,741,885
512	Toyama Sogo Bank, Ltd.	Japan	4,110,591,930
513	Berliner Commerzbank, Berlin	Germany	4,101,678,092t
514	First Florida Bank NA, Tampa	United States	4,097,294,000
515	Nedbank Ltd., Johannesburg	South Africa	4,081,178,000
516	Banco Itau, Sao Paulo	Brazil	4,075,442,955s
517	Basler Kantonalbank, Basle	Switzerland	4,061,268,942
518	Syndicate Bank, Manipal	India	4,056,828,455
519	Sears Savings Bank, Glendale, Calif.	United States	4,040,423,000
520	Caja de Ahorros de Valencia	Spain	4,037,830,016
521	Ulster Bank Ltd., Belfast	United Kingdom	4,021,146,258sv
522	MeraBank, FSB, Phoenix, Ariz.	United States	4,007,610,000
523	Dollar-Dry Dock Savings Bank, White Plains, N.Y.	United States	4,001,718,000
524	Saudi International Bank, London	United Kingdom	3,992,098,086
525	Udruzena Beogradska Banka, Belgrade	Yugoslavia	3,989,359,560s
526	Arizona Bank, Phoenix	United States	3,961,526,000
527	Yorkshire Bank Plc, Leeds	United Kingdom	3,927,178,194
528	Deutsch-Sudamerikanische Bank, Hamburg	Germany	3,922,166,308t
529	Kumamoto Sogo Bank, Ltd.	Japan	3,918,510,710
530	Cooperative Central Bank Co. Ltd., Basle	Switzerland	3,902,393,496
531	Norwest Bank Minneapolis NA	United States	3,898,042,000
532	Stadtsparkasse Frankfurt	Germany	3,840,087,702
533	Koki Sogo Bank, Ltd., Wakayama	Japan	3,830,717,530
534	First National Bank of Maryland, Baltimore	United States	3,826,686,000t
535	Norddeutsche Landesbank International, Luxembourg	Luxembourg	3,810,115,941t
536	Burgan Bank, Kuwait	Kuwait	3,802,169,497
537	DG Bank Luxembourg	Luxembourg	3,800,062,137t
538	Asahi Sogo Bank, Ltd., Kagoshima	Japan	3,797,134,185
539	Hokkaido Sogo Bank, Ltd., Sapporo	Japan	3,792,891,745
540	Barclays Bank, Paris	France	3,781,967,300st
541	Kure Sogo Bank, Ltd.	Japan	3,750,356,535
542	Kokumin Sogo Bank, Ltd., Tokyo	Japan	3,734,091,210
543	Stadtsparkasse Dortmund	Germany	3,726,067,800
544	Trust Company Bank, Atlanta	United States	3,707,956,000
545	MBank Houston NA	United States	3,703,324,000
546	Banque Paribas (Suisse), Geneva (q)	Switzerland	3,697,495,266st
547	Toho Sogo Bank, Ltd., Matsuyama	Japan	3,681,155,690
548	Sparkasse Saarbruecken	Germany	3,674,949,649
549	Cassa di Risparmio in Bologna	Italy	3,674,547,382s
550	Ibaragi Sogo Bank, Ltd., Mito	Japan	3,664,755,810
551	Landessparkasse zu Oldenburg	Germany	3,663,636,704
552	Caisse d'Epargne Ippa, Antwerp	Belgium	3,659,292,143u
553	Credito Commerciale, Milan	Italy	3,656,317,332t
554	American Security Bank NA, Washington, D.C.	United States	3,651,924,000
555	Caja de Ahorros de Galicia, Coruna	Spain	3,641,679,184
556	BancOhio National Bank, Columbus	United States	3,635,628,000
557	National Bank of Pakistan, Karachi	Pakistan	3,621,405,615
558	Indian Overseas Bank, Madras	India	3,615,755,000s
559	Tokushima Sogo Bank, Ltd.	Japan	3,595,792,415
560	Aargauische Kantonalbank, Aarau	Switzerland	3,590,909,941
561	Israel Discount Bank of New York	United States	3,590,308,000t
562	Osuuspankkien Keskuspankki Oy, Helsinki	Finland	3,565,053,400s
563	First Alabama Bank, Montgomery	United States	3,561,805,000
564	Higo Sogo Bank, Ltd., Kumamoto	Japan	3,558,868,940
565	Credito Varesino, Varese	Italy	3,547,627,833v
566	Caisse de Gestion Mobiliere, Paris	France	3,546,328,432
567	Ugo Bank, Ltd., Akita	Japan	3,543,220,985
568	Norstar Bank of Upstate New York, Albany	United States	3,533,195,000
569	Overseas Union Bank, Ltd., Singapore	Singapore	3,521,966,645s
570	J. Henry Schroder Wagg & Co. Ltd., London	United Kingdom	3,516,267,830s
571	Bank of Bermuda, Ltd., Hamilton	Bermuda	3,509,701,850s
572	Midlantic National Bank, Newark, N.J.	United States	3,500,509,000
573	Chase Lincoln First Bank NA, Rochester, N.Y.	United States	3,500,108,000
574	Washington Mutual Savings Bank, Seattle	United States	3,493,311,000
575	Stadtsparkasse Nuernberg	Germany	3,491,857,551
576	Bank Bumi Daya, Jakarta	Indonesia	3,471,596,306s
577	South Carolina National Bank, Columbia	United States	3,452,190,000
578	Baring Brothers & Co., Ltd., London	United Kingdom	3,450,755,734s
579	Bank fuer Oberoesterreich und Salzburg, Linz	Austria	3,439,383,300
580	Banque Hypothecaire du Canton de Geneve, Geneva	Switzerland	3,424,336,156
581	Perpetual American Bank, FSB, McLean, Va.	United States	3,420,727,000
582	Pierson, Heldring & Pierson, Amsterdam	Netherlands	3,411,306,281st
583	Mellon Bank (East) NA, Philadelphia	United States	3,411,245,000
584	Kreissparkasse Ludwigsburg	Germany	3,409,388,181
585	Citibank (New York State), Perinton	United States	3,405,277,000
586	Union Bank of India, Bombay	India	3,394,680,815u
587	Handelsbank N.W./Zurich	Switzerland	3,394,464,420st
588	Central Fidelity Bank, Richmond	United States	3,382,611,000
589	Westfalenbank, Bochum	Germany	3,377,349,159st
590	Deutsche Girozentrale International, Luxembourg	Luxembourg	3,373,039,541v
591	Lloyds Bank Canada, Toronto	Canada	3,352,502,120
592	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	United States	3,338,107,000
593	Citibank Espana, Madrid	Spain	3,336,662,912t
594	Mercantile Bank NA, St. Louis	United States	3,334,585,000
595	Caja de Ahorros de Alicante y Murcia, Alicante	Spain	3,316,486,448
596	Bank of Kuwait and the Middle East	Kuwait	3,315,680,000
597	Sumitomo Bank of California, San Francisco	United States	3,311,842,000v
598	Yamaguchi Sogo Bank Ltd., Tokuyama	Japan	3,306,332,950
599	Banque Nationale de Paris (Luxembourg)	Luxembourg	3,279,852,965t
600	First Hawaiian Bank, Honolulu	United States	3,275,960,000

Rank 12/87			12/31/87 Deposits (U.S. Dollars)
601	Yamagata Sogo Bank, Ltd.	Japan	3,271,301,160
602	Moscow Narodny Bank Ltd., London	United Kingdom	3,271,251,912
603	Liechtensteinische Landesbank, Vaduz	Liechtenstein	3,246,325,684
604	Sanyo Sogo Bank, Ltd., Okayama	Japan	3,243,012,950
605	Banque de l'Etat de Fribourg	Switzerland	3,242,384,532
606	Emigrant Savings Bank, New York	United States	3,239,474,000
607	Zuger Kantonalbank, Zug	Switzerland	3,238,690,510
608	ANZ Banking Group (New Zealand) Ltd., Wellington	New Zealand	3,237,907,811t
609	United Bank, Ltd., Karachi	Pakistan	3,236,542,566u
610	First Union National Bank, Atlanta	United States	3,235,329,000
611	Oesterreichische Credit-Institut, Vienna	Austria	3,228,350,474t
612	First RepublicBank Houston NA	United States	3,221,796,000
613	Shokusan Sogo Bank, Ltd., Yamagata	Japan	3,220,407,710
614	Bank of California NA, San Francisco	United States	3,211,115,000v
615	Banca Popolare dell'Emilia, Modena	Italy	3,208,655,323
616	Industrial Bank of Japan Trust Co., New York	United States	3,202,955,000v
617	Banque Paribas (Luxembourg)	Luxembourg	3,201,712,699t
618	Banca del Gottardo, Lugano	Switzerland	3,183,748,769tu
619	Indiana National Bank, Indianapolis	United States	3,183,694,000
620	Banca Popolare Veneta, Padova	Italy	3,180,420,239
621	Deutsche Verkehrs-Kredit Bank, Frankfurt	Germany	3,180,034,781
622	Banco de la Provincia de Buenos Aires	Argentina	3,179,093,282
623	Banco San Geminiano e San Prospero, Modena	Italy	3,171,531,614u
624	Banca Serfin, Mexico City	Mexico	3,163,023,961
625	Fuji Bank & Trust Co., New York	United States	3,156,325,000v
626	Trust Bank of Africa Ltd., Cape Town	South Africa	3,141,557,760s
627	United Overseas Bank, Geneva	Switzerland	3,131,294,237s
628	Shonai Bank, Ltd., Tsuruoka	Japan	3,112,977,415
629	Green Point Savings Bank, Brooklyn, New York	United States	3,102,199,090
630	Tottori Bank, Ltd.	Japan	3,101,041,595
631	Stadtsparkasse Duisburg	Germany	3,098,528,035
632	First International Bank of Israel, Ltd., Tel-Aviv	Israel	3,091,248,917s
633	NatWest Investment Bank Ltd., London	United Kingdom	3,074,568,516t
634	Bank in Liechtenstein, Vaduz	Liechtenstein	3,067,249,493
635	American National Bank & Trust Co., Chicago	United States	3,066,564,000
636	Equitable Bank NA, Baltimore	United States	3,066,045,000
637	Banco Totta & Acores, Lisbon	Portugal	3,057,429,399
638	Banque Scalbert DuPont, Lille	France	3,056,629,658
639	Banca del Friuli, Udine	Italy	3,053,019,925
640	Boatmen's National Bank, St. Louis, Mo.	United States	3,047,167,000
641	Banco Borges & Irmao, Oporto	Portugal	3,023,403,184
642	Credito Bergamasco, Bergamo	Italy	3,022,555,800s
643	Siam Commercial Bank Ltd., Bangkok	Thailand	3,006,573,754
644	Cassa di Risparmio di Parma	Italy	2,995,899,225s
645	American Savings Bank FSB, New York	United States	2,993,944,000
646	Chevy Chase Savings Bank, FSB, Md.	United States	2,989,811,213
647	Branch Banking Trust Co., Wilson, N.C.	United States	2,989,736,000
648	Arab National Bank, Riyadh	Saudi Arabia	2,977,381,358s
649	Tajima Bank, Ltd., Toyooka	Japan	2,968,876,925
650	Societe Marseillaise de Credit, Marseille	France	2,959,632,390s
651	Kreissparkasse Hannover	Germany	2,955,680,000
652	Kantonalbank Schwyz	Switzerland	2,955,047,096
653	Norstar Bank NA, Buffalo, N.Y.	United States	2,954,131,764
654	Sparkasse Bielefeld	Germany	2,949,673,096
655	Nagano Sogo Bank, Ltd., Matsumoto	Japan	2,947,079,015
656	Banque du Caire, Cairo	Egypt	2,943,445,000u
657	Banque Cantonale du Valais, Sion	Switzerland	2,919,532,789
658	Daito Sogo Bank, Ltd., Koriyama	Japan	2,916,376,730
659	Cassa di Risparmio di Piacenza	Italy	2,909,086,994
660	Caisse d'Epargne de la Republique et Canton de Geneva	Switzerland	2,906,509,264u
661	Kashu Sogo Bank, Ltd., Kanazawa	Japan	2,894,230,560
662	Sun Bank NA, Orlando, Fla.	United States	2,871,213,000
663	BayBank Middlesex, Burlington, Mass.	United States	2,869,752,000
664	First Interstate Bank of Washington NA, Seattle	United States	2,862,510,000
665	Sparkasse Bochum	Germany	2,855,453,753
666	Solothurner Kantonalbank, Solothurn	Switzerland	2,855,164,707
667	Banca Popolare Commercio e Industria, Milan	Italy	2,830,088,381
668	Continental Bank, Norristown, Pa.	United States	2,817,484,000
669	Banco de Madrid	Spain	2,816,552,288st
670	Stadtsparkasse Wuppertal, Wuppertal	Germany	2,816,351,490
671	Citizens & Southern National Bank, Charleston, S.C.	United States	2,816,344,000
672	First Wisconsin National Bank, Milwaukee	United States	2,808,607,000
673	City National Bank, Beverly Hills, Calif.	United States	2,803,020,000
674	Sparkasse Bonn	Germany	2,801,996,777u
675	Libra Bank Plc., London	United Kingdom	2,798,608,996u
676	Sparkasse Krefeld	Germany	2,786,735,086
677	Cassa di Risparmi e Depositi di Prato	Italy	2,782,612,306
678	Sovran Bank/Maryland, Bethesda	United States	2,778,825,000
679	Union Bank of Finland International, Luxembourg	Luxembourg	2,774,598,525st
680	Caja de Ahorros Vizcaina, Bilbao	Spain	2,772,328,240
681	United Jersey Bank, Hackensack, N.J.	United States	2,763,704,000
682	Bank of East Asia, Ltd., Hong Kong	Hong Kong	2,755,155,133
683	Cassa di Risparmio di Venezia, Venice	Italy	2,738,235,181
684	Trustee Savings Bank Scotland, Edinburgh	United Kingdom	2,737,674,700
685	Manhattan Savings Bank, New York	United States	2,730,382,945
686	First National Bank, Louisville, Ky.	United States	2,725,694,000
687	Fuso Sogo Bank, Ltd., Tottori	Japan	2,724,073,890
688	Laurentian Bank of Canada, Montreal	Canada	2,716,098,640
689	Society for Savings, Hartford, Conn.	United States	2,715,978,000
690	Trinkaus & Burkhardt, Duesseldorf	Germany	2,701,397,801tu
691	Bank One Indianapolis NA	United States	2,700,745,000
692	Deposit Guaranty National Bank, Jackson, Miss.	United States	2,696,140,000
693	First-Citizens Bank & Trust Co., Raleigh, N.C.	United States	2,692,891,000
694	National Community Bank, Rutherford, N.J.	United States	2,689,467,000
695	Stadtsparkasse Muenster (Westf)	Germany	2,685,436,703
696	Chubu Sogo Bank, Ltd., Shizuoka	Japan	2,675,412,470
697	Ionian and Popular Bank of Greece, Athens	Greece	2,673,644,600v
698	Qatar National Bank, Doha	Qatar	2,668,296,577
699	Copenhagen Handelsbank International	Luxembourg	2,656,303,820t
700	Co-operative Bank Plc., Manchester	United Kingdom	2,651,131,340s

Banks Ranked After the First 500

With Deposit on Dec. 31, 1987

Rank 12/87			12/31/87 Deposits (U.S. Dollars)
701	First American Bank of Virginia, McLean	United States	2,639,792,000
702	Greenwood Trust Co., New Castle, Del.	United States	2,630,684,000
703	Discount Bank & Trust Co., Geneva	Switzerland	2,626,968,975s
704	Bank Leumi Trust Co., New York	United States	2,625,936,000t
705	Dominion Bank NA, Roanoke, Va.	United States	2,624,936,000
706	Albank Alsaudi Alhollandi, Jeddah	Saudi Arabia	2,614,445,372
707	Credit General S.A. de Banque, Brussels	Belgium	2,609,868,399v
708	British Bank of the Middle East, Hong Kong	Hong Kong	2,601,235,324st
709	Shinko Sogo Bank, Ltd., Sendai	Japan	2,599,428,470
710	BNP Espana, Madrid	Spain	2,590,954,608t
711	Hudson City Savings Bank, Paramus, N.J.	United States	2,585,407,549
712	Centerre Bank NA, St. Louis	United States	2,581,955,000
713	Sparkasse Pforzheim	Germany	2,581,124,000
714	Manufacturers & Traders Trust Co., Buffalo, N.Y.	United States	2,580,939,000
715	Old Stone Bank FSB, Providence, R.I.	United States	2,575,999,000
716	First Interstate Bank of Nevada NA, Reno	United States	2,567,255,000
717	Yapi ve Kredi Bankasi, Istanbul	Turkey	2,562,545,513
718	Banca Agricola Mantovana, Mantova	Italy	2,559,256,866u
719	Banque Paribas Nederland, Amsterdam(q)	Netherlands	2,552,976,660st
720	Georgia Federal Bank, FSB, Atlanta	United States	2,552,621,000
721	Caja de Ahorros Provincial de Guipuzcoa, San Sebastian	Spain	2,540,042,384
722	Akita Sogo Bank, Ltd.	Japan	2,538,878,720
723	Banca dello Stato del Cantone Ticino, Bellinzona	Switzerland	2,534,751,264
724	Apple Bank For Savings, New York	United States	2,533,419,000
725	Allahabad Bank, Calcutta	India	2,533,176,835
726	Banca del Monte di Bologna e Ravenna, Bologna	Italy	2,523,734,805
727	Banque de la Societe Financiere Europeenne, Paris	France	2,512,753,039t
728	Midlantic National Bank/North, West Paterson, N.J.	United States	2,501,283,000
729	Bank of Baltimore	United States	2,499,203,000
730	Bank One Columbus NA, Ohio	United States	2,477,588,000
731	Rhode Island Hospital Trust National Bank, Providence	United States	2,475,415,000
732	Stadtsparkasse Augsburg	Germany	2,471,591,839
733	Caja de Ahorros y Monte de Piedad Municipal de Bilbao	Spain	2,467,162,720
734	French American Banking Corp., New York	United States	2,462,774,932t
735	First City National Bank, Houston	United States	2,461,980,000
736	Barclays Bank, Madrid	Spain	2,451,594,288t
737	Societe Nanceienne de Credit Ind'l et Varin-Bernier, Nancy	France	2,445,249,925
738	Union Trust Co., Stamford, Conn.	United States	2,443,702,000
739	Credit Bank, Athens	Greece	2,4[illegible]7,923,985
740	Banco de Ponce, P.R.	United States	2,422,435,000
741	Stadtsparkasse Aachen	Germany	2,409,898,150
742	Girobank, Plc, London	United Kingdom	2,403,741,400s
743	Citibank Canada, Toronto	Canada	2,402,788,640st
744	Williamsburgh Savings Bank, Brooklyn, New York	United States	2,400,154,000
745	Akbank Turk, Istanbul	Turkey	2,395,462,761u
746	Wilmington Trust Co., Del.	United States	2,394,782,000
747	F. van Lanschot, Bankiers, 's-Hertogenbosch	Netherlands	2,387,616,341
748	Bank of N.T. Butterfield & Son, Ltd., Hamilton	Bermuda	2,384,672,690s
749	Uniao de Bancos Portugueses, Oporto	Portugal	2,376,263,915u
750	Seamen's Bank for Savings FSB, New York	United States	2,372,010,000
751	Bank South NA, Atlanta	United States	2,366,468,000
752	Pacific First Federal Savings Bank, Tacoma, Wash.	United States	2,359,451,000
753	Hongkong Bank of Canada, Vancouver	Canada	2,358,268,600t
754	Credit Industriel de l'Ouest, Nantes	France	2,355,157,728t
755	Central Bank of the South, Birmingham, Ala.	United States	2,346,580,000
756	Landesbank Saar-Girozentrale, Saarbrucken	Germany	2,345,819,385u
757	Fifth Third Bank, Cincinnati	United States	2,341,505,000
758	Banque Nationale de Paris 'Intercontinentale'	France	2,341,031,940st
759	Bank Western, Denver	United States	2,339,671,927
760	Trustmark National Bank, Jackson, Miss.	United States	2,332,090,000
761	Hamilton Bank, Lancaster, Pa.	United States	2,326,055,000
762	First Security Bank of Utah NA, Ogden	United States	2,324,295,000
763	Monte de Piedad y Caja de Ahorros de Ronda	Spain	2,306,833,056
764	First American National Bank, Nashville	United States	2,299,781,000
765	Landesbank Rheinland-Pfalz und Saar Intl, Luxembourg	Luxembourg	2,298,841,425t
766	Banco Zaragozano	Spain	2,291,600,432u
767	Whitney National Bank, New Orleans, La.	United States	2,289,122,000
768	Signet Bank/Maryland, Baltimore	United States	2,284,656,000
769	Skanska Banken, Malmo	Sweden	2,276,792,482
770	Old Kent Bank & Trust Co., Grand Rapids, Mich.	United States	2,274,166,000
771	Banca Agricola Milanese, Milan	Italy	2,263,659,860t
772	Saudi British Bank, Riyadh	Saudi Arabia	2,261,667,128
773	Danske Bank International, Luxembourg	Luxembourg	2,255,695,746t
774	Trustcorp Bank Ohio, Toledo	United States	2,255,661,000
775	Sovran Bank/Central South, Nashville, Tenn.	United States	2,255,499,000
776	St. Paul Federal Bank for Savings, Chicago	United States	2,248,559,483
777	Banco de Fomento, Madrid	Spain	2,244,991,103
778	Equibank, Pittsburgh	United States	2,233,748,000
779	Third National Bank, Nashville, Tenn.	United States	2,232,657,000
780	Banque Vernes et Commerciale de Paris	France	2,229,665,393
781	Lincoln Savings Bank FSB, New York	United States	2,228,785,000
782	First Minnesota Savings Bank FSB, St. Paul	United States	2,224,284,000
783	Central Trust Co. NA, Cincinnati	United States	2,216,828,000
784	Bank of Oman Ltd., Dubai	United Arab Emirate	2,212,503,624s
785	Standard Chartered Merchant Bank Ltd., London	United Kingdom	2,204,490,706st
786	Northern Bank Ltd., Belfast	United Kingdom	2,191,009,578st
787	Hypotheek-en Spaarmaatschappij van Antwerpen, Antwerp	Belgium	2,188,542,527v
788	Wuestenrot Bank, Ludwigsburg	Germany	2,174,718,000
789	Citibank AG, Frankfurt	Germany	2,172,996,776t
790	Citicorp Investment Bank (Luxembourg)	Luxembourg	2,169,723,589
791	Idaho First National Bank, Boise	United States	2,169,385,000
792	Privredna Banka Sarajevo-Udruzena Banka, Sarajevo	Yugoslavia	2,161,221,948
793	SouthTrust Bank of Alabama NA, Birmingham	United States	2,159,911,000
794	Banque Louis-Dreyfus, Paris	France	2,145,411,172
795	Stadt-und Kreissparkassen Erlangen	Germany	2,142,425,067
796	Wakayama Sogo Bank, Ltd.	Japan	2,134,343,070
797	Sparkasse Karlsruhe	Germany	2,130,765,000
798	Barclays de Zoete Wedd Ltd., London	United Kingdom	2,128,443,414st
799	Barclays Bank of New York NA	United States	2,126,846,000v
800	Texas American Bank/Fort Worth NA	United States	2,126,021,000

Rank 12/87			12/31/87 Deposits (U.S. Dollars)
801	Kyoto Sogo Bank, Ltd.	Japan	2,114,785,105
802	Tohuku Bank, Ltd., Morioka	Japan	2,108,144,420
803	Dai-Ichi Kangyo Bank Nederland, Amsterdam	Netherlands	2,104,384,412v
804	First Jersey National Bank, Jersey City, N.J.	United States	2,103,146,000
805	Citytrust, Bridgeport, Conn.	United States	2,100,950,000
806	Bank Rakyat Indonesia, Jakarta	Indonesia	2,090,653,236
807	Osaka Sogo Bank, Ltd.	Japan	2,090,335,670
808	Shanghai Commercial Bank, Ltd., Hong Kong	Hong Kong	2,088,349,418s
809	Rochester Community Savings Bank, N.Y.	United States	2,088,114,000
810	Kreissparkasse Herford	Germany	2,085,765,246
811	Howa Sogo Bank, Ltd. Oita	Japan	2,082,491,905
812	Banco Real, Sao Paulo	Brazil	2,076,912,200
813	Fukui Sogo Bank, Ltd. Fukui	Japan	2,073,666,680
814	Merchants National Bank & Trust Co., Indianapolis	United States	2,065,088,000
815	Citizens First National Bank, Ridgewood, N.J.	United States	2,058,391,000
816	Stuttgarter Bank, Stuttgart	Germany	2,047,318,000
817	Bank Winter & Co., Vienna	Austria	2,045,654,779
818	Okinawa Sogo Bank, Ltd., Naha	Japan	2,045,418,045
819	Banco Fonsecas & Burnay, Lisbon	Portugal	2,042,907,639
820	Miyazaki Sogo Bank, Ltd., Miyazaki	Japan	2,040,194,145
821	First National Bank, Cincinnati	United States	2,037,195,000
822	Royal Trust Bank (Switzerland), Zurich	Switzerland	2,034,664,274u
823	United Bank of Arizona, Phoenix	United States	2,032,640,000
824	Banca Popolare di Sondrio	Italy	2,027,567,236
825	Colonial Bank, Waterbury, Conn.	United States	2,026,112,000
826	Chikuho Bank, Ltd., Kurume	Japan	2,018,554,535
827	Zions First National Bank, Salt Lake City, Utah	United States	2,014,243,000
828	Norske Creditbank Plc, London	United Kingdom	2,001,015,824st
829	Bank of Maharashtra, Poona City	India	1,996,207,960
830	New Jersey National Bank, Pennington	United States	1,987,207,000
831	United States Trust Co., New York	United States	1,985,398,000
832	L'Europeenne de Banque, Paris	France	1,978,812,985st
833	Commercial Bank of Syria, Damascus	Syria	1,977,583,960
834	Shizuoka Sogo Bank, Ltd., Numazu	Japan	1,977,451,940
835	U.S. Bank of Washington NA, Seattle	United States	1,975,904,000
836	Dollar Bank FSB, Pittsburgh	United States	1,972,825,000
837	Multibanco Comermex, Chihuahua	Mexico	1,971,988,475
838	Greater New York Savings Bank, New York	United States	1,971,006,000
839	Libyan Arab Foreign Bank, Tripoli	Libya	1,962,737,600tu
840	Hessische Landesbank International, Luxembourg	Luxembourg	1,958,978,384t
841	Norstar Bank, Hempstead, N.Y.	United States	1,944,502,000
842	East River Savings Bank, New York	United States	1,919,849,000
843	First Fidelity Bank NA/North Jersey, Totowa, N.J.	United States	1,918,497,000
844	Union National Bank, Pittsburgh	United States	1,914,670,000
845	BHF-Bank International, Luxembourg	Luxembourg	1,910,445,279t
846	Landes-Hypothekenbank Tirol, Innsbruck	Austria	1,909,557,758
847	Svenska Handelsbanken, Luxembourg	Luxembourg	1,907,277,410t
848	Bank of New York (Delaware), Wilmington	United States	1,902,650,000
849	Nordfinanz-Bank Zurich	Switzerland	1,898,967,600st
850	Allgemeine Sparkasse, Linz	Austria	1,890,220,158
851	Citibank (South Dakota) NA, Sioux Falls	United States	1,883,347,000
852	Credito Emiliano, Reggio Emilia	Italy	1,881,104,591
853	Caja de Ahorros de Asturias, Oviedo	Spain	1,870,124,080
854	United Bank of Denver NA	United States	1,853,676,000
855	NCNB South Carolina, Columbia	United States	1,852,916,000
856	Northeastern Bank of Pennsylvania, Wilkes-Barre	United States	1,848,484,000
857	Key Bank NA, Albany, N.Y.	United States	1,845,798,000
858	Banco di Roma per la Svizzera, Lugano	Switzerland	1,839,076,773t
859	Dena Bank, Bombay	India	1,833,683,760
860	First Interstate Bank of Texas NA, Houston	United States	1,824,120,000
861	Valley Bank of Nevada, Las Vegas	United States	1,812,463,000
862	Schweizerische Bankgesellschaft (Deutschland), Frankfurt	Germany	1,804,223,748v
863	Caisse d'Epargne de Bordeaux	France	1,796,275,915
864	M & I Marshall & Ilsley Bank, Milwaukee, Wis.	United States	1,791,678,000
865	Banco Guipuzcoano, San Sebastian	Spain	1,783,128,180
866	Banco di Chiavari e della Riviera Ligure, Genoa	Italy	1,771,157,331t
867	Barnett Bank of Pinellas Cty., St. Petersburg, Fla.	United States	1,758,525,000
868	Caja de Ahorros del Penedes, Vilafranca del Penedes	Spain	1,751,182,752
869	Cassa di Risparmio della Provincia di Bolzano	Italy	1,750,124,981
870	Norske Creditbank (Luxembourg)	Luxembourg	1,747,599,762t
871	Southern National Bank, Lumberton, N.C.	United States	1,741,311,000
872	Banco de Financiacion Industrial, Madrid	Spain	1,735,847,520
873	Nagasaki Sogo Bank, Ltd.	Japan	1,725,375,020
874	Provinsbanken International (Luxembourg)	Luxembourg	1,723,360,450t
875	First National Bank of Commerce, New Orleans, La.	United States	1,718,284,000
876	Household Bank FSB, Newport Beach, Calif.	United States	1,717,147,000
877	Arab International Bank, Cairo	Egypt	1,715,418,653
878	National State Bank, Elizabeth, N.J.	United States	1,707,257,000
879	Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.	United States	1,704,438,000
880	Altus Bank, FSB, Mobile, Ala.	United States	1,690,554,000
881	Boston Five Cents Savings Bank FSB	United States	1,690,011,000
882	Kansallis International Bank, Luxembourg	Luxembourg	1,687,159,180t
883	Italian International Bank Plc., London	United Kingdom	1,678,540,000st
884	Midlantic National Bank/South, Mt. Laurel, N.J.	United States	1,677,164,000
885	Banco de Andalucia, Jerez de la Frontera	Spain	1,674,972,992
886	Salzburger Sparkasse	Austria	1,672,862,707
887	Cassa di Risparmio di Pistoia e Pescia, Pistoia	Italy	1,668,475,655
888	Bank of Ayudhya, Ltd., Bangkok	Thailand	1,663,517,383
889	Banco Arabe Espanol, Madrid	Spain	1,662,081,696
890	Barnett Bank of Central Florida NA, Winter Park	United States	1,661,960,000
891	United Carolina Bank, Whiteville, N.C.	United States	1,659,918,000
892	Banco de Valencia	Spain	1,657,119,200
893	Banco del Estado de Chile, Santiago	Chile	1,656,582,425
894	Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.	United States	1,654,821,000
895	Great Lakes Bancorp, Ann Arbor, Mich.	United States	1,649,556,000
896	Commerce Bank of St. Louis NA, Clayton, Mo.	United States	1,648,371,000
897	First Virginia Bank, Falls Church	United States	1,646,779,000
898	Albany Savings Bank FSB, N.Y.	United States	1,643,321,807
899	First Fidelity Bank NA, Burlington Twp., N.J.	United States	1,641,949,000
900	First National Bank, Akron, Ohio	United States	1,639,649,000

Banks Ranked After the First 500

With Deposit on Dec. 31, 1987

Rank 12/87			12/31/87 Deposits (U.S. Dollars)
901	**Sun Bank/Miami NA**	United States	1,636,929,000
902	**Vereins-und Westbank Internationale, Luxembourg**	Luxembourg	1,633,510,032t
903	**Commercial Bank of Ethiopia, Addis Ababa**	Ethiopia	1,631,811,814
904	**National Bank of Washington, D.C.**	United States	1,630,700,000
905	**Shokin Sogo Bank, Ltd., Fukuoka**	Japan	1,630,584,980
906	**East New York Savings Bank, New York**	United States	1,622,622,305
907	**Sun Bank/South Florida NA, Fort Lauderdale**	United States	1,613,977,000
908	**Banco del Comercio, Madrid**	Spain	1,609,594,519
909	**Caja General de Ahorros y Monte de Piedad de Granada**	Spain	1,606,290,928
910	**Liberty National Bank & Trust Co., Louisville, Ky.**	United States	1,605,763,000
911	**Exchange National Bank, Chicago**	United States	1,605,587,000
912	**Matsue Sogo Bank, Ltd.**	Japan	1,596,748,355
913	**Banque Belge Ltd., London**	United Kingdom	1,596,740,408t
914	**UBAF Bank Ltd., London (w)**	United Kingdom	1,590,746,700
915	**BankAtlantic, FSB, Fort Lauderdale, Fla.**	United States	1,586,231,000
916	**Puget Sound National Bank, Tacoma, Wash.**	United States	1,585,345,000
917	**United Missouri Bank of Kansas City NA**	United States	1,570,053,000
918	**Kanagawa Sogo Bank, Ltd., Yokohama**	Japan	1,564,542,220
919	**Bank of Oklahoma NA, Tulsa**	United States	1,564,101,000
920	**Union Planters National Bank, Memphis**	United States	1,554,746,000
921	**Banco Industrial de Bilbao**	Spain	1,552,533,664t
922	**Bank One Dayton NA, Ohio**	United States	1,550,112,000
923	**Bank of Bahrain and Kuwait, Manama**	Bahrain	1,550,006,200
924	**Societe Generale de Banque en Espangne, Madrid**	Spain	1,546,254,933t
925	**Banque Cantonale Neuchteloise, Neuchatel**	Switzerland	1,541,093,299
926	**Pioneer Savings Bank, Clearwater, Fla.**	United States	1,538,062,000
927	**First National Bank, Toms River, N.J.**	United States	1,532,782,000
928	**Caja de Ahorros de Navarra, Pamplona**	Spain	1,532,487,792
929	**First Eastern Bank NA, Wilkes-Barre, Pa.**	United States	1,532,161,000
930	**Old National Bank, Spokane, Wash.**	United States	1,526,136,000
931	**Banco Comercial Transatlantico, Barcelona**	Spain	1,524,549,664s
932	**National Bank of Bahrain, Manama**	Bahrain	1,523,988,500
933	**International Commercial Bank Plc, London**	United Kingdom	1,522,440,095
934	**American Pioneer Savings Bank, Orlando, Fla.**	United States	1,519,821,000
935	**Indonesische Overzeese Bank, Amsterdam**	Netherlands	1,519,530,883t
936	**M.M. Warburg-Brinckmann, Wirtz & Co., Hamburg**	Germany	1,511,929,055s
937	**Cardinal Federal Savings Bank, Cleveland**	United States	1,509,146,000
938	**Toyo Sogo Bank, Ltd., Shimozuma**	Japan	1,508,171,590
939	**Merchants Bank NA, Allentown, Pa.**	United States	1,503,023,516
940	**Society Bank NA, Dayton, Ohio**	United States	1,499,306,000
941	**Caja de Ahorros y Monte de Piedad Municipal de Vigo**	Spain	1,490,763,648
942	**Horizon Bank NA, Morristown, N.J.**	United States	1,479,374,000
943	**Banco Herrero, Ovideo**	Spain	1,478,721,200
944	**Banco NatWest March, Madrid**	Spain	1,478,394,720t
945	**Frost National Bank, San Antonio, Tex.**	United States	1,474,031,000
946	**Union Bank of Israel Ltd., Tel-Aviv**	Israel	1,470,618,802t
947	**Imperial Bank, Los Angeles**	United States	1,463,047,000
948	**Sparkasse Detmold**	Germany	1,461,952,092
949	**United Bank & Trust Co., Hartford**	United States	1,459,026,000
950	**First American Bank NA, Washington, D.C.**	United States	1,457,891,000
951	**Vojvodjanska Banka-Udruzena Banka, Novi Sad**	Yugoslavia	1,451,485,056
952	**Manufacturers Hanover Bank (Delaware), Wilmington**	United States	1,447,423,000
953	**Caja de Ahorros y Monte de Piedad de Leon**	Spain	1,442,799,072
954	**Mitsui Manufacturers Bank, Los Angeles**	United States	1,431,812,000v
955	**Beneficial Savings Bank, Philadelphia**	United States	1,431,465,000
956	**First Interstate Bank of Denver NA**	United States	1,428,712,000
957	**IBJ Schroder Bank & Trust Co., New York**	United States	1,425,302,000v
958	**Caja de Ahorros y Monte de Piedad de Baleares, Palma de Mallorca**	Spain	1,422,687,904
959	**National Bank of Alaska, Anchorage**	United States	1,419,619,000
960	**Toyama Bank, Ltd., Takaoka**	Japan	1,417,038,280
961	**Caja de Ahorros y Monte de Piedad de Salamanca**	Spain	1,415,346,768
962	**First Security Bank of Idaho NA, Boise**	United States	1,415,255,000
963	**National Bank of Commerce, Dar-es-Salaam**	Tanzania	1,409,335,106
964	**Citizens Bank & Trust Co., Riverdale, Md.**	United States	1,408,487,000
965	**Sunwest Bank of Albuquerque, N.M.**	United States	1,402,146,000
966	**Mitsubishi Bank of California, Los Angeles**	United States	1,399,238,000v
967	**Barnett Bank of Southwest Fla., Sarasota**	United States	1,397,595,000
968	**Banco de Chile, Santiago**	Chile	1,397,587,850
969	**Norwest Bank South Dakota NA, Sioux Falls**	United States	1,390,074,000
970	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	United States	1,383,183,000
971	**Ensign Bank FSB, New York**	United States	1,367,260,000
972	**Bank of Delaware, Wilmington**	United States	1,365,128,000
973	**Bank of New England-West NA, Springfield, Mass.**	United States	1,362,711,000
974	**Valley National Bank, Passaic, N.J.**	United States	1,357,060,000
975	**Banque Intercontinentale Arabe, Paris**	France	1,356,574,400
976	**Banco de Santander-Puerto Rico, Hato Rey**	United States	1,353,695,000t
977	**Collective Federal S&L Assn., Egg Harbor City, N.J.**	United States	1,338,269,998
978	**NBC Bank-San Antonio NA, Tex.**	United States	1,336,012,000
979	**Citizens Savings Bank FSB, Providence, R.I.**	United States	1,333,507,117
980	**Merchants Bank, Kansas City, Mo.**	United States	1,331,958,000
981	**Trust Company of New Jersey, Jersey City**	United States	1,314,410,000
982	**Barnett Bank of Jacksonville NA, Fla.**	United States	1,309,816,000
983	**Texas Commerce Bank Dallas NA**	United States	1,304,268,000
984	**First Federal Savings Bank, Cleveland**	United States	1,289,219,000
985	**Provident Savings Bank, Jersey City, N.J.**	United States	1,288,560,000
986	**Fidelity of New York, FSB, Floral Park**	United States	1,287,176,000
987	**BayBank Norfolk County Trust Co., Dedham, Mass.**	United States	1,284,673,000
988	**Key Bank of Central New York, Syracuse**	United States	1,282,799,000
989	**Bank of Credit & Commerce Hong Kong Ltd.**	Hong Kong	1,281,729,920
990	**Goldome Savings Bank, St. Petersburg, Fla.**	United States	1,273,330,161
991	**Banco Nacional, Rio de Janiero**	Brazil	1,267,216,230s
992	**Morgan Bank (Delaware), Wilmington**	United States	1,266,239,000
993	**Marine Bank NA, Milwaukee, Wis.**	United States	1,263,708,000
994	**Central Carolina Bank & Trust Co., Durham, N.C.**	United States	1,260,341,000
995	**MBank El Paso NA, Tex.**	United States	1,256,929,000
996	**First Federal Savings Bank of California, Santa Monica**	United States	1,256,458,000
997	**Casco Northern Bank NA, Portland, Me.**	United States	1,255,010,000
998	**Summit Bank, Fort Wayne, Ind.**	United States	1,254,814,000
999	**Peoples Westchester Savings Bank, Hawthorne, N.Y.**	United States	1,252,689,000
1000	**Provident Bank, Cincinnati**	United States	1,251,649,000

The Top 500: Largest Deposit Increases

Dollar amounts in millions

		Deposits 12/31/87	Deposits 12/31/86	Percent Increase	World Rank	Reason for Increase
1	**First Bank NA, Minneapolis,** United States	11,481.2	5,826.9	97.0	217	Merged 12 of its parent's (First Bank System) banks on 12/31/87.
2	**Banco Intercontinental Espanol, Madrid**, Spain	5,169.7	2,593.0	99.4	426	Balances due from banks rose 170% and private customer deposits rose 150%.
3	**Banque Francaise du Commerce Exterieur, Paris,** France	17,534.9	9,156.1	91.5	154	67% of the gain due to interbank deposit growth.
4	**Bank of New Zealand, Ltd., Wellington**	10,212.9	5,388.5	89.5	245	Current data are for 3/31/88, and prior data are for 3/31/86.
5	**Credit Lyonnais Nederland, Rotterdam** Netherlands	12,348.0	6,635.2	86.1	205	Acquired Nederlandse Creditbank, Amsterdam.
6	**Banco Urquijo Union, Madrid,** Spain	5,020.6	2,800.3	79.3	435	Reported consolidated deposits for 1987, unconsolidated for 1986.
7	**Banca Catalana, Barcelona,** Spain	5,771.8	3,301.4	74.8	391	A 260.1% rise in deposits due other banks accounted for 63.1% of the gain.
8	**Hyogo Sogo Bank, Ltd., Kobe,** Japan	24,141.6	13,846.2	74.4	114	Bank involved in merger in 1987.
9	**Stadtsparkasse Hannover, Hanover,** Germany	4,413.1	2,541.2	73.7	488	Reason for gain is unknown.
10	**Boston Safe Deposit & Trust Co.**	11,445.0	6,830.1	67.6	219	35% of the gain due to growth in money market deposit accounts.

The Top 1,000: Largest Deposit Declines

Dollar amounts in millions

		Deposits 12/31/87	Deposits 12/31/86	Percent Increase	World Rank	Reason for Decrease
1	**Commercial Bank of Syria, Damasacus**	1,977.6	5,282.8	62.6	833	Pound fell 64.80% vis-a-vis the dollar.
2	**Udruzena Banka Hrvatske, Zagreb,** Yugoslavia	4,479.6	8,140.3	45.0	482	Dinar fell 63.45% vis-a-vis the dollar.
3	**National Bank of Egypt, Cairo**	6,070,5	10,313.9	41.1	376	Pound fell 43.85% vis-a-vis the dollar.
4	**Banco Nacional, Rio de Janiero,** Brazil	1,267.2	2,114.5	40.1	991	Cruzado fell 80.07% vis-a-vis the dollar.
5	**Banque du Caire, Cairo,** Egypt	2,943.4	4,892.2	39.8	656	Pound fell 43.85% vis-a-vis the dollar.
6	**First Interstate Bank of Texas NA, Houston,** United States	1,824.1	2,886.9	36.8	860	Decline primarily attributable to bad real estate and energy-related loans.
7	**Banque Misr, Cairo,** Egypt	6,080.7	9,100,0	33.2	375	Reported unconsolidated assets for 1987, consolidated assets for 1986.
8	**Imperial Bank, Los Angeles,** United States	1,463.0	2,188.5	33.1	947	Demand deposits fell by more than 44% to account for the decline.
9	**International Commercial Bank of China, Taipei,** Taiwan	4,531.8	6,472.2	30.0	474	Drop in deposits due other banks accounted for the decline.
10	**Libyan Arab Foreign Bank, Tripoli**	1,962.7	2,707.9	27.5	839	No reason given for decline.

410 Largest Banks Outside U.S.

Listed Geographically by Order of Size within Nations

Rank 12/87		12/31/87 Deposits (U.S. Dollars)
	Argentina	
367	Banco de la Nacion Argentina, Buenos Aires	6,216,066,895
	Australia	
96	Australia & New Zealand Banking Group, Ltd., Melbourne	29,079,999,225s
97	Westpac Banking Corp., Sydney	28,457,490,600s
125	Commonwealth Banking Corp., Sydney	21,123,084,367s
132	Commonwealth Bank of Australia, Sydney	20,151,484,955st
152	National Australia Bank Ltd, Melbourne	17,726,332,554u
254	State Bank Victoria, Melbourne	9,790,738,027s
258	Commonwealth Savings Bank of Australia, Sydney	9,583,975,415t
412	Westpac Savings Bank Ltd., Sydney	5,475,436,120t
454	State Bank of New South Wales, Sydney	4,722,693,479
	Austria	
94	Creditanstalt-Bankverein, Vienna	29,584,486,710
138	Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	19,761,070,765u
148	Oesterreichische Laenderbank, Vienna	18,078,491,879s
172	Zentralsparkasse und Kommerzialbank, Vienna	15,541,239,826u
180	Oesterreichische Postsparkasse, Vienna	14,449,282,200s
181	Bank fuer Arbeit und Wirtschaft, Vienna	14,443,279,662u
183	Genossenschaftliche Zentralbank, Vienna	14,343,744,015u
233	Erste Oesterreichische Spar-Casse, Vienna	10,654,569,208u
440	Oesterreichische Volksbanken, Vienna	4,960,854,139
	Bahrain	
177	Arab Banking Corp., Manama	14,951,000,000s
297	Gulf International Bank B.S.C., Manama	8,186,933,850
	Belgium	
52	Generale Banque, Brussels	60,578,331,000s
71	Banque Bruxelles Lambert, Brussels	44,623,655,053s
83	Caisse Generale d'Epargne et de Retraite, Brussels	34,741,528,295u
95	Kredietbank International Group, Brussels	29,465,711,000u
209	Societe Nationale de Credit a l'Industrie, Brussels	12,070,746,999
218	Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	11,460,124,279
272	C.O.B.-Caisse d'Epargne Privee, Brussels	8,959,886,499
338	Banque Paribas Belgique, Brussels (q)	6,914,350,400st
452	Caisse Hypothecaire Anversoise, Antwerp	4,737,833,463
	Brazil	
107	Banco do Brasil, Brasilia	26,360,815,800s
340	Banco Brasileiro de Descontos, Sao Paulo	6,879,943,665s
483	Banco do Estado de Sao Paulo	4,456,781,680s
	Canada	
50	Royal Bank of Canada, Montreal	65,216,382,800s
59	Bank of Montreal	54,783,999,600s
60	Canadian Imperial Bank of Commerce, Toronto	54,728,848,680s
67	Bank of Nova Scotia, Toronto	46,208,816,240s
85	Toronto Dominion Bank	34,123,657,240
142	National Bank of Canada, Montreal	18,727,733,040s
	Cayman Islands	
322	Bank of Credit & Comm Int'l (Overseas) Ltd., Georgetown	7,315,180,000
	Denmark	
134	Danske Bank, Copenhagen	20,047,048,070s
170	Copenhagen Handelsbank	16,029,740,884s
187	Privatbanken, Copenhagen	13,902,062,620s
266	Sparekassen SDS, Copenhagen	9,311,245,166u
300	Provinsbank, Aarhus	8,134,790,337s
344	Bikuben, Copenhagen	6,810,563,600
351	Andelsbanken-Danebank, Copenhagen	6,627,040,500
362	Jyske Bank, Silkeborg	6,376,357,762s
	Egypt	
375	Banque Misr, Cairo	6,080,745,000u
376	National Bank of Egypt, Cairo	6,070,470,000u
	Finland	
127	Kansallis-Osake Pankki, Helsinki	20,897,080,300s
137	Union Bank of Finland, Ltd., Helsinki	19,928,446,200s
232	Postipankki, Helsinki	10,665,341,400s
458	Skopbank, Helsinki	4,690,188,383s
	France	
12	Credit Agricole Mutuel, Paris	151,111,320,000u
13	Banque Nationale de Paris	150,194,568,334s
17	Credit Lyonnais, Paris	142,075,625,481s
21	Societe Generale, Paris	128,290,960,005s
57	Banque Paribas, Paris	55,626,584,300s
74	Groupe Des Banques Populaires, Paris	40,313,411,466
90	Banque Indosuez, Paris	32,033,238,630s
103	Credit Commercial de France, Paris	27,052,368,738s
124	Credit Industriel et Commercial, Paris (h)	21,219,544,501
154	Banque Francaise du Commerce Exterieur, Paris	17,534,860,234u
157	Credit du Nord, Lille	17,292,050,200s
185	Caisse Centrale des Banques Populaires, Paris	14,129,280,661t
216	Societe Generale Alsacienne de Banque, Strasbourg	11,506,734,897st
287	Banque Worms, Paris	8,501,496,100s
292	Union de Banques Arabes et Francaises, Neuilly (w)	8,366,147,507s
295	Societe Lyonnaise de Banque, Lyons	8,212,499,853st
326	Banque Regionale d'Escompte et de Depots, Vincennes	7,254,845,367u
335	CIC-Union Europeenne, International & Cie, Paris	7,065,178,911
363	Banque de l'Union Europeenne, Paris	6,362,567,028
370	Credit Industriel d'Alsace et de Lorraine, Strasbourg	6,188,282,614s
394	Banque Commerciale pour l'Europe du Nord, Paris	5,745,323,053t
414	Banque Internationale pour l'Afrique Occidentale, Paris	5,436,542,800s
500	Banque Sudameris, Paris	4,233,285,193s
	Germany	
11	Deutsche Bank, Frankfurt	155,438,523,877s
24	Dresdner Bank, Frankfurt	123,263,959,000s
30	Commerzbank, Frankfurt	97,786,507,000s
33	Westdeutsche Landesbank Girozentrale, Duesseldorf	89,873,693,000s
34	Bayerische Vereinsbank, Munich	89,608,642,396s
41	Bayerische Hypotheken-und Wechsel-Bank, Munich	76,267,687,283s
43	Bayerische Landesbank Girozentrale, Munich	72,239,045,515s
54	Norddeutsche Landesbank Girozentrale, Hannover	59,860,035,060s
66	Deutsche Genossenschaftsbank, Frankfurt	48,592,455,462s
75	Hessische Landesbank-Girozentrale, Frankfurt	39,774,058,324s
82	Bank fuer Gemeinwirtschaft, Frankfurt	35,246,659,826s
109	Landesbank Stuttgart Girozentrale	25,883,485,418
113	Hamburgische Landesbank-Girozentrale, Hamburg	24,341,561,881
118	Landesbank Rheinland-Pfalz Girozentrale, Mainz	22,727,429,302s
140	Landesbank Schleswig-Holstein Girozentrale, Kiel	19,601,439,167s
144	Berliner Bank, Berlin	18,584,574,853s
165	Bremer Landesbank Kreditanstalt Oldenburg, Bremen	16,480,712,430t
169	Badische Kommunale Landesbank-Girozentrale, Mannheim	16,216,624,695u
174	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	15,328,131,000
178	Hamburger Sparkasse, Hamburg	14,915,670,409
192	Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	13,088,813,556
211	Bausparkasse Gemeinschaft der Freunde Wuestenrot, Ludwigsburg	12,005,539,000
221	Berliner Handels und-Frankfurter Bank, Frankfurt	11,240,874,750s
238	Sparkasse der Stadt Berlin West, Berlin	10,433,299,089
239	Genossenschaftliche Zentralbank, Stuttgart	10,403,356,600
242	Landesgirokasse, Stuttgart	10,269,332,816
245	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	10,198,976,300u
257	Vereins-und Westbank, Hamburg	9,652,042,693s
259	Norddeutsche Genossenschaftsbank, Hannover	9,570,288,000u
274	Stadtsparkasse Koeln, Cologne	8,891,301,905
320	Baden-Wuerttembergische Bank, Stuttgart	7,343,299,391s
331	Sal. Oppenheim jr. & Cie., Cologne	7,189,821,519s
356	Kreissparkasse Koeln, Cologne	6,505,213,815
359	Stadtsparkasse Munchen, Munich	6,463,561,923u
361	Bank fuer Handel und Industrie, Berlin	6,398,175,831tu
402	Frankfurter Sparkasse von 1822, Frankfurt	5,640,654,390
431	Nassauische Sparkasse Wiesbaden, Wiesbaden	5,049,279,294
444	Stadt-Sparkasse Duesseldorf	4,916,173,316
461	Sparkasse in Bremen	4,672,648,984u
462	Deutsche Bank Berlin	4,655,204,656t
488	Stadtsparkasse Hannover, Hanover	4,413,136,000
497	Sparkasse Essen	4,293,167,897
	Greece	
120	National Bank of Greece, Athens	22,631,322,760s
492	Commercial Bank of Greece, Athens	4,378,000,000u
	Hong Kong	
31	Hongkong and Shanghai Banking Corp., Hong Kong	92,779,148,000s
194	Hang Seng Bank Ltd., Hong Kong	12,959,637,040st
	India	
92	State Bank of India, Bombay	29,933,316,600s
296	Bank of India, Bombay	8,193,988,501
349	Bank of Baroda, Bombay	6,674,911,217
360	Central Bank of India, Bombay	6,412,861,712
374	Canara Bank, Bangalore	6,129,418,066
498	UCO Bank, Calcutta	4,246,905,930
	Iran	
81	Bank Melli Iran, Tehran	35,950,993,000
	Iraq	
73	Rafidain Bank, Baghdad	41,727,414,400
	Ireland	
186	Allied Irish Banks Ltd., Dublin	13,991,200,712s
203	Bank of Ireland, Dublin	12,446,069,300s
	Israel	
123	Bank Hapoalim, Tel-Aviv	21,234,015,482s
126	Bank Leumi le-Israel, Tel-Aviv	20,906,878,403s
215	Israel Discount Bank, Ltd., Tel-Aviv	11,582,832,226s
406	United Mizrahi Bank Ltd., Tel-Aviv	5,551,885,654s

American Banker /WORLD BANKING

410 Largest Banks Outside U.S.

Listed Geographically by Order of Size within Nations

Rank 12/87		12/31/87 Deposits (U.S. Dollars)
	Italy	
35	Banca Nazionale del Lavoro, Rome	82,556,738,000s
55	Istituto Bancario San Paolo di Torino, Turin	58,451,717,324s
58	Banca Commerciale Italiana, Milan	55,171,158,900s
61	Cassa di Risparmio delle Provincie Lombarde, Milan	52,040,065,000s
62	Monte dei Paschi di Siena	52,018,455,577s
64	Banco di Napoli, Naples	51,404,268,971u
65	Banco di Roma, Rome	49,065,391,100s
68	Credito Italiano, Milan	45,858,520,400s
110	Banco di Sicilia, Palermo	25,521,011,857s
149	Banca Nazionale dell'Agricoltura, Rome	17,875,531,786
155	Banco di Santo Spirito, Rome	17,469,103,507s
171	Banca Popolare di Novara	15,712,712,621u
173	Banca Popolare di Milano, Milan	15,450,912,983s
188	Cassa di Risparmio di Torino, Turin	13,848,979,253
191	Nuovo Banco Ambrosiano, Milan	13,413,322,626s
195	Cassa di Risparmio di Roma, Rome	12,943,220,565
243	Banca Toscana, Florence	10,248,778,492t
284	Credito Romagnolo, Bologna	8,685,393,054u
298	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	8,151,356,733
346	Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	6,764,322,070
354	Banca Cattolica del Veneto, Vicenza	6,515,219,744t
357	Istituto Bancario Italiano, Milan	6,501,415,708v
368	Cassa di Risparmio di Firenze, Florence	6,198,112,331
385	Banca Provinciale Lombarda, Bergamo	5,899,617,682t
388	Banca Popolare di Bergamo	5,805,060,587u
399	Cassa di Risparmio di Padova e Rovigo, Padova	5,681,087,355
401	Banco di Sardegna, Sassari	5,642,673,167s
410	Banco Lariano, Como	5,497,075,187t
422	Cassa di Risparmio di Genova e Imperia, Genoa	5,255,042,319
451	Banca San Paolo di Brescia	4,752,813,879s
472	Banca d'America e d'Italia, Milan	4,550,733,485tu
495	Banca Popolare di Verona	4,332,309,606
	Japan	
1	Dai-Ichi Kangyo Bank Ltd., Tokyo	275,255,823,370u
2	Sumitomo Bank Ltd., Osaka	257,645,383,695u
3	Fuji Bank, Ltd., Tokyo	249,411,504,175u
4	Mitsubishi Bank Ltd., Tokyo	242,241,899,300u
5	Sanwa Bank Ltd., Osaka	238,210,085,365u
6	Norinchukin Bank, Tokyo	210,453,969,155
7	Industrial Bank of Japan, Ltd., Tokyo	206,051,012,955u
8	Mitsubishi Trust & Banking Corp., Tokyo	174,870,685,700u
9	Tokai Bank Ltd., Nagoya	167,228,769,030u
10	Sumitomo Trust & Banking Co., Ltd., Osaka	159,322,214,335u
14	Mitsui Bank, Ltd., Tokyo	149,393,685,825
15	Mitsui Trust & Banking Co., Ltd., Tokyo	148,666,518,945u
18	Long-Term Credit Bank of Japan Ltd., Tokyo	142,018,884,575u
20	Taiyo Kobe Bank, Ltd., Kobe	129,419,304,760u
22	Yasuda Trust & Banking Co. Ltd., Tokyo	124,593,727,135
23	Daiwa Bank, Ltd., Osaka	124,131,554,455u
25	Bank of Tokyo, Ltd.	113,480,916,750u
27	Toyo Trust & Banking Co. Ltd., Tokyo	107,193,644,415
32	Nippon Credit Bank, Ltd., Tokyo	90,473,333,555
36	Shoko Chukin Bank, Tokyo	82,540,176,545
37	Kyowa Bank, Ltd., Tokyo	81,256,347,715u
39	Zenshinren Bank, Tokyo	77,949,698,165
46	Saitama Bank Ltd., Urawa	69,728,506,390u
47	Chuo Trust & Banking Co., Ltd., Tokyo	67,913,288,205u
53	Bank of Yokohama, Ltd.	60,485,266,495u
56	Hokkaido Takushoku Bank, Ltd., Sapporo	57,251,514,095
76	Chiba Bank, Ltd.	38,942,583,585
78	Hokuriku Bank Ltd., Toyama	37,738,522,125
79	Joyo Bank, Ltd., Mito	37,364,118,880
80	Shizuoka Bank Ltd.	36,229,574,865u
86	Ashikaga Bank, Ltd., Utsunomiya	34,057,611,800
91	Bank of Hiroshima, Ltd.	30,671,8[illegible]5,995
93	Bank of Fukuoka, Ltd.	29,602,859,840
100	Hachijuni Bank, Ltd., Nagano	27,341,014,035
112	Gunma Bank, Ltd., Maebashi	24,698,401,325
114	Hyogo Sogo Bank, Ltd., Kobe	24,141,557,330
119	Nippon Trust & Banking Co., Ltd., Tokyo	22,672,691,630
128	Yamaguchi Bank, Ltd., Shimonoseki	20,762,746,725
129	Chugoku Bank, Ltd., Okayama	20,469,931,300
130	Nishi-Nippon Sogo Bank, Ltd., Fukuoka	20,441,389,810
131	77 Bank, Ltd., Sendai	20,322,371,955
143	Tokyo Sogo Bank, Ltd.	18,584,594,130u
145	Bank of Kyoto, Ltd.	18,520,735,910
146	Hokkaido Bank, Ltd., Sapporo	18,401,132,345
151	Juroku Bank, Ltd., Gifu	17,759,922,365
153	Nanto Bank, Ltd., Nara	17,590,644,260
156	Iyo Bank, Ltd., Matsuyama	17,337,459,240
159	Hyakujushi Bank, Ltd., Takamatsu	17,136,996,035
161	Shiga Bank, Ltd., Otsu	16,868,970,390
163	Daishi Bank, Ltd., Niigata	16,812,275,245
168	Suruga Bank, Ltd., Numazu	16,363,186,060
179	Kiyo Bank, Ltd., Wakayama	14,603,760,710
184	Hyakugo Bank, Ltd., Tsu	14,312,441,220
189	Kinki Sogo Bank, Ltd., Osaka	13,848,638,050
190	Hokkoku Bank, Ltd., Kanazawa	13,625,506,285
193	Higo Bank, Ltd., Kumamoto	13,071,305,900
196	Fukuoka Sogo Bank, Ltd.	12,938,579,265
199	Nagoya Sogo Bank, Ltd.	12,702,688,520
208	Ogaki-Kyoritsu Bank, Ltd., Ogaki	12,108,794,410
213	Kofuku Sogo Bank, Ltd., Osaka	11,851,905,170
214	San-in Godo Bank, Ltd., Matsue	11,765,639,585
222	Fukui Bank, Ltd.	11,157,862,565
224	Tokyo Tomin Bank, Ltd.	11,037,831,590
226	Kagoshima Bank, Ltd.	10,984,626,960
227	Fukutoku Sogo Bank, Ltd., Osaka	10,912,014,750
230	Shikoku Bank, Ltd., Kochi	10,824,791,450
231	Toho Bank, Ltd., Fukushima	10,735,304,460
234	Musashino Bank, Ltd., Omiya	10,645,540,445
240	Bank of Osaka, Ltd.	10,335,177,465
241	Hiroshima Sogo Bank, Ltd.	10,277,587,925
248	Hokuetsu Bank, Ltd., Nagaoka	10,050,474,915
249	Awa Bank, Ltd., Tokushima	10,014,667,455
250	Chuo Sogo Bank, Ltd., Nagoya	9,975,385,310
252	Chiba Sogo Bank, Ltd.	9,867,677,990
256	Oita Bank, Ltd.	9,677,116,450
265	Chukyo Sogo Bank, Ltd., Nagoya	9,361,260,460
269	Yamanashi Chuo Bank, Ltd., Kofu	9,122,433,250
276	Hokuyo Sogo Bank, Ltd., Sapporo	8,854,170,155
278	Chiba Kogyo Bank, Ltd.	8,778,930,165
280	Dai-San Sogo Bank, Ltd., Matsuzaka	8,761,604,230
281	Akita Bank, Ltd.	8,701,679,765
282	Eighteenth Bank, Ltd., Nagasaki	8,687,203,230
285	Taisei Sogo Bank, Ltd., Maebashi	8,667,605,690
290	Bank of Iwate, Ltd., Morioka	8,400,624,825
291	Ehime Sogo Bank, Ltd., Matsuyama	8,398,218,665
294	Shinwa Bank, Ltd., Sasebo	8,249,701,605
303	Aomori Bank, Ltd.	8,097,171,640
308	Bank of the Ryukyus, Ltd., Naha	7,751,088,265
313	Miyazaki Bank, Ltd.	7,471,736,255
316	Senshu Bank, Ltd., Kishiwada	7,430,617,830
321	Tokiwa Sogo Bank, Ltd., Tokyo	7,333,841,125
323	Yamagata Bank, Ltd.	7,306,122,795
325	Michinoku Bank, Ltd., Aomori	7,294,194,890
333	Bank of Saga, Ltd.	7,125,423,345
337	Bank of Ikeda, Ltd.	6,990,314,295
371	Dai-Ichi Sogo Bank Ltd., Tokyo	6,160,695,655
373	Bank of Okinawa, Ltd., Naha	6,143,156,015
382	Kyushu Sogo Bank, Ltd., Sasebo	5,944,101,680
384	Shiga Sogo Bank, Ltd., Otsu	5,913,771,400
386	Tochigi Sogo Bank, Ltd., Utsunomiya	5,884,992,460
387	Hanshin Sogo Bank, Ltd., Kobe	5,883,195,755
396	Niigata Sogo Bank, Ltd.	5,705,369,450
397	Kansai Sogo Bank, Ltd., Osaka	5,690,987,895
400	Kitanippon Sogo Bank, Ltd., Morioka	5,680,864,610
417	Mie Bank, Ltd., Yokkaichi	5,385,057,315
429	Kagawa Sogo Bank, Ltd., Takamatsu	5,158,1985
433	Kochi Sogo Bank, Ltd.	5,046,319,060
445	Kanto Bank, Ltd., Tsuchiura	4,911,510,780
463	Gifu Sogo Bank, Ltd.	4,652,349,935
466	Tokuyo Sogo Bank, Ltd., Sendai	4,615,750,975
467	Shimizu Bank, Ltd.	4,613,115,280
	Jordan	
204	Arab Bank Ltd., Amman	12,386,002,520s
	Korea	
122	Bank of Seoul	21,289,091,187
279	Korea Exchange Bank, Seoul	8,766,969,255s
306	Hanil Bank Ltd., Seoul	7,976,338,833s
310	Commercial Bank of Korea Ltd., Seoul	7,579,230,162s
317	Korea First Bank, Seoul	7,407,267,609s
332	Cho Hung Bank Ltd., Seoul	7,128,736,910s
	Kuwait	
247	National Bank of Kuwait	10,176,653,306s
378	Gulf Bank, Kuwait	6,034,169,096
393	Commercial Bank of Kuwait	5,755,626,720
430	Alahli Bank of Kuwait	5,112,186,087s
	Luxembourg	
200	Deutsche Bank Compagnie Financiere Luxembourg	12,641,895,890t
237	Compagnie Luxembourgeoise de la Dresdner Banque	10,561,432,303t
246	Banque Internationale a Luxembourg	10,185,076,032s
251	Commerzbank International, Luxembourg	9,873,941,991t
267	Banque Generale du Luxembourg	9,162,161,586s
283	Union Bank of Switzerland (Luxembourg)	8,685,966,489v
288	Caisse d'Epargne de l'Etat, Luxembourg	8,492,774,257
312	Kredietbank S.A. Luxembourgeoise, Luxembourg	7,537,158,200s
327	Bank of Credit & Commerce International, Luxembourg	7,254,579,000
390	BFG Luxembourg	5,780,838,700tu
405	West LB International, Luxembourg	5,568,990,770t
434	Credit Suisse (Luxembourg)	5,044,743,235t
456	Societe de Banque Suisse (Luxembourg)	4,706,374,126v
468	Bayerische Vereinsbank International, Luxembourg	4,607,227,079t
486	Bayerische Landesbank International, Luxembourg	4,427,218,512t
489	Hypobank International, Luxembourg	4,408,625,944t
	Malaysia	
350	Malayan Banking Berhad, Kuala Lumpur	6,669,895,212s
	Mexico	
314	Bancomer, Mexico City	7,469,695,618u
339	Banco Nacional de Mexico, Mexico City	6,911,578,608s
	Netherlands	
44	Algemene Bank Nederland, Amsterdam	71,034,602,600s
48	Amsterdam-Rotterdam Bank, Amsterdam	66,844,375,000s
49	Rabobank Nederland, Utrecht	65,397,159,100
77	Nederlandsche Middenstandsbank, Amsterdam	37,767,775,500s
205	Credit Lyonnais Bank Nederland, Rotterdam	12,347,973,667st
365	Bank Mees & Hope, Amsterdam	6,344,647,981st
	New Zealand	
244	Bank of New Zealand, Ltd., Wellington	10,212,920,020s
	Norway	
176	Norske Creditbank, Oslo	15,022,258,380s
201	Christiania Bank og Kreditkasse, Oslo	12,607,517,518u
212	Bergen Bank	11,989,896,660s
347	Union Bank of Norway, Oslo	6,741,758,793s
	Pakistan	
443	Habib Bank Ltd., Karachi	4,930,784,897s

410 Largest Banks Outside U.S.

Listed Geographically by Order of Size within Nations

Rank 12/87		12/31/87 Deposits (U.S. Dollars)
	Portugal	
220	Caixa Geral de Depositos, Lisbon	11,414,087,068s
358	Banco Portugues do Atlantico, Oporto	6,474,341,430u
457	Banco Espirito Santo e Comercial, Lisbon	4,691,198,480u
	Saudi Arabia	
158	National Commercial Bank, Jeddah	17,183,600,000
293	Riyad Bank Ltd., Jeddah	8,330,305,774
	Singapore	
411	Development Bank of Singapore Ltd.	5,488,705,400
424	United Overseas Bank Ltd., Singapore	5,233,563,826s
487	Oversea-Chinese Banking Corp., Ltd., Singapore	4,427,016,411s
	South Africa	
275	First National Bank of South Africa Ltd., Johannesburg	8,869,508,000s
336	Standard Bank of South Africa Ltd., Johannesburg	7,028,746,662
450	Volkskas, Ltd., Pretoria	4,813,096,974s
	Spain	
84	Banco Central, Madrid	34,345,975,840s
101	Banco de Bilbao	27,315,667,456s
106	Banco Hispano-Americano, Madrid	26,446,260,544s
108	Banco Espanol de Credito, Madrid	25,996,548,336s
111	Banco de Vizcaya, Bilbao	25,257,052,480s
121	Banco Exterior de Espana, Madrid	22,420,519,616s
136	Banco Santander	19,995,407,520s
141	Caja de Pensiones para la Vejez, Barcelona	18,920,570,064
182	Banco Popular Espanol, Madrid	14,407,394,496s
223	Caja de Madrid	11,126,876,816s
369	Caja de Ahorros y Monte de Piedad de Barcelona	6,197,821,696
391	Banca Catalana, Barcelona	5,771,755,104tu
426	Banco Intercontinental Espanol, Madrid	5,169,661,552
435	Banco Urquijo Union, Madrid	5,020,587,220st
465	Banco de Sabadell	4,622,326,447s
470	Caja de Ahorros de Cataluna, Barcelona	4,572,688,208s
476	Banco Atlantico, Barcelona	4,501,804,736st
478	Banco Pastor, Coruna	4,497,821,680s
490	Caja de Ahorros y Monte de Piedad de Zaragoza	4,404,327,136
	Sweden	
98	Skandinaviska Enskilda Banken, Stockholm	28,063,335,000s
99	Svenska Handelsbanken, Stockholm	27,412,837,500s
117	PKbanken, Stockholm	22,770,690,000s
270	Sparbankernas Bank, Stockholm	8,996,910,000
319	Gotabanken, Stockholm	7,374,030,000s
377	Nordbanken, Stockholm	6,049,782,000s
421	Forsta Sparbanken, Stockholm	5,293,868,888
	Switzerland	
26	Union Bank of Switzerland, Zurich	108,015,321,706u
29	Swiss Bank Corp., Basle	101,094,043,800u
42	Credit Suisse, Zurich	75,095,071,328u
115	Banque Cantonale de Zurich	23,836,838,583
116	Banque Populaire Suisse, Berne	23,327,802,596
253	Bank Leu, Ltd., Zurich	9,811,775,106u
299	Banque Cantonale de Berne	8,139,517,680
318	Luzerner Kantonalbank, Lucerne	7,401,815,909
330	Banque Cantonale Vaudoise, Lausanne	7,203,503,306
334	Banque Cantonale de St. Gall	7,073,528,342
407	Banca della Svizzera Italiana, Lugano	5,551,718,876s
415	Credit Foncier Vaudois, Lausanne	5,436,080,545
416	Thurgauische Kantonalbank, Weinfelden	5,387,969,838u
441	Schweizer Verband der Raiffeisenkassen, St. Gall	4,957,492,472
469	Caisse Hypothecaire du Canton de Berne	4,591,951,656
471	Basellandschaftliche Kantonalbank, Liestal	4,562,409,011
481	Banque Cantonale des Grisons, Coire	4,486,952,604
	Taiwan	
135	Bank of Taiwan, Taipei	20,015,436,910
150	Cooperative Bank of Taiwan, Taipei	17,837,307,709
202	First Commercial Bank, Taipei	12,495,068,944
228	Land Bank of Taiwan, Taipei	10,868,277,770
261	Hua Nan Commercial Bank, Ltd., Taipei	9,546,905,760
277	Chang Hwa Commercial Bank, Ltd., Taichung	8,847,282,912
355	Bank of Communications, Taipei	6,507,297,882
474	International Commercial Bank of China, Taipei	4,531,802,167
	Thailand	
271	Bangkok Bank, Ltd.	8,969,802,361
437	Krung Thai Bank Ltd., Bangkok	4,994,905,340
480	Thai Farmers Bank, Bangkok	4,487,820,077
	Turkey	
428	Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	5,159,497,858
485	Turkiye Is Bankasi, Ankara	4,439,650,000u
	United Arab Emirates	
449	National Bank of Dubai Ltd., Dubai	4,818,264,318
	United Kingdom	
16	National Westminster Bank Plc, London	144,003,644,000s
19	Barclays Plc, London	139,301,846,000s
38	Midland Bank Plc, London	78,606,594,000s
40	Lloyds Bank Plc, London	76,548,968,000s
63	Standard Chartered Bank, London	51,543,248,400s
104	Royal Bank of Scotland Plc., Edinburgh	26,925,848,800s
105	International Westminster Bank Plc, London	26,717,076,000t
147	Bank of Scotland, Edinburgh	18,149,732,400s
166	Trustee Savings Bank England & Wales, London	16,411,919,600
260	Kleinwort, Benson, Lonsdale Plc, London	9,567,004,698s
381	Hambros Bank Ltd., London	5,955,372,000s
392	Morgan Grenfell & Co. Ltd., London	5,763,180,334
419	Clydesdale Bank Plc, Glasgow	5,363,310,614v
427	Scandinavian Bank Ltd., London	5,161,714,188s
448	Coutts & Co., London	4,834,068,838st
453	N.M. Rothschild & Sons Ltd., London	4,727,123,807
484	Banque Nationale de Paris Plc, London	4,456,308,696t
496	Lombard North Central Plc, London	4,309,510,000t
	Yugoslavia	
446	Ljubljanska Banka, Ljubljana	4,897,036,164s
482	Udruzena Banka Hrvatske, Zagreb	4,479,646,800

Deposits of Banks in Top 500 by Country

Dollar amounts in millions

	Total Deposits 12/31/87	Total Deposits 12/31/86	Banks in Top 500 12/31/87	Banks in Top 500 12/31/86
Argentina	6,216	3,709	1	1
Australia	110,900	97,103	9 (3)	10 (4)
Austria	141,817	97,410	9	7
Bahrain	23,138	19,377	2	2
Belgium	206,638	169,720	3	8
Brazil	37,697	44,770	3	4
Canada	273,789	249,024	6	6
Cayman Islands	7,315	6,880	1	1
Denmark	87,239	67,126	8	8
Egypt	12,151	24,306	2	3
Finland	56,181	46,607	4	4
France	836,153	649,469	23 (4)	23 (6)
Germany	1,207,791	912,145	42 (3)	38 (2)
Greece	27,009	21,491	2	2
Hong Kong	92,779	77,976	2 (1)	2 (1)
India	61,591	53,227	6	6
Iran	35,951	43,544	1	2
Iraq	41,727	41,142	1	1
Ireland	26,437	21,745	2	2
Israel	59,276	53,767	4	4
Italy	646,571	526,491	32 (5)	31 (6)
Japan	4,935,520	3,349,881	111	108
Jordan	12,386	11,720	1	1
Korea (South)	60,148	39,647	6	6
Kuwait	27,079	23,922	6	4
Luxembourg	56,024	32,151	16 (9)	13 (8)
Malaysia	6,670	5,574	1	1
Mexico	14,381	13,905	2	2
Netherlands	241,044	187,256	6 (2)	7 (3)
New Zealand	10,213	5,389	1	2 (1)
Norway	46,361	35,089	4	4
Pakistan	4,931	4,350	1	1
Portugal	22,580	17,624	3	3
Saudi Arabia	25,514	22,802	2	2
Singapore	15,149	11,438	3	3
South Africa	20,711	22,877	3	4
Spain	255,697	168,702	19 (3)	11
Sweden	105,961	80,898	7	7
Switzerland	405,974	288,919	17	14 (1)
Taiwan	90,649	65,342	8	8
Thailand	18,453	11,592	3	2
Turkey	9,599	8,928	2	2
United Arab Emirates	4,818	9,338	1	2
United Kingdom	588,030	457,581	18 (4)	20 (4)
Yugoslavia	9,377	23,021	2	4

Total Deposits — Excludes the deposits of banks whose figures appear in the consolidated data of parent bank. **Banks in Top 500** — Figures in parenthesis are the number of banks whose figures also appear in the deposits reported by their parent banks. Therefore, the deposits of these banks are not included in the deposit total.

90 Largest Banks in United States

Listed Geographically by Order of Size within States

Rank 12/87		12/31/87 Deposits (U.S. Dollars)
	Alabama	
459	AmSouth Bank NA, Birmingham	4,688,758,000
	Arizona	
273	Valley National Bank, Phoenix	8,902,705,000
404	First Interstate Bank of Arizona NA, Phoenix	5,629,029,000
	California	
45	Bank of America NT&SA, San Francisco	70,221,000,000
87	Security Pacific National Bank, Los Angeles	33,847,250,000
88	Wells Fargo Bank NA, San Francisco	32,350,223,000
133	Great Western Bank, FSB, Beverly Hills	20,054,706,000
162	First Interstate Bank of California, Los Angeles	16,829,226,000
210	First Nationwide Bank, FSB, San Francisco	12,033,764,000
235	Great American First Savings Bank, San Diego	10,639,905,000
329	Union Bank, Los Angeles	7,221,322,000
418	California First Bank, San Francisco	5,372,111,000v
	Connecticut	
315	Connecticut National Bank, Hartford	7,446,761,000
324	Connecticut Bank & Trust Co. NA, Hartford	7,295,089,000
460	Peoples Bank, Bridgeport	4,676,625,000
	District of Columbia	
436	Riggs National Bank, Washington, D.C.	5,007,555,000
	Florida	
264	Southeast Bank NA, Miami	9,390,212,000
345	NCNB National Bank of Florida, Tampa	6,803,122,000
383	Florida National Bank, Jacksonville	5,933,449,000
398	First Union National Bank of Florida, Jacksonville	5,685,051,000
491	Barnett Bank of South Florida NA, Miami	4,388,167,000
499	Citizens & Southern National Bank, Fort Lauderdale	4,233,293,000
	Georgia	
301	Citizens & Southern National Bank, Atlanta	8,124,102,000
432	First National Bank, Atlanta	5,048,845,000
	Hawaii	
447	Bank of Hawaii, Honolulu	4,835,452,000
	Illinois	
102	First National Bank, Chicago	27,243,360,000
139	Continental Illinois Nat'l Bank & Trust Co., Chicago	19,697,101,000
366	Harris Trust & Savings Bank, Chicago	6,219,856,000t
413	Northern Trust Co., Chicago	5,441,841,000
	Maryland	
343	Maryland National Bank, Baltimore	6,830,893,000
	Massachusetts	
160	First National Bank, Boston	17,043,994,000
219	Boston Safe Deposit & Trust Co.	11,445,040,000
263	Bank of New England NA, Boston	9,423,023,000
438	Shawmut Bank of Boston NA	4,989,948,000
473	State Street Bank & Trust Co., Boston	4,540,702,000
	Michigan	
229	National Bank of Detroit	10,850,031,000
342	Michigan National Bank, Farmington Hills	6,851,694,000
379	Manufacturers National Bank, Detroit	6,030,732,000
395	Comerica Bank-Detroit	5,714,440,000
477	Standard Federal Bank, Troy	4,500,435,454
	Minnesota	
217	First Bank NA, Minneapolis	11,481,224,000
	New Jersey	
311	First Fidelity Bank NA, Newark	7,566,364,000
328	City Federal Savings Bank, Bedminster	7,230,507,000
	New York	
28	Citibank NA, New York	104,907,000,000
51	Chase Manhattan Bank NA, New York	63,740,897,000
69	Morgan Guaranty Trust Co., New York	45,756,499,000
70	Manufacturers Hanover Trust Co., New York	45,667,000,000
72	Chemical Bank, New York	42,242,000,000
89	Bankers Trust Co., New York	32,175,832,000
164	Marine Midland Bank NA, Buffalo	16,638,545,000t
167	Bank of New York	16,392,251,000
198	Republic National Bank, New York	12,777,172,000
206	American Express Bank Ltd. New York	12,186,000,000s
207	Irving Trust Co., New York	12,129,150,000
225	Goldome FSB, Buffalo	11,033,778,000
262	National Westminster Bank USA, New York	9,543,872,000t
305	Empire of America FSB, Buffalo	7,996,568,000
307	Dime Savings Bank of New York FSB, Garden City	7,845,831,000
309	CrossLand Savings FSB, Brooklyn, New York	7,748,030,000
353	Anchor Savings Bank FSB, Northport	6,581,206,000
420	Bank of Tokyo Trust Co., New York	5,361,415,000v
425	Bowery Savings Bank, New York	5,200,433,000
475	European American Bank, New York	4,513,240,000
	North Carolina	
236	NCNB National Bank of North Carolina, Charlotte	10,584,957,000
268	Wachovia Bank & Trust Co. NA, Winston-Salem	9,140,295,000
304	First Union National Bank, Charlotte	8,061,095,000
	Ohio	
380	AmeriTrust Co. NA, Cleveland	6,006,409,000
403	Huntington National Bank, Columbus	5,631,268,000
442	National City Bank, Cleveland	4,932,377,000
493	Society National Bank, Cleveland	4,377,453,000
	Oregon	
389	United States National Bank, Portland	5,792,745,000
455	First Interstate Bank of Oregon NA, Portland	4,709,734,000
	Pennsylvania	
175	Mellon Bank NA, Pittsburgh	15,271,394,000
197	Meritor Savings Bank, Philadelphia	12,915,395,000
286	Pittsburgh National Bank	8,552,591,000
341	Fidelity Bank NA, Malvern	6,857,854,000
364	Philadelphia National Bank	6,362,369,000
408	Meridian Bank, Reading	5,532,291,000
464	Provident National Bank, Philadelphia	4,622,805,000
	Puerto Rico	
479	Banco Popular de Puerto Rico, San Juan	4,492,171,000
	Rhode Island	
439	Fleet National Bank, Providence	4,962,063,000
	Tennessee	
494	First Tennessee Bank NA, Memphis	4,360,545,000
	Texas	
289	First RepublicBank Dallas NA	8,431,214,000
348	Texas Commerce Bank NA, Houston	6,727,460,000
409	MBank Dallas NA	5,504,756,000
	Virginia	
255	Sovran Bank NA, Richmond	9,743,571,000
352	Crestar Bank, Richmond	6,609,130,000
423	Signet Bank/Virginia, Richmond	5,238,495,000
	Washington	
302	Seattle-First National Bank	8,117,101,000
372	Rainier National Bank, Seattle	6,154,505,000

10 Countries with Most Deposits Among the Top 500 Banks

Dollar amounts in billions

		No. of Banks 12/31/87	Total Deposits 12/31/87	% of 500's Deposits 12/31/87	No. of Banks 12/31/86	Total Deposits 12/31/86	% of 500's Deposits 12/31/86
1	Japan	111	4,935.5	40.8	108	3,349.9	36.3
2	Germany	42	1,207.8	10.0	38	912.1	9.9
3	United States	90	1,107.5	9.2	102	1,051.2	11.4
4	France	23	836.2	6.9	23	649.5	7.0
5	Italy	32	646.6	5.3	31	526.5	5.7
6	United Kingdom	18	588.0	4.9	20	457.6	5.0
7	Switzerland	17	406.0	3.3	14	288.9	3.1
8	Canada	6	273.8	2.3	6	249.0	2.7
9	Spain	19	255.7	2.1	11	168.7	1.8
10	Netherlands	6	241.0	2.0	7	187.3	2.0

Top 500 Banks: Total Deposits

Dollar amounts in billions

	Number Of Banks 12/31/87	Total Deposits 12/31/87	Number Of Banks 12/31/86	Total Deposits 12/31/86	Deposit Percent Change
U.S. Banks	90	$ 1,107.5	102	$1,084.5	+ 2.12
Foreign Banks	410	10,985.6	398	8,135.6	+35.03
Top 500 Banks	500	12,093.1	500	9,220.1	+31.16

To avoid double counting, deposits for banks owned by other banks in the top 500 are excluded.

Addendum to Tabulations

Data for some banks were received after American Banker's July 5th deadline for inclusion in today's listing. These banks appear below with the 1987 rank they would have had if the data for all were received earlier. (Dollar Amounts in Millions)

Rank 12/87	Name of Bank	Deposits 12/31/87	Deposits 12/31/86	Rank 12/86
310	S.G. Warburg & Co. Ltd., London[1]	7,656	4,576	413
600	United Bank of Kuwait Plc, London	3,288	3,122	554
986	United Bank for Africa Ltd., Lagos, Nigeria	1,292	N.A.	N.A.

[1] Data are for fiscal yearend 3/31/88 and 3/31/87, respectively. N.A.— Not available.

Alphabetical Listing of Top 500 Banks in Deposits

With Deposit and Asset Ranks on Dec. 31, 1987

		Deposits Rank	Asset Rank
77 Bank, Ltd., Sendai	Japan	131	142
Akita Bank, Ltd.	Japan	281	306
Alahli Bank of Kuwait	Kuwait	430	464
Algemene Bank Nederland, Amsterdam	Netherlands	44	41
Allied Irish Banks Ltd., Dublin	Ireland	186	206
AmSouth Bank NA, Birmingham, Ala.	United States	459	447
AmeriTrust Co. NA, Cleveland	United States	380	369
American Express Bank Ltd. New York	United States	206	216
Amsterdam-Rotterdam Bank, Amsterdam	Netherlands	48	45
Anchor Savings Bank FSB, Northport, N.Y.	United States	353	385
Andelsbanken-Danebank, Copenhagen	Denmark	351	373
Aomori Bank, Ltd.	Japan	303	323
Arab Bank Ltd., Amman	Jordan	204	240
Arab Banking Corp., Manama	Bahrain	177	188
Ashikaga Bank, Ltd., Utsunomiya	Japan	86	96
Australia & New Zealand Banking Group, Ltd., Melbourne	Australia	96	97
Awa Bank, Ltd., Tokushima	Japan	249	264
BFG Luxembourg	Luxembourg	390	430
Baden-Wuerttembergische Bank, Stuttgart	Germany	320	375
Badische Kommunale Landesbank-Girozentrale, Mannheim	Germany	169	193
Banca Catalana, Barcelona	Spain	391	445
Banca Cattolica del Veneto, Vicenza	Italy	354	341
Banca Commerciale Italiana, Milan	Italy	58	62
Banca Nazionale del Lavoro, Rome	Italy	35	36
Banca Nazionale dell'Agricoltura, Rome	Italy	149	145
Banca Popolare di Bergamo	Italy	388	336
Banca Popolare di Milano, Milan	Italy	173	163
Banca Popolare di Novara	Italy	171	173
Banca Popolare di Verona	Italy	495	492
Banca Provinciale Lombarda, Bergamo	Italy	385	411
Banca San Paolo di Brescia	Italy	451	485
Banca Toscana, Florence	Italy	243	248
Banca d'America e d'Italia, Milan	Italy	472	456
Banca della Svizzera Italiana, Lugano	Switzerland	407	436
Banco Atlantico, Barcelona	Spain	476	503
Banco Brasileiro de Descontos, Sao Paulo	Brazil	340	232
Banco Central, Madrid	Spain	84	92
Banco Espanol de Credito, Madrid	Spain	108	65
Banco Espirito Santo e Comercial, Lisbon	Portugal	457	441
Banco Exterior de Espana, Madrid	Spain	121	138
Banco Hispano-Americano, Madrid	Spain	106	111
Banco Intercontinental Espanol, Madrid	Spain	426	432
Banco Lariano, Como	Italy	410	360
Banco Nacional de Mexico, Mexico City	Mexico	339	294
Banco Pastor, Coruna	Spain	478	521
Banco Popular Espanol, Madrid	Spain	182	191
Banco Popular de Puerto Rico, San Juan	United States	479	493
Banco Portugues do Atlantico, Oporto	Portugal	358	354
Banco Santander	Spain	136	124
Banco Urquijo Union, Madrid	Spain	435	483
Banco de Bilbao	Spain	101	116
Banco de Sabadell	Spain	465	487
Banco de Vizcaya, Bilbao	Spain	111	122
Banco de la Nacion Argentina, Buenos Aires	Argentina	367	399
Banco di Napoli, Naples	Italy	64	67
Banco di Roma, Rome	Italy	65	70
Banco di Santo Spirito, Rome	Italy	155	80
Banco di Sardegna, Sassari	Italy	401	412
Banco di Sicilia, Palermo	Italy	110	109
Banco do Brasil, Brasilia	Brazil	107	52
Banco do Estado de Sao Paulo	Brazil	483	325
Bancomer, Mexico City	Mexico	314	328
Bangkok Bank, Ltd.	Thailand	271	259
Bank Hapoalim, Tel-Aviv	Israel	123	115
Bank Leu, Ltd., Zurich	Switzerland	253	268
Bank Leumi le-Israel, Tel-Aviv	Israel	126	131
Bank Mees & Hope, Amsterdam	Netherlands	365	292
Bank Melli Iran, Tehran	Iran	81	77
Bank fuer Arbeit und Wirtschaft, Vienna	Austria	181	198
Bank fuer Gemeinwirtschaft, Frankfurt	Germany	82	101
Bank fuer Handel und Industrie, Berlin	Germany	361	409
Bank of America NT&SA, San Francisco	United States	45	49
Bank of Baroda, Bombay	India	349	395
Bank of Communications, Taipei	Taiwan	355	250
Bank of Credit & Comm Int'l (Overseas) Ltd., Georgetown	Cayman Islands	322	371
Bank of Credit & Commerce International, Luxembourg	Luxembourg	327	378
Bank of Fukuoka, Ltd.	Japan	93	102
Bank of Hawaii, Honolulu	United States	447	481
Bank of Hiroshima, Ltd.	Japan	91	104
Bank of Ikeda, Ltd.	Japan	337	365
Bank of India, Bombay	India	296	334
Bank of Ireland, Dublin	Ireland	203	224
Bank of Iwate, Ltd., Morioka	Japan	290	305
Bank of Kyoto, Ltd.	Japan	145	158
Bank of Montreal	Canada	59	66
Bank of New England NA, Boston	United States	263	238
Bank of New York	United States	167	166
Bank of New Zealand, Ltd., Wellington	New Zealand	244	270
Bank of Nova Scotia, Toronto	Canada	67	75
Bank of Okinawa, Ltd., Naha	Japan	373	407
Bank of Osaka, Ltd.	Japan	240	252
Bank of Saga, Ltd.	Japan	333	357
Bank of Scotland, Edinburgh	United Kingdom	147	155
Bank of Seoul	Korea	122	132
Bank of Taiwan, Taipei	Taiwan	135	148
Bank of Tokyo Trust Co., New York	United States	420	449
Bank of Tokyo, Ltd.	Japan	25	24
Bank of Yokohama, Ltd.	Japan	53	51
Bank of the Ryukyus, Ltd., Naha	Japan	308	333
Bankers Trust Co., New York	United States	89	74
Banque Bruxelles Lambert, Brussels	Belgium	71	76
Banque Cantonale Vaudoise, Lausanne	Switzerland	330	361
Banque Cantonale de Berne	Switzerland	299	337
Banque Cantonale de St. Gall	Switzerland	334	377
Banque Cantonale de Zurich	Switzerland	115	128
Banque Cantonale des Grisons, Coire	Switzerland	481	522
Banque Commerciale pour l'Europe du Nord, Paris	France	394	438
Banque Francaise du Commerce Exterieur, Paris	France	154	95
Banque Generale du Luxembourg	Luxembourg	267	299
Banque Indosuez, Paris	France	90	79
Banque Internationale a Luxembourg	Luxembourg	246	273
Banque Internationale pour l'Afrique Occidentale, Paris	France	414	440
Banque Misr, Cairo	Egypt	375	404
Banque Nationale de Paris	France	13	12
Banque Nationale de Paris Plc, London	United Kingdom	484	539
Banque Paribas Belgique, Brussels (q)	Belgium	338	376
Banque Paribas, Paris	France	57	55
Banque Populaire Suisse, Berne	Switzerland	116	133
Banque Regionale d'Escompte et de Depots, Vincennes	France	326	316
Banque Sudameris, Paris	France	500	511
Banque Worms, Paris	France	287	302
Banque de l'Union Europeenne, Paris	France	363	384
Barclays Plc, London	United Kingdom	19	18
Barnett Bank of South Florida NA, Miami	United States	491	494
Basellandschaftliche Kantonalbank, Liestal	Switzerland	471	514
Bausparkasse Gemeinschaft der Freunde Wuestenrot, Ludwigsburg	Germany	211	237
Bayerische Hypotheken-und Wechsel-Bank, Munich	Germany	41	47
Bayerische Landesbank Girozentrale, Munich	Germany	43	53
Bayerische Landesbank International, Luxembourg	Luxembourg	486	532
Bayerische Vereinsbank International, Luxembourg	Luxembourg	468	519
Bayerische Vereinsbank, Munich	Germany	34	35
Bergen Bank	Norway	212	201
Berliner Bank, Berlin	Germany	144	170
Berliner Handels und-Frankfurter Bank, Frankfurt	Germany	221	175
Bikuben, Copenhagen	Denmark	344	355
Boston Safe Deposit & Trust Co.	United States	219	245
Bowery Savings Bank, New York	United States	425	431
Bremer Landesbank Kreditanstalt Oldenburg, Bremen	Germany	165	184
C.O.B.-Caisse d'Epargne Privee, Brussels	Belgium	272	298
CIC-Union Europeenne, International & Cie, Paris	France	335	396
Caisse Centrale des Banques Populaires, Paris	France	185	181
Caisse Generale d'Epargne et de Retraite, Brussels	Belgium	83	99
Caisse Hypothecaire Anversoise, Antwerp	Belgium	452	486
Caisse Hypothecaire du Canton de Berne	Switzerland	469	527
Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	288	327
Caixa Geral de Depositos, Lisbon	Portugal	220	225
Caja de Ahorros de Cataluna, Barcelona	Spain	470	497
Caja de Ahorros y Monte de Piedad de Barcelona	Spain	369	388
Caja de Ahorros y Monte de Piedad de Zaragoza	Spain	490	513
Caja de Madrid	Spain	223	228
Caja de Pensiones para la Vejez, Barcelona	Spain	141	147
California First Bank, San Francisco	United States	418	460
Canadian Imperial Bank of Commerce, Toronto	Canada	60	64
Canara Bank, Bangalore	India	374	392
Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	298	303
Cassa di Risparmio delle Provincie Lombarde, Milan	Italy	61	59
Cassa di Risparmio di Firenze, Florence	Italy	368	358
Cassa di Risparmio di Genova e Imperia, Genoa	Italy	422	424
Cassa di Risparmio di Padova e Rovigo, Padova	Italy	399	401
Cassa di Risparmio di Roma, Rome	Italy	195	157
Cassa di Risparmio di Torino, Turin	Italy	188	186
Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	Italy	346	291
Central Bank of India, Bombay	India	360	416
Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	Belgium	218	244
Chang Hwa Commercial Bank, Ltd., Taichung	Taiwan	277	215
Chase Manhattan Bank NA, New York	United States	51	48
Chemical Bank, New York	United States	72	68
Chiba Bank, Ltd.	Japan	76	78
Chiba Kogyo Bank, Ltd.	Japan	278	307
Chiba Sogo Bank, Ltd.	Japan	252	280
Cho Hung Bank Ltd., Seoul	Korea	332	266
Christiania Bank og Kreditkasse, Oslo	Norway	201	192
Chugoku Bank, Ltd., Okayama	Japan	129	141
Chukyo Sogo Bank, Ltd., Nagoya	Japan	265	301
Chuo Sogo Bank, Ltd., Nagoya	Japan	250	282
Chuo Trust & Banking Co., Ltd., Tokyo	Japan	47	50
Citibank NA, New York	United States	28	22
Citizens & Southern National Bank, Atlanta	United States	301	275
Citizens & Southern National Bank, Fort Lauderdale, Fla.	United States	499	529
City Federal Savings Bank, Bedminster, N.J.	United States	328	287
Clydesdale Bank Plc, Glasgow	United Kingdom	419	433
Comerica Bank-Detroit	United States	395	370
Commercial Bank of Greece, Athens	Greece	492	403
Commercial Bank of Korea Ltd., Seoul	Korea	310	236
Commercial Bank of Kuwait	Kuwait	393	442
Commerzbank International, Luxembourg	Luxembourg	251	285
Commerzbank, Frankfurt	Germany	30	32
Commonwealth Bank of Australia, Sydney	Australia	132	125
Commonwealth Banking Corp., Sydney	Australia	125	120
Commonwealth Savings Bank of Australia, Sydney	Australia	258	290
Compagnie Luxembourgeoise de la Dresdner Banque	Luxembourg	237	256
Connecticut Bank & Trust Co. NA, Hartford	United States	324	326
Connecticut National Bank, Hartford	United States	315	289
Continental Illinois Nat'l Bank & Trust Co., Chicago	United States	139	113
Cooperative Bank of Taiwan, Taipei	Taiwan	150	162
Copenhagen Handelsbank	Denmark	170	179
Coutts & Co., London	United Kingdom	448	517
Credit Agricole Mutuel, Paris	France	12	8
Credit Commercial de France, Paris	France	103	98
Credit Foncier Vaudois, Lausanne	Switzerland	415	453

Alphabetical Listing of Top 500 Banks in Deposits

With Deposit and Asset Ranks on Dec. 31, 1987

		Deposits Rank	Asset Rank
Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	370	389
Credit Industriel et Commercial, Paris (h)	France	124	146
Credit Lyonnais Bank Nederland, Rotterdam	Netherlands	205	231
Credit Lyonnais, Paris	France	17	16
Credit Suisse (Luxembourg)	Luxembourg	434	489
Credit Suisse, Zurich	Switzerland	42	43
Credit du Nord, Lille	France	157	151
Creditanstalt-Bankverein, Vienna	Austria	94	87
Credito Italiano, Milan	Italy	68	73
Credito Romagnolo, Bologna	Italy	284	221
Crestar Bank, Richmond	United States	352	344
CrossLand Savings FSB, Brooklyn, New York	United States	309	230
Dai-Ichi Kangyo Bank Ltd., Tokyo	Japan	1	1
Dai-Ichi Sogo Bank Ltd., Tokyo	Japan	371	420
Dai-San Sogo Bank, Ltd., Matsuzaka	Japan	280	315
Daishi Bank, Ltd., Niigata	Japan	163	172
Daiwa Bank, Ltd., Osaka	Japan	23	25
Danske Bank, Copenhagen	Denmark	134	143
Deutsche Bank Berlin	Germany	462	502
Deutsche Bank Compagnie Financiere Luxembourg	Luxembourg	200	218
Deutsche Bank, Frankfurt	Germany	11	15
Deutsche Genossenschaftsbank, Frankfurt	Germany	66	46
Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	Germany	245	136
Development Bank of Singapore Ltd.	Singapore	411	367
Dime Savings Bank of New York FSB, Garden City	United States	307	284
Dresdner Bank, Frankfurt	Germany	24	26
Ehime Sogo Bank, Ltd., Matsuyama	Japan	291	317
Eighteenth Bank, Ltd., Nagasaki	Japan	282	300
Empire of America FSB, Buffalo, N.Y.	United States	305	286
Erste Oesterreichische Spar-Casse, Vienna	Austria	233	251
European American Bank, New York	United States	475	444
Fidelity Bank NA, Malvern, Pa.	United States	341	312
First Bank NA, Minneapolis	United States	217	190
First Commercial Bank, Taipei	Taiwan	202	182
First Fidelity Bank NA, Newark, N.J.	United States	311	293
First Interstate Bank of Arizona NA, Phoenix	United States	404	425
First Interstate Bank of California, Los Angeles	United States	162	174
First Interstate Bank of Oregon NA, Portland	United States	455	480
First National Bank of South Africa Ltd., Johannesburg	South Africa	275	308
First National Bank, Atlanta	United States	432	408
First National Bank, Boston	United States	160	134
First National Bank, Chicago	United States	102	105
First Nationwide Bank, FSB, San Francisco	United States	210	189
First RepublicBank Dallas NA	United States	289	171
First Tennessee Bank NA, Memphis	United States	494	478
First Union National Bank of Florida, Jacksonville	United States	398	400
First Union National Bank, Charlotte, N.C.	United States	304	204
Fleet National Bank, Providence, R.I.	United States	439	406
Florida National Bank, Jacksonville	United States	383	391
Forsta Sparbanken, Stockholm	Sweden	421	466
Frankfurter Sparkasse von 1822, Frankfurt	Germany	402	458
Fuji Bank, Ltd., Tokyo	Japan	3	3
Fukui Bank, Ltd.	Japan	222	241
Fukuoka Sogo Bank, Ltd.	Japan	196	220
Fukutoku Sogo Bank, Ltd., Osaka	Japan	227	254
Generale Banque, Brussels	Belgium	52	60
Genossenschaftliche Zentralbank, Stuttgart	Germany	239	283
Genossenschaftliche Zentralbank, Vienna	Austria	183	210
Gifu Sogo Bank, Ltd.	Japan	463	510
Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	Austria	138	140
Goldome FSB, Buffalo, N.Y.	United States	225	211
Gotabanken, Stockholm	Sweden	319	349
Great American First Savings Bank, San Diego, Calif.	United States	235	208
Great Western Bank, FSB, Beverly Hills	United States	133	119
Groupe Des Banques Populaires, Paris	France	74	72
Gulf Bank, Kuwait	Kuwait	378	421
Gulf International Bank B.S.C., Manama	Bahrain	297	332
Gunma Bank, Ltd., Maebashi	Japan	112	121
Habib Bank Ltd., Karachi	Pakistan	443	462
Hachijuni Bank, Ltd., Nagano	Japan	100	110
Hambros Bank Ltd., London	United Kingdom	381	368
Hamburger Sparkasse, Hamburg	Germany	178	197
Hamburgische Landesbank-Girozentrale, Hamburg	Germany	113	130
Hang Seng Bank Ltd., Hong Kong	Hong Kong	194	229
Hanil Bank Ltd., Seoul	Korea	306	263
Hanshin Sogo Bank, Ltd., Kobe	Japan	387	427
Harris Trust & Savings Bank, Chicago	United States	366	350
Hessische Landesbank-Girozentrale, Frankfurt	Germany	75	88
Higo Bank, Ltd., Kumamoto	Japan	193	214
Hiroshima Sogo Bank, Ltd.	Japan	241	261
Hokkaido Bank, Ltd., Sapporo	Japan	146	150
Hokkaido Takushoku Bank, Ltd., Sapporo	Japan	56	57
Hokkoku Bank, Ltd., Kanazawa	Japan	190	199
Hokuetsu Bank, Ltd., Nagaoka	Japan	248	272
Hokuriku Bank Ltd., Toyama	Japan	78	81
Hokuyo Sogo Bank, Ltd., Sapporo	Japan	276	311
Hongkong and Shanghai Banking Corp., Hong Kong	Hong Kong	31	31
Hua Nan Commercial Bank, Ltd., Taipei	Taiwan	261	213
Huntington National Bank, Columbus, Ohio	United States	403	351
Hyakugo Bank, Ltd., Tsu	Japan	184	195
Hyakujushi Bank, Ltd., Takamatsu	Japan	159	153
Hyogo Sogo Bank, Ltd., Kobe	Japan	114	127
Hypobank International, Luxembourg	Luxembourg	489	543
Industrial Bank of Japan, Ltd., Tokyo	Japan	7	6
International Commercial Bank of China, Taipei	Taiwan	474	417
International Westminster Bank Plc, London	United Kingdom	105	94
Irving Trust Co., New York	United States	207	168
Israel Discount Bank, Ltd., Tel-Aviv	Israel	215	233
Istituto Bancario Italiano, Milan	Italy	357	366
Istituto Bancario San Paolo di Torino, Turin	Italy	55	54

		Deposits Rank	Asset Rank
Iyo Bank, Ltd., Matsuyama	Japan	156	165
Joyo Bank, Ltd., Mito	Japan	79	85
Juroku Bank, Ltd., Gifu	Japan	151	152
Jyske Bank, Silkeborg	Denmark	362	346
Kagawa Sogo Bank, Ltd., Takamatsu	Japan	429	467
Kagoshima Bank, Ltd.	Japan	226	243
Kansai Sogo Bank, Ltd., Osaka	Japan	397	435
Kansallis-Osake Pankki, Helsinki	Finland	127	117
Kanto Bank, Ltd., Tsuchiura	Japan	445	488
Kinki Sogo Bank, Ltd., Osaka	Japan	189	205
Kitanippon Sogo Bank, Ltd., Morioka	Japan	400	439
Kiyo Bank, Ltd., Wakayama	Japan	179	194
Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	260	212
Kochi Sogo Bank, Ltd.	Japan	433	473
Kofuku Sogo Bank, Ltd., Osaka	Japan	213	239
Korea Exchange Bank, Seoul	Korea	279	167
Korea First Bank, Seoul	Korea	317	253
Kredietbank International Group, Brussels	Belgium	95	107
Kredietbank S.A. Luxembourgeoise, Luxembourg	Luxembourg	312	340
Kreissparkasse Koeln, Cologne	Germany	356	415
Krung Thai Bank Ltd., Bangkok	Thailand	437	469
Kyowa Bank, Ltd., Tokyo	Japan	37	33
Kyushu Sogo Bank, Ltd., Sasebo	Japan	382	434
Land Bank of Taiwan, Taipei	Taiwan	228	235
Landesbank Rheinland-Pfalz Girozentrale, Mainz	Germany	118	135
Landesbank Schleswig-Holstein Girozentrale, Kiel	Germany	140	161
Landesbank Stuttgart Girozentrale	Germany	109	126
Landesgirokasse, Stuttgart	Germany	242	269
Ljubljanska Banka, Ljubljana	Yugoslavia	446	364
Lloyds Bank Plc, London	United Kingdom	40	42
Lombard North Central Plc, London	United Kingdom	496	297
Long-Term Credit Bank of Japan Ltd., Tokyo	Japan	18	17
Luzerner Kantonalbank, Lucerne	Switzerland	318	362
MBank Dallas NA	United States	409	397
Malayan Banking Berhad, Kuala Lumpur	Malaysia	350	382
Manufacturers Hanover Trust Co., New York	United States	70	69
Manufacturers National Bank, Detroit	United States	379	381
Marine Midland Bank NA, Buffalo, N.Y.	United States	164	159
Maryland National Bank, Baltimore	United States	343	330
Mellon Bank NA, Pittsburgh	United States	175	154
Meridian Bank, Reading, Pa.	United States	408	413
Meritor Savings Bank, Philadelphia	United States	197	176
Michigan National Bank, Farmington Hills	United States	342	356
Michinoku Bank, Ltd., Aomori	Japan	325	359
Midland Bank Plc, London	United Kingdom	38	37
Mie Bank, Ltd., Yokkaichi	Japan	417	452
Mitsubishi Bank Ltd., Tokyo	Japan	4	4
Mitsubishi Trust & Banking Corp., Tokyo	Japan	8	11
Mitsui Bank, Ltd., Tokyo	Japan	14	10
Mitsui Trust & Banking Co., Ltd., Tokyo	Japan	15	14
Miyazaki Bank, Ltd.	Japan	313	338
Monte dei Paschi di Siena	Italy	62	63
Morgan Grenfell & Co. Ltd., London	United Kingdom	392	410
Morgan Guaranty Trust Co., New York	United States	69	58
Musashino Bank, Ltd., Omiya	Japan	234	258
N.M. Rothschild & Sons Ltd., London	United Kingdom	453	506
NCNB National Bank of Florida, Tampa	United States	345	314
NCNB National Bank of North Carolina, Charlotte	United States	236	203
Nagoya Sogo Bank, Ltd.	Japan	199	227
Nanto Bank, Ltd., Nara	Japan	153	164
Nassauische Sparkasse Wiesbaden, Wiesbaden	Germany	431	398
National Australia Bank Ltd, Melbourne	Australia	152	106
National Bank of Canada, Montreal	Canada	142	144
National Bank of Detroit	United States	229	223
National Bank of Dubai Ltd., Dubai	United Arab Emirate	449	471
National Bank of Egypt, Cairo	Egypt	376	393
National Bank of Greece, Athens	Greece	120	129
National Bank of Kuwait	Kuwait	247	281
National City Bank, Cleveland	United States	442	402
National Commercial Bank, Jeddah	Saudi Arabia	158	177
National Westminster Bank Plc, London	United Kingdom	16	20
National Westminster Bank USA, New York	United States	262	274
Nederlandsche Middenstandsbank, Amsterdam	Netherlands	77	83
Niigata Sogo Bank, Ltd.	Japan	396	443
Nippon Credit Bank, Ltd., Tokyo	Japan	32	30
Nippon Trust & Banking Co., Ltd., Tokyo	Japan	119	123
Nishi-Nippon Sogo Bank, Ltd., Fukuoka	Japan	130	137
Nordbanken, Stockholm	Sweden	377	342
Norddeutsche Genossenschaftsbank, Hannover	Germany	259	288
Norddeutsche Landesbank Girozentrale, Hannover	Germany	54	61
Norinchukin Bank, Tokyo	Japan	6	7
Norske Creditbank, Oslo	Norway	176	160
Northern Trust Co., Chicago	United States	413	383
Nuovo Banco Ambrosiano, Milan	Italy	191	183
Oesterreichische Laenderbank, Vienna	Austria	148	149
Oesterreichische Postsparkasse, Vienna	Austria	180	207
Oesterreichische Volksbanken, Vienna	Austria	440	499
Ogaki-Kyoritsu Bank, Ltd., Ogaki	Japan	208	222
Oita Bank, Ltd.	Japan	256	277
Oversea-Chinese Banking Corp., Ltd., Singapore	Singapore	487	477
PKbanken, Stockholm	Sweden	117	112
Peoples Bank, Bridgeport, Conn.	United States	460	476
Philadelphia National Bank	United States	364	352
Pittsburgh National Bank	United States	286	226
Postipankki, Helsinki	Finland	232	200
Privatbanken, Copenhagen	Denmark	187	202
Provident National Bank, Philadelphia	United States	464	448
Provinsbank, Aarhus	Denmark	300	318
Rabobank Nederland, Utrecht	Netherlands	49	44
Rafidain Bank, Baghdad	Iraq	73	82

Alphabetical Listing of Top 500 Banks in Deposits

With Deposit and Asset Ranks on Dec. 31, 1987

		Deposits Rank	Asset Rank
Rainier National Bank, Seattle	United States	372	374
Republic National Bank, New York	United States	198	196
Riggs National Bank, Washington, D.C.	United States	436	454
Riyad Bank Ltd., Jeddah	Saudi Arabia	293	304
Royal Bank of Canada, Montreal	Canada	50	56
Royal Bank of Scotland Plc., Edinburgh	United Kingdom	104	114
Saitama Bank Ltd., Urawa	Japan	46	39
Sal. Oppenheim jr. & Cie., Cologne	Germany	331	372
San-in Godo Bank, Ltd., Matsue	Japan	214	234
Sanwa Bank Ltd., Osaka	Japan	5	5
Scandinavian Bank Ltd., London	United Kingdom	427	465
Schweizer Verband der Raiffeisenkassen, St. Gall	Switzerland	441	509
Seattle-First National Bank	United States	302	309
Security Pacific National Bank, Los Angeles	United States	87	86
Senshu Bank, Ltd., Kishiwada	Japan	316	348
Shawmut Bank of Boston NA	United States	438	390
Shiga Bank, Ltd., Otsu	Japan	161	178
Shiga Sogo Bank, Ltd., Otsu	Japan	384	423
Shikoku Bank, Ltd., Kochi	Japan	230	247
Shimizu Bank, Ltd.	Japan	467	505
Shinwa Bank, Ltd., Sasebo	Japan	294	322
Shizuoka Bank Ltd.	Japan	80	89
Shoko Chukin Bank, Tokyo	Japan	36	38
Signet Bank/Virginia, Richmond	United States	423	405
Skandinaviska Enskilda Banken, Stockholm	Sweden	98	93
Skopbank, Helsinki	Finland	458	276
Societe Generale Alsacienne de Banque, Strasbourg	France	216	242
Societe Generale, Paris	France	21	21
Societe Lyonnaise de Banque, Lyons	France	295	321
Societe Nationale de Credit a l'Industrie, Brussels	Belgium	209	209
Societe de Banque Suisse (Luxembourg)	Luxembourg	456	516
Society National Bank, Cleveland	United States	493	490
Southeast Bank NA, Miami	United States	264	255
Sovran Bank NA, Richmond	United States	255	260
Sparbankernas Bank, Stockholm	Sweden	270	108
Sparekassen SDS, Copenhagen	Denmark	266	265
Sparkasse Essen	Germany	497	557
Sparkasse der Stadt Berlin West, Berlin	Germany	238	267
Sparkasse in Bremen	Germany	461	455
Stadt-Sparkasse Duesseldorf	Germany	444	504
Stadtsparkasse Hannover, Hanover	Germany	488	548
Stadtsparkasse Koeln, Cologne	Germany	274	320
Stadtsparkasse Munchen, Munich	Germany	359	394
Standard Bank of South Africa Ltd., Johannesburg	South Africa	336	387
Standard Chartered Bank, London	United Kingdom	63	71
Standard Federal Bank, Troy, Mich.	United States	477	345
State Bank Victoria, Melbourne	Australia	254	279
State Bank of India, Bombay	India	92	91
State Bank of New South Wales, Sydney	Australia	454	446
State Street Bank & Trust Co., Boston	United States	473	419
Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	Germany	192	217
Sumitomo Bank Ltd., Osaka	Japan	2	2
Sumitomo Trust & Banking Co., Ltd., Osaka	Japan	10	13
Suruga Bank, Ltd., Numazu	Japan	168	185
Svenska Handelsbanken, Stockholm	Sweden	99	103
Swiss Bank Corp., Basle	Switzerland	29	29
Taisei Sogo Bank, Ltd., Maebashi	Japan	285	319
Taiyo Kobe Bank, Ltd., Kobe	Japan	20	19
Texas Commerce Bank NA, Houston	United States	348	278
Thai Farmers Bank, Bangkok	Thailand	480	508
Thurgauische Kantonalbank, Weinfelden	Switzerland	416	459
Tochigi Sogo Bank, Ltd., Utsunomiya	Japan	386	428
Toho Bank, Ltd., Fukushima	Japan	231	249
Tokai Bank Ltd., Nagoya	Japan	9	9
Tokiwa Sogo Bank, Ltd., Tokyo	Japan	321	363
Tokuyo Sogo Bank, Ltd., Sendai	Japan	466	500
Tokyo Sogo Bank, Ltd.	Japan	143	156
Tokyo Tomin Bank, Ltd.	Japan	224	246
Toronto Dominion Bank	Canada	85	100
Toyo Trust & Banking Co. Ltd., Tokyo	Japan	27	28
Trustee Savings Bank England & Wales, London	United Kingdom	166	169
Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	Turkey	428	335
Turkiye Is Bankasi, Ankara	Turkey	485	451
UCO Bank, Calcutta	India	498	565
Udruzena Banka Hrvatske, Zagreb	Yugoslavia	482	296
Union Bank of Finland, Ltd., Helsinki	Finland	137	118
Union Bank of Norway, Oslo	Norway	347	353
Union Bank of Switzerland (Luxembourg)	Luxembourg	283	324
Union Bank of Switzerland, Zurich	Switzerland	26	27
Union Bank, Los Angeles	United States	329	331
Union de Banques Arabes et Francaises, Neuilly (w)	France	292	329
United Mizrahi Bank Ltd., Tel-Aviv	Israel	406	429
United Overseas Bank Ltd., Singapore	Singapore	424	418
United States National Bank, Portland	United States	389	379
Valley National Bank, Phoenix	United States	273	310
Vereins-und Westbank, Hamburg	Germany	257	262
Volkskas, Ltd., Pretoria	South Africa	450	515
Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	United States	268	271
Wells Fargo Bank NA, San Francisco	United States	88	90
West LB International, Luxembourg	Luxembourg	405	437
Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	Germany	174	187
Westdeutsche Landesbank Girozentrale, Duesseldorf	Germany	33	34
Westpac Banking Corp., Sydney	Australia	97	84
Westpac Savings Bank Ltd., Sydney	Australia	412	463
Yamagata Bank, Ltd.	Japan	323	343
Yamaguchi Bank, Ltd., Shimonoseki	Japan	128	139
Yamanashi Chuo Bank, Ltd., Kofu	Japan	269	295
Yasuda Trust & Banking Co. Ltd., Tokyo	Japan	22	23
Zenshinren Bank, Tokyo	Japan	39	40
Zentralsparkasse und Kommerzialbank, Vienna	Austria	172	180

Foreign Currency Exchange Guide and Exchange Rate Comparisons

Name of Country	Currency	Symbol	Rate 12/31/87	Rate 12/31/86	Gain /Loss
Argentina	Austral	AP	0.185000	0.806200	–77.05
Australia	Dollar	A$	0.708400[1]	0.629000[2]	12.62
Austria	Shilling	AS	0.090900	0.073700	23.34
Bahamas	Dollar	B$	1.000000	1.000000	00.00
Bahrain	Dinar	BaD	2.650000	2.640000	00.38
Belgium	Franc	BF	0.030200	0.024800	21.77
Bermuda	Dollar	Be$	1.000000	1.000000	00.00
Brazil	Cruzado	BC	0.013850	0.069500	–80.07
Canada	Dollar	C$	0.760000[3]	0.719800[4]	5.58
Cayman Isles	(d)	...	....	....	....
Chile	Peso	CP	0.004250	0.004980	–14.66
Colombia	Peso	CoP	0.003810	0.004500	–15.33
Denmark	Krone	DK	0.164300	0.137000	19.93
Egypt	Pound	EP	0.685000[5]	1.220000[6]	–43.85
Ethiopia	Birr	EB	0.483000	0.488000	–1.02
Finland	Markka	FM	0.251000	0.209000	20.10
France	Franc	FF	0.187700	0.156900	19.63
Germany	Deutsche Mark	DM	0.637000	0.520100	22.48
Greece	Drachma	GD	0.007960	0.007200	10.56
Hong Kong	Dollar	H$	0.128800	0.128500	00.23
India	Rupee	InR	0.077800	0.766000	1.57
Indonesia	Rupiah	IR	0.000606	0.000614	–1.30
Iran	Rial	Ri	0.013000[7]	0.011000[8]	18.18
Iraq	Dinar	ID	3.200000	3.200000	00.0
Ireland	Pound	IP	1.613000[9]	1.470000[10]	9.73
Israel	Shekel	IS	0.644600	0.677000	–4.79
Italy	Lira	L	0.000869	0.000747	16.33
Japan	Yen	Y	0.007915[9]	0.006479[2]	22.16
Jordan	Dinar	JD	2.970000	2.880000	3.13
Korea (South)	Won	KW	0.001263	0.001100	14.82
Kuwait	Dinar	KD	3.680000	3.410000	7.92
Libya	Dinar	LD	3.370000	3.100000	8.71
Liechtenstein	(h)	...	....	....	....
Luxembourg	Franc	LF	0.030100	0.024900	20.88
Malaysia	Dollar	M$	0.401400	0.385800	5.11
Mexico	Peso	MP	0.000451	0.001088	–58.55
Morocco	Dirham	MD	0.121800	0.116000	5.00
Netherlands	Guilder	G	0.562900	0.460200	22.32
New Zealand	Dollar	N$	0.645200[1]	0.486000[2]	32.76
Nigeria	Naira	NN	0.231000	0.385000	–40.00
Norway	Krone	NK	0.160200	0.136000	17.79
Pakistan	Rupee	PR	0.057300	0.058000	–1.21
Peru	Sol	PS	0.030300	0.070700	–57.14
Philippines	Peso	PP	0.048000	0.049400	–2.83
Portugal	Escudo	PE	0.007660	0.006880	11.34
Qatar	Riyal	QR	0.275000	0.270000	1.85
Saudi Arabia	Riyal	SAR	0.266000	0.266000	00.0
Singapore	Dollar	S$	0.500800	0.460800	8.68
South Africa	Rand	SR	0.480000[5]	0.405400[6]	18.40
Spain	Peseta	SP	0.009328	0.007630	22.25
Sweden	Krona	SK	0.172500	0.148400	16.24
Switzerland	Franc	SF	0.787300	0.621000	26.78
Syria	Pound	SyP	0.088000	0.250000	–64.80
Taiwan	NT Dollar	T$	0.035000	0.028300	23.67
Tanzania	Shilling	TS	0.015800[5]	0.038300[6]	–58.75
Thailand	Baht	TB	0.039700	0.038700	2.58
Tunisia	Dinar	TD	1.140000	1.210000	–5.79
Turkey	Pound	TP	0.001000	0.001320	–24.24
United Arab Emirates	Dirham	UD	0.272400	0.274000	–0.58
United Kingdom	Pound	P	1.886000	1.482000	27.26
Venezuela	Bolivar	VB	0.033300	0.045600	26.97
Yugoslavia	Dinar	YD	0.000804	0.002200	–63.45

Figures shown are the dollar values per unit of foreign currency. The currencies are converted into dollars using the New York cable rate for the date shown. Unless otherwise noted, the exchange rates shown are for yearend 1987 and 1986, respectively. Exchange rates for dates other than 12/31/87 and 12/31/86 indicate that most or all banks in a country reported data as of the date indicated. **(1)**– As of 9/30/87. **(2)**– As of 9/30/86. **(3)**– As of 10/31/87. **(4)**– As of 10/31/86. **(5)**– As of 6/30/87. **(6)**– As of 6/30/86. **(7)**– As of 3/20/87. **(8)**– As of 3/20/86. **(9)**– As of 3/31/88. **(10)**– As of 3/31/87. **(d)**– Banks in country are dollar-denominated. **(h)**– Banks in country use Swiss francs.

Japan Dominates In Bank Deposits; US Out of Top 25

➸ Continued from Page 6

have to take over Ford or General Motors, which are among the largest banks in the world," he said, referring to the automakers' nonbank finance units.

As for the international investment community, he said, "if you had the Army and the Navy trying to keep money from coming into our shores, they'd have as much success as we've had at stopping drugs. Everybody wants to put their capital in America because they have faith on our political system and faith in our economy. That's a sign of strength, not of weakness."

Editors Note: Most of the data for the Top 500 rankings comes from a questionnaire sent by the American Banker to the world's 1,000 largest foreign banks. In addition, the following organizations assisted in providing and verifying data for banks in their respective countries: Institute for Financial Affairs Inc., Tokyo; Confederacion Espanola de Cajas de Ahorros, Madrid; Verband Schweizerischer Kantonalbanken, Basel, Switzerland; and TSB Group Central Executive, London.

Bank-Fraud Plea Brings Jail Term

ALBANY, N.Y. — A former moving and storage company executive has been sentenced to 18 months in prison for bank fraud and stealing from the firm and its employee pension account.

U.S. District Judge Con Cholakis handed down the sentence to J. Thomas Vogel, 43, of Albany. Mr. Vogel is the former vice president of Vogel Van and Storage. He had pleaded guilty to four felony charges of making false statements and reports to banks, defrauding banks, and unlawfully converting funds from his company and an employee pension fund for his own use.

Banks defrauded included Key Bank NA, Chase Lincoln First Bank, Schenectady Trust Co., Citibank, Albany Savings Bank, Manufacturers Hanover, and First American Bank.

Mr. Vogel admitted submitting false documentation to banks to obtain loans and lines of credit. He also admitted to obtaining $3.5 million in loans by pledging trucks and trailers in the company fleet as collateral, although these vehicles already had been pledged for other loans.

Mr. Vogel also admitted taking $92,000 from the company and a pension fund. His attorney, E. Stewart Jones, had asked the judge for probation for Mr. Vogel rather than a prison term. Mr. Jones said Mr. Vogel was trying to use the money to save his financially distressed company, which had been operated by his family for 70 years.

Mr. Jones also claimed the banks were so anxious to take Mr. Vogel's money that they ignored proper procedures in screening the loan applications.

Assistant U.S. Attorney George Yannis recommended a prison term of 30 to 37 months for Mr. Vogel. He said Mr. Vogel deceived the banks and showed a disregard for his employees by withdrawing pension funds.

Mr. Vogel could have faced a maximum of 14 years in prison and fines of up to $760,000 if he had gone to trial and been found guilty on all counts. ■

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Fleet/Norstar Seeks to Run New Hampshire Bank

By MICHAEL WEINSTEIN
New England Bureau

BOSTON — Fleet/Norstar Financial Group, Providence, R.I., expects to begin operating a full-service commercial bank in New Hampshire by fall, said a Fleet/Norstar executive.

Fleet plans to convert an existing loan production office in Nashua, N.H., into what initially will be a one-branch operation, William C. Mutterperl, Fleet/Norstar's general counsel said. "It will be run as a full-service commercial bank."

The middle-market customers of the loan production office will be the "guts" of the new bank's corporate clientele, he said.

"There will be full consumer services available," he said. Fleet already provides consumer lending products in Nashua and has a mortgage office in Bedford, N.H.

In order to operate the bank, Fleet needs the state charter and approvals from the Federal Reserve Board and from the Federal Deposit Insurance Corp. Fleet already has a New Hampshire bank charter and preliminary FDIC approval.

The state charter, granted last November, stipulated that Fleet must divest the New Hampshire bank if it completed a then-planned merger with Norstar Bancorp, Albany, N.Y. This stipulation was consistent with New Hampshire's interstate banking law, which excluded banking companies with any banking operations outside the six New England states from operating a New Hampshire bank.

Fleet Financial Corp. merged with Norstar on Jan. 1, but the New Hampshire banking law was changed a few months ago to permit entry to out-of-state banking companies, as long as more than half of their deposits are in New England and they have headquarters in New England.

Mr. Mutterperl said the new law includes a provision that "grandfathers" Fleet as a New England banking company under the law and therefore authorizes its ownership of a New Hampshire bank.

Fleet has commercial banks in Rhode Island, Connecticut, Maine, and New York. The firm has expressed interest in building a banking franchise south to the Washington area and west to Ohio.

Fleet's merger with Norstar triggered a divestiture provision in Connecticut law, but the company's sale of its Connecticut bank has been delayed pending Connecticut Banking Commissioner Howard B. Brown's issuance of new regulations. ■

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Judge Sentences Two in Queen City Fraud Case

By MICHAEL J. PARKS

SEATTLE — Two men involved in the 1984 collapse of Queen City Savings and Loan Association of Seattle were sentenced to prison on Friday by a federal judge.

Jerry D. Smith of Phoenix — formerly a real estate developer in Walla Walla, Wash. — was sentenced to 10 years. Michael Kirchoff of Gig Harbor, Wash., a former president of the association, was sentenced to two years. Paul Smith of Midland, Tex., Jerry Smith's brother, was placed on probation for five years.

Jerry Smith and Mr. Kirchoff were been convicted of conspiracy, wire fraud, and making false entries in bank records. Paul Smith was convicted of a single count of aiding and abetting the false entries.

During a six-week jury trial in U.S. District Court for Western Washington that ended in May, prosecutors said the men systematically looted Queen City of millions of dollars in 1982 and 1983; loans that were supposed to go for land development in Texas ended up in dummy corporations.

Queen City failed in 1984 and was sold by regulators to Gibraltar Financial Corp., Beverly Hills, Calif. The successor thrift is Gibraltar Savings.

Prosecutors contended that the association was actually run by Jerry Smith, who never held a title at the association but had brokered its purchase by a Canadian businessman.

At sentencing, Jerry Smith told the judge he had made careless mistakes but wasn't guilty of fraud. Judge John Coughenour replied: "The message must go out to the business community that if these types of transactions take place, people go to prison."

The case was handled by a Seattle-based federal bank fraud task force that has obtained several convictions of bankers in the Pacific Northwest. ■

Financial Center Basks in Limelight

➵ Continued from Page 3

The second black to become Atlanta's mayor, Mr. Young "is probusiness in every sense of the word," says Mr. Riddle.

In larger part because he became well known as U.N. ambassador and developed important contacts, Mr. Young is now "the finest representative we could have," says Mr. Riddle. "He can go anywhere in the world and people know him and want to see him."

Despite the city's reputation for harmonious racial relations — it was known for years as "the city too busy to hate" — its banks were embarrassed recently by a series of articles in *The Atlanta Constitution* charging that local banks and thrifts have systematically favored whites over minority borrowers, a practice known as redlining.

The timing of the articles, coming as they did in May, just before the Democratic Convention, could hardly have been worse for a local financial services establishment anxious to put its best foot forward during a time when Atlanta is in the public eye.

With the Democrats in town, the Association of Community Organizations for Reform Now, or ACORN, marched on the Federal Reserve Bank of Atlanta Monday afternoon to dramatize its concern with enforcement of the Community Reinvestment Act, which is intended to deter redlining. ■

FSLIC Pays Failed Thrift's Depositors $324 Million

➵ Continued from Page 1

ance Corp. spent $465 million to cover that commercial bank's insured accounts.

The FSLIC estimates that it eventually will recover $125.1 million of the Farmers' settlement by selling the institution's assets. If those projections prove correct, the actual cost to the FSLIC of Monday's action would be $198.9 million.

Regulators said less than $1 million of Farmers' deposits were uninsured. Owners of those deposits will share in the proceeds of the asset liquidations.

Farmers recently topped a list of two dozen institutions that thrift analyst Bert Ely, president of Ely & Co., Alexandria, Va., described as prime candidates for liquidation by the FSLIC. That list appeared in the July 5 edition of the *American Banker*. The institutions, Mr. Ely said, were unsellable because they were running on high-cost deposits and lacked retail branch franchises.

When the list was published, Federal Home Loan Bank Board Chairman M. Danny Wall said the likelihood that any of the institutions on it would be liquidated was "very low."

10 Largest FSLIC Payouts Since '84

In millions of dollars

	Date	Amount
1. **American Diversified Savings Bank,** Costa Mesa, Calif.	6/6/88	$1,140.0
2. **Farmers Savings,** Davis, Calif.	7/18/88	324.0
3. **Empire Savings and Loan,** Mesquite, Tex.	3/14/84	300.0
4. **North America Savings and Loan,** Costa Mesa, Calif.	6/6/88	209.0
5. **Liberty Federal Savings and Loan,** Leesville, La.	4/24/87	138.2
6. **Umpqua Savings and Loan,** Roseburg, Ore.	1/16/87	112.8
7. **Consolidated Savings Bank,** Irvine, Calif.	8/29/86	61.4
8. **Central Illinois Savings,** Virden, Ill.	7/25/86	53.7
9. **Montana Federal Savings Bank,** Kalispell, Mont.	8/16/85	29.8
10. **Community Federal Savings and Loan,** Nashville	6/7/85	22.7

Source: FSLIC

'A Hot-Money Desk'

In a prepared statement yesterday, Mr. Wall said Farmers had become "a hot-money desk," using jumbo deposits to fund risky commercial loans.

"We couldn't successfully market this institution," Mr. Wall said. "There were no teller stations, virtually no retail deposits, and no franchise value to offer an acquirer."

Martha Gravlee, a spokeswoman for the Bank Board, said virtually all the deposits at the failed thrift were six-month certificates of deposit.

Payouts are the most costly way of eliminating a problem institution, Ms. Gravlee said, and are only used by regulators as a last resort. She did not rule out more payouts for the rest of the year.

Bank Board member Roger Martin said the FSLIC would pattern Monday's depositor payout after last month's $1.35 billion depositor payouts at American Diversified and a second thrift in Costa Mesa, North America Savings, which had about $209 million in deposits. Those payouts are 98% complete, Mr. Martin said.

He said the FSLIC hopes the closing of Farmer's will help reduce the cost of funds for the entire industry.

"Farmers was a prime example of a bankrupt thrift offering exorbitant rates that in turn forced the healthy industry to raise their own rates," Mr. Martin said in a prepared statement. He said Farmers was paying an average deposit rate of 8.95%, 157 basis points over the 7.38% national average cost of funds and 162 basis points higher than the district average computed by the Federal Home Loan Bank of San Francisco.

Under Management Consignment

Regulators booted out Farmers' original management in October 1985 and federalized the previously state-chartered institution, citing huge losses, lack of management controls, and inadequate internal accounting. It placed the thrift in the Bank Board's management consignment program, hiring California Federal Savings and Loan Association to oversee the thrift and reverse its slipping fortunes.

Farmers had grown from $186.3 million in deposits at yearend 1983 to $583.2 million at the of 1984. Assets grew from $52 million in 1982 to $733 million in 1984. As of May 31, Farmers had $181.5 million in assets, $334.7 million in liabilities, and negative regulatory capital of $153.2 million.

The liquidation is contrary to what Los Angeles-based California Federal recommended to the FSLIC while it managed Farmers. It resigned the assignment early last year.

"We were recommending a long-term workout," said George P. Rutland, former president and chief executive officer of CalFed Inc., which owns California Federal.

Mr. Rutland, who now is chairman and chief executive officer of Northeast Savings in Hartford, Conn., said California Federal quit managing Farmers because the FSLIC "was too slow in acting" on its recommendations, each of which had to be approved by the agency.

Since California Federal bowed out of Farmers, the institution had been managed by another outside team hired by the FSLIC.

Farmers' deposed chairman, Peter Anders, was murdered in 1986. A tenant who owed the 41-year-old banker $7,690 in back rent was convicted last March of hiring the killer. ■

Stonier Honors Nadler With Leadership Award

WASHINGTON — The American Bankers Association Stonier Graduate School of Banking honored Paul S. Nadler with the Ayers Leadership Award for his contributions to banking and economic education.

Mr. Nadler, who is the 13th person to receive this award since its inception in 1947, has been an instructor at Stonier, part of the University of Delaware, Newark, Del., for 30 years and a professor of finance at Rutgers University, New Brunswick, N.J., since 1958. He also received the 1987 Professor of the Year award at Rutgers.

Mr. Nadler is a contributing editor of the *American Banker*. ■

Management of Failed S&L Agrees to Pay $23.5 Million

West Coast Bureau

SAN FRANCISCO — The State of California settled for $23.5 million its lawsuit against the officers and directors of Western Community MoneyCenter, a Walnut Creek, Calif., thrift that failed in 1984.

The money will be used to repay various claims against the company, including one from the Federal Savings and Loan Insurance Corp., which placed MoneyCenter's savings and loan affiliate into receivership.

The state charged in its lawsuit that MoneyCenter collapsed because of mismanagement and the failure of its accountants, Peat Marwick Main & Co., to audit the firm properly. The state has a suit pending against the accounting firm. ■

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Banco Santander-Puerto Rico	Duff 1	Glendale Federal Savings & Loan Assn.	Duff 2
Bank of America Nat'l. Tr. & Svgs. Assn.	Duff 2	Manufacturers & Traders Trust Co.	Duff 1
Bank of Hawaii	Duff 1+	Manufacturers National Bank of Detroit	Duff 1
Bankers Trust Co.	Duff 1+	Mellon Bank, N.A.	Duff 1-
Boulevard Bank N.A.	Duff 1	Morgan Guaranty Trust Co. of N.Y.	Duff 1+
Chase Manhattan Bank (N.A.)	Duff 1	San Francisco Federal Savings & Loan Assn.	Duff 2
Chemical Bank	Duff 1+	Security Pacific National Bank	Duff 1+
Citibank, N.A.	Duff 1+	Southeast Bank, N.A.	Duff 1
Citizens & Southern Nat'l. Bank	Duff 1+	Union Federal Savings & Loan Assn.	Duff 1-
Continental Ill. Nat'l. Bank	Duff 1-	U.S. National Bank of Oregon	Duff 1+
First Bank N.A. (Minnesota)	Duff 1	Valley National Bank of Arizona	Duff 1
First Interstate Bank of California	Duff 1+	Wachovia Bank & Trust Co., N.A.	Duff 1+
First National Bank of Boston	Duff 1+	Wells Fargo Bank, N.A.	Duff 1+
First National Bank of Chicago	Duff 1	Western Federal Savings Bank (Puerto Rico)	Duff 2
First Pennsylvania Bank N.A.	Duff 1-		

Long Term Ratings

Banco Santander-Puerto Rico: Subordinated Debt	D&P-6 (Middle Single A)
Franklin Savings Association	D&P-9 (Middle Triple B)
Manufacturers & Traders Trust Company	D&P-6 (Middle Single A)
Union Federal Savings & Loan Association	D&P-8 (High Triple B)

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Today

National banks in the Midwest have had little success circumventing branching restrictions in their home states. Now a small but increasing number of them are relying on a Mississippi national bank's successful establishment of a branch that was expressly prohibited by state law. __2

Losses in the swap markets have totaled $33 million, a tiny amount of the $1 trillion in outstandings in the five-year-old markets, a survey finds. ________2

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Community activists took advantage of the media attention at the Democratic convention to urge support for the Community Reinvestment Act.22

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Worth Repeating

[New Deal Democrats] told us that they were going to guarantee that when we put our money in the bank, our money would be insured — and they did what they said. They did not lie to us.

Texas State Treasurer Ann Richards in the keynote address at the Democratic National Convention. [Page 1]

TV Expedites Validation of Visa Charges

By JEFFREY KUTLER

NEW YORK — Now that its payment system spans the globe, Visa International is introducing technology and changing some procedures to make bank cards acceptable in retail establishments that have tended to shun credit cards.

Visa wants to use television signals to transmit its authorization files to what it calls "high-throughput merchants." These would include outlets where speed is of the essence: fast-food restaurants, convenience stores, movie theaters, sports arenas, gas stations, and parking lots.

Technology Section Begins on Page 6

With authorization files broadcast directly into a store's computer system, transactions could be completed within an instant of a Visa card's passage through an electronic point-of-sale terminal.

To keep patrons moving through the lines, merchants would not have to imprint the traditional sales drafts, get customers to sign them, and return a carbon copy. The documentation would be unwieldy in a quick-service environment where transaction amounts are relatively small; Visa offers to scrap it in the interest of "throughput."

Visa officials call it the Express Payment Service and tout it as a way to make bank cards a reasonable alternative to cash. They have at least one fast-food retailer willing to test the proposition, and other merchants are said to be interested.

Arby's, a purveyor of roast beef sandwiches, will be the first to demon-

Visa: Page 23 ➽

DEMOCRATIC NATIONAL CONVENTION

Keynoter Alludes to FSLIC Woes

By ROBERT M. GARSSON

ELECTIONS
'88

ATLANTA — In recalling her party's glory days, Texas State Treasurer Ann Richards told a jubilant Democratic National Convention about the creation of the deposit insurance system under President Franklin D. Roosevelt.

New Deal Democrats, she said, "told us that they were going to guarantee that when we put our money in the bank, our money would be insured — and they did what they said."

"They did not lie to us," she added emphatically, bringing delegates here to their feet in one of many ovations for her keynote address on Monday night.

Deposit insurance is not likely to receive many more moments of floor time at the Democratic National Convention. Delegates are talking about other issues: drugs, trade, and advance notice of plant closings.

But for a significant number of delegates, the federal deposit insurance system — particularly the battered Federal Savings and Loan Insurance Corp. — is a difficult, worrisome issue. It is looming ever larger in their calculations about what decisions the next President must make during his first months in office.

"The numbers are moving so quickly, from $15 billion to $50 billion," said Rep. Marcy Kaptur, D-Ohio, refer-

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RMA Unveils Lender Training Program

By JOHN P. FORDE

NEW YORK — Robert Morris Associates, the national association of commercial bank lenders, unveiled the first courses Tuesday in a comprehensive program designed to train commercial lenders in all stages of their careers.

The program, called "Mentor," is the Phildelphia-based trade group's response to the cost of training bank officers, which it claimed can run as high as $100,000 a year per employee, including salary.

The three-track program is designed for bankers with varying levels of experience. The courses can be viewed as lower-cost alternatives for banks that would otherwise have to devise their own training programs to suit the specific needs and experience of their employees.

Training programs within banks "are expensive and they do not zero in on a given segment," said William H. Sayre, president of the group, at a press conference. Mr. Sayre is also an executive vice president at Fidelcor Inc. and Fidelity Bank, Philadelphia.

The new courses, he added, can also supplement a bank's in-house training and educational efforts from other sources, such as courses offered by other trade groups.

The Mentor program will eventually offer between 25 and 30 courses. On Tuesday, the group announced financial accounting, business writing for bankers, using credit information in risk assessment, uniform credit analysis, sales techniques for commercial lenders, sales management for commercial lenders, and commercial loan

RMA: Page 19 ➽

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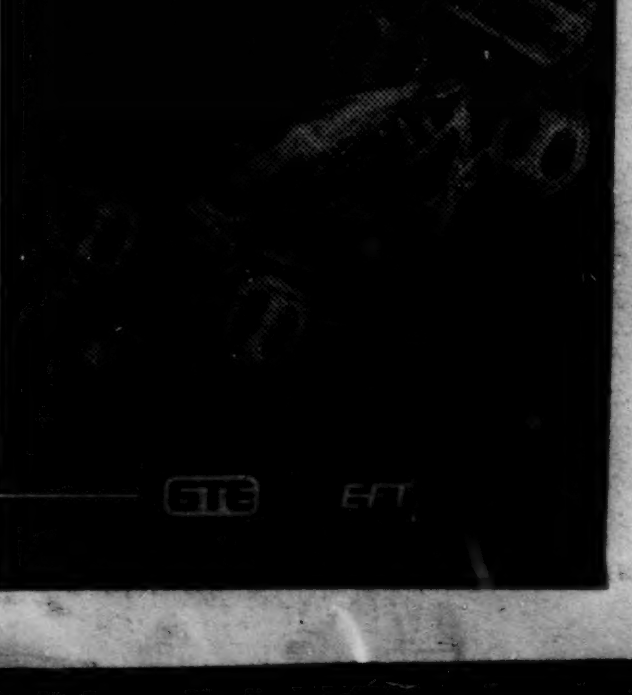
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FROM THE REGIONS:
THE MIDWEST

National Banks in Midwest Hope Court Rule will Expand Branching

By RICHARD RINGER
Midwest Bureau

CHICAGO — Despite a precedent-setting case that gave national banks broad branching powers, national banks in the Midwest have had little succeess circumventing branching restrictions in their home states.

To ease these restrictions, several national banks in a small but increasing number of Midwest states are relying on a Mississippi national bank's successful establishment of a branch that was expressly prohibited by state law.

In February 1987, a federal appeals court upheld a decision by the Comptroller of the Currency that gave more liberal branching authority than existed under Mississippi law to Deposit Guaranty National Bank, Jackson, Miss.

The Comptroller ruled that since Mississippi's savings and loans had statewide branching authority and banklike powers, national banks in Mississippi should have the same branching rights.

Since the appellate ruling on this case, the Comptroller's office has faced court challenges to its approval of branching applications from national banks in states where there are restrictions.

The Mississippi ruling is not binding on federal courts in other districts. Still, federal appeals courts in other states, most recently in Texas, have supported the ruling and have given national banks broader branching powers than are allowed in their home states.

And many banks and their attorneys believe their cases for expanded powers are similar to the Deposit Guaranty case. Perhaps.

Judging from the record, the similarities are not as close as the banks maintain. To date, no national bank in the Midwest using the Deposit Guaranty argument has won its case. The Comptroller has yet to approve any branch application by a Midwest national bank that has cited the Mississippi arguments.

Use of Precedent

National banks using the Deposit Guaranty precedent to ease restrictions on branching in their home states

Application status	Nationwide	Midwest
Filed[1]	100	6
Approved	44	0
Denied	1	0
Pending	54	4

[1] Filed with Comptroller as of June 30. Applications by two Detroit national banks are now moot because of a statewide branch banking law that takes effect Aug. 1.

Source: Comptroller of the Currency

Significantly, however, national banks continue to press the issue even at the prospect — and sometimes outright threat — that they will be challenged in court. In one instance, the Michigan Legislature rewrote its branching law after two national banks filed applications based largely on arguments used in the Deposit Guaranty case. Here's an update:

- In Indiana, the Comptroller has not yet ruled on a branching application by Indiana National Bank, Indianapolis, despite rumors circulating in February that a ruling was due in about a month. Indiana National filed the application nearly a year ago on July 27.

"We're waiting," Greg Schenkel, a vice president at Indiana National Corp., the bank's parent company, said last week. "We truly don't know when a decision will be rendered."

He said the Comptroller requested additional information pertaining to the bank's application to open a branch in Bloomington, outside the region allowed under Indiana law.

Each time more information is requested while reviewing a branch application, the evaluation period starts over again, said Leonora S. Cross, a spokeswoman for the Comptroller's office.

Some bank attorneys say the delay in

From the Regions: Page 22 ➸

Survey Shows Losses Are Low in Swap Market

By LISABETH WEINER
Midwest Bureau

CHICAGO — Outstandings in the five-year-old interest rate and currency swap markets have surpassed the $1 trillion mark, while losses from these products have totaled only $33 million — a fractional amount of the business that has been booked.

These findings were released by the International Swap Dealers Association based on surveys prepared by Arthur Andersen & Co.

"We think this makes a good case to regulators around the world that this product has a relatively low credit risk, and that's true for both interest rate and currency swaps," said Mark Brickell. He is vice president of Morgan Guaranty Trust Co. and chairman of the swap dealers group.

An interest rate swap is an exchange of debt obligations between counterparties. In the most common type of swap, one party exchanges its floating-rate debt for another party's fixed-rate debt. A currency swaps might exchange U.S. dollar debt for Japanese yen debt. Financial institutions, government agencies, and corporations use these tools as a means of managing their balance sheets and reducing their funding costs.

The survey was based on responses from 49 market participants, including the largest in the world. It concluded that at the end of last year interest rate swaps comprised 80% of the global swaps market, with $889.5 billion in outstanding notional value. Currency swaps have outstandings of $219.2 billion. The results, which include the market among dealers themselves, are based on 52,629 transactions.

New Swap Business in 1987

In millions of U.S. dollars

Currency	Interest Rate Swaps	Currency Swaps
U.S. dollars	$286,731	$38,459
Yen	31,615	13,710
Deutsche marks	22,331	5,782
Sterling	20,466	2,112
Other	26,715	25,761
Total	387,858 (81.88%)	85,824 (18.12%)

Source: International Swap Dealers Association Inc.

Writeoffs from swaps totaled $33 million and consisted of 23 swap transactions with a combined notional or face value of $283 billion, according to the survey. Of the 71 firms surveyed, 11 had losses on their swap portfolios. Of those swaps that failed, 19 were U.S. dollar-denominated interest rate

Losses: Page 23 ➸

Security Pacific Shakes Up Staff

By MICHAEL J. PARKS

Security Pacific Corp., Los Angeles, on Tuesday announced new assignments effective Aug. 1 for several executives involved in its California, Arizona, and Washington operations.

A week earlier, Security Pacific's subsidiary in Seattle, Rainier Bancorp., announced the layoffs of about 4% of its employees. Rumors have also circulated that Security Pacific may change Rainier's name.

Several regional banking companies have been working on ways to improve the efficiency of their operations following large interstate mergers, and Security Pacific's executive shuffling may reflect that trend.

Jon M. Christoffersen, 45, now president of Rainier Bancorp. and Rainier National Bank in Seattle, will move to Los Angeles to become vice chairman and chief administrative officer of Security Pacific National Bank. He will report to Robert H. Smith, Security Pacific National's president, and will head financial and administrative units. The bank has four other vice chairmen.

Replacing him in Seattle as president and chief operating officer of Rainier Bancorp. and Rainier National Bank will be John C. Getzelman, 45, now a Security Pacific executive vice president.

In Phoenix, Robert L. Matthews, 50, formerly president of Arizona Bancwest Corp. and the Arizona Bank, has been elevated to chairman of both and remains chief executive.

His successor as president is William S. Thomas, 44, a Security Pacific executive vice president, who becomes chief operating officer of the holding company and the bank. Don B. Tostenrud, 63, moves from chairman to chairman emeritus of Arizona Bancwest and remains executive committee chairman.

In Seattle, Gordon F. Given, 52, W. Thomas Porter Jr., 54, and Stanley D. Savage, 43, have been elected vice chairmen at Rainier National. All are now executive vice presidents.

A Security Pacific spokeswoman said, "There's no name change for Rainier in the works today." But, she added, that does not preclude the possibility of a future name change. ■

FINANCIAL TECHNOLOGY UPDATE

A modular design provides ATM flexibility. The modular design of the 5070 Single Solution Terminal (SST) from NCR is designed to enable banks to start cost-effectively and upgrade capacity as volume grows or upgrade to full function as requirements change. Financial institutions can now make economical use of those sites that are initially high in visibility but low in volume.

Advanced processing for branch automation. The Financial TOWER System 2 (FTS 2) from NCR is a state-of-the-art transaction processing system for branch automation. FTS 2 can provide a total solution in advanced hardware, software and communications in an open architecture designed to accommodate tomorrow's emerging technologies. The system also incorporates an advanced platform selling environment with sophisticated networking capabilities designed to provide customers with superior service.

The People's National Bank, of Easley, South Carolina, recently purchased NCR's Banker 80-II account processing system. According to Robert Dye, President of The People's National Bank, "The tremendous power of this small system enables the fledgling financial institution to effectively compete in an arena of giants." Mr. Dye also stated that he was impressed with the abundance of customer information made available, and the system's flexibility to tailor individualized products.

NCR provides in-house item processing with the NCR 7720-3101 intelligent item processing system. The 7720-3101 is designed to be cost effective and efficient, reducing document handling while increasing accuracy. This automated, one-step system has the following basic capabilities: encoding, endorsing, sorting, and transmission of data to and from a host.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

July 20, 1988, American Banker

Recovering from Job Loss? Draft Your Plan of Action

By GEORGIA HICKEY

Second of Four Articles

AVOIDANCE and procrastination are enemies waiting to sabotage your efforts. Recognize them for what they are — normal responses to change and depression. Do not lull yourself into complacency by taking a vacation or six weeks off to paint the house.

Though you will certainly not be at your best right now, the activity of drawing up your plan will be a positive and reinforcing step for you. It will help to move you from the past and toward your future.

Your plan should incorporate provisions for managing your finances, for negotiating severance pay and/or services, and it should provide the initial framework for your job search.

Ask to participate in drafting your severance package. If you're a senior officer or an employee with long service, you have more leverage than you may realize.

First and foremost, negotiate for the continuance of your insurances, particularly medical coverage. While life insurance is relatively affordable and orthodontia can be postponed, medical coverage for you and your family is almost out of reach to individuals.

Most employers are willing to continue your coverage for 30 days, and some for much longer. Arrange, if you can, the option of continuing coverage indefinitely (until you're covered by a new employer) by making the payments yourself, but at the company's group rate. You must maintain coverage; without it, an accident or illness could destroy you financially.

Next, try to obtain secretarial support for as long as it's feasible. Having someone to depend on for messages, correspondence, and word processing is an extremely valuable resource.

If your employer offers an outplacement service, try to negotiate for the money instead. You can then selectively retain a counselor or pay for services as needed, resulting in a more customized program. This avoids the cookie-cutter approach used by most outplacement agencies.

Do not limit the scope of your job search at this juncture. Far too many limit themselves to their own backyard for the first several months of a search, and too often local opportunities are limited (or nonexistent).

Do not miss an attractive position because it means you have to move. If you develop both local and out-of-town possibilities or offers, you will have the luxury of evaluating trade-offs and choosing which makes the best sense for you and your family.

If, however, you go for many months with no opportunities in the local market, it is difficult to convince potential employers that relocating to accept a position is anything but a last resort. They will be skeptical of your long-term commitment.

Take Good Care of Yourself

Most people badly underestimate the amount of time and effort required for a successful job search. It can be a long and difficult ordeal, and most people find it requires them to work harder than they've ever worked in their lives.

There may never be another time in your life when you will be more vulnerable to stress and depression. It is imperative that you confront these potentially debilitating forces and counter them with good eating habits, a good night's sleep, regular exercise, and attention to personal grooming.

Before you dismiss this as too obvious, it's not as easy as it sounds. Your business schedule and former coworkers have had profound influence on your life-style and the habits you've formed.

Once removed from the environment and schedule you' re used to, you are going to feel disoriented and depressed. Your eating and sleeping habits will suffer. You'll indulge yourself with late night TV, favorite snacks, and mornings when you skip your grooming rituals.

You must get up and get going as you used to; eat regular meals and avoid lounging around in your bathrobe. Psychologically, it' s advantageous to wear appropriate business clothes, just as you did when you left for the office. But, if that seems too extreme, at least wear your best casual clothes and present a well-groomed exterior, just as you did at the office.

Carefully assess your personal appearance and your wardrobe with an eye toward packaging your product. Now is the time to lose any extra pounds and to invest in the tailoring or repairs needed to put your suits and shoes in top condition.

Don't add unnecessary stress. Make your first-round and second-round interviewing selections now, not the night before. Choose the clothes that make you look best and feel most attractive. They must be conservative, well-tailored and businesslike.

If you're not happy with anything you own, and if tailoring is not the answer, it's time to add a confidence builder. Even if it pinches your budget, you must not underestimate the importance of presenting yourself well.

Set Up A Command Post and a Schedule

Whether your former employer has given you office privileges or not, you will need a quiet, private place at home for the tasks ahead. It may be the guest room, the basement, or the attic — but it must be as comfortable, well lit, and appealing as possible.

Nancy Doniger

You will spend many hours in your new office, and your moods will be affected by your surroundings. Be sure they are not gloomy, shabby, or depressing in any way.

Assemble all the supplies you will need: a calendar, letter files, card files, phone index, pens, note pads, etc. If you have a personal computer, you have a valuable ally. Take full advantage of its capacity to help you keep accurate records, draft your resume and correspondence, and manage mailing lists.

If your budget will accommodate it, install a separate phone line so your business calls will not be interrupted by someone picking up an extension. Your family will not need to forego talking with friends and relatives because you may miss a call, or because you have a list of calls to place or return. Also, you will find it easier to substantiate the tax-deductible expenses relating to your job search.

For all of your working life, you have been on a schedule of when to get up, when to be at the office, when to go to lunch, when to go home. Do not underestimate the comfort value of a schedule. It provides a framework for our lives, our work, and sense of purpose. Now, more than ever, you must fight the temptation to drift along, to sleep late, or otherwise drastically alter your way of life.

Establish a schedule for yourself and adhere to it as much as possible. Just as you did when you were working, discipline yourself to scheduled luncheons and fit your errands in around your work time. If you do a thorough job of looking for a job, you may find you have less free time now than when you were employed.

There are peak hours during each business day when the people you're trying to reach are most accessible, and when they're most likely to return your calls. Also, try to identify your personal peak hours, when you are most alert and capable.

As a general guideline, peak business hours are 8:30-11:30 a.m. and 2-4 p.m. Whenever possible, use personal peak hours to your advantage and place phone calls accordingly. Slack time should be devoted to the paperwork, reading, record keeping, and planning that will support your search.

If your former employer has not provided a secretary to take your messages, you should have an answering machine. Use a simple, businesslike message. If your budget allows, consider employing an answering service.

Spend as little time as possible at your former office, even if its use is part of your severance agreement. If you have long-distance call privileges, plan your list of calls, make them and leave.

It is not healthy for you, or for those employees who remain, when you spend protracted periods of time in your former office. It diverts your attention from the present and future to the past, and will underscore your sense of loss. You are now on the outside looking in. The feeling is unavoidable when you linger in your old surroundings.

Put Yourself in Charge

Finding another job is *your* job. It's a difficult lesson, which is too often too late learned. The sooner you accept full responsibility the better.

If, psychologically, you turn the job over to someone else, or sit back and wait for one of your contacts to rescue you, you will lose valuable time. You will risk being disappointed, embittered, or financially drained.

This does not mean you cannot or should not "network" — because you must. How you go about networking and where you place your emphasis will be governed partially by your attitudes about privacy.

For instance, you may or may not decide to tell your friends and neighbors of your situation. While it's true they are seldom able to offer anything but sympathy and some emotional support, you and they may feel better if you don't keep them in the dark.

> Most people underestimate the amount of time and effort required for a successful job search.

You should contact your business acquaintances and members of professional associations and clubs. But don't be surprised if your new status causes them to back away. Most will want to help, but your request also makes them feel responsible for finding a solution they may not have.

Unless they' re able to do something concrete, your situation will make them uncomfortable. Further, it reminds them of their own vulnerability. So, let them know, but don't depend on them, and don't hold it against them if they don't keep in touch.

Don't overlook your college alumni office, particularly if you're a graduate of a big-name school. You'd be surprised how often executive recruiters use these college offices as one of their sources to find candidates.

If you've been smart enough to cultivate a relationship with a recruiter before now, this could be your best resource for qualified information about a resume format, job-search strategies, and the marketplace both locally and nationally. If you don't already know a recruiter who specializes in banking,

Comment: Page 20 ➔

Ms. Hickey, a certified personnel consultant, is managing principal of the Quest Group, financial management search consultants based in Hartford, Conn.

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Visa Uses TV Signals to Speed Credit Validations

Continued from Page 1

strate Express Payment Service beginning next month at 17 outlets in Arizona.

There will be "no fussing with cash, making change, or working with sales drafts, imprinters, and the like," said J. Pino Francini, general manager of Visa International, San Mateo, Calif.

Thus, Visa is positioning itself to compete not only against the likes of MasterCard International and American Express Co., but against the most dominant payment system of all — paper.

Cash and checks are used in an estimated 90% of consumer payments. Mr. Francini called this "an untapped territory that holds the potential for tremendous growth in our members' [card] programs, provided we can accelerate transactions while maintaining control over fraud and credit losses."

Several factors coalesced to create the Express Payment initiative: Visa's desire to reach the small-dollar transaction market; Arby's willingness to test the impact of credit cards on its sales; and the availability of a new transmission medium — television signals — for authorization files.

Authorizing these transactions — assuring that the cards are valid and have open lines of credit — is essential. Most fast-food transactions fall below the $50 floor that requires a call to Visa's authorization center, but an electronic check against the "hot card" file would prevent massive losses if lost, stolen, or invalid cards were circulating.

Telephone calls to a Visa authorization center are time-consuming. Conventional computer links to an authorization center, typically via telephone lines, can be expensive.

Visa has encouraged its members to explore telecommunications alternatives, such as the unused portions of television and radio signals, which some retailers may find more efficient for obtaining authorizations.

Last year, seven Kessler's Department Stores in Georgia, working with First National Bank of Atlanta, began using an FM radio station's sideband capacity for this purpose. Kessler's has since gone on to receive the cardholder data on the unused portion of a public television station's signal, known as the vertical blanking interval, or VBI.

The Public Broadcasting Service will also be providing the VBI facility for Visa transmissions to Arby's in Arizona.

The interval may appear on any television screen as a black line when the picture begins to roll, but any business data in the channel could not be decoded without special equipment.

Kessler's and Stats, a wholesale florist in Southern California, used the broadcast media only for authorizations; they continued to follow the sales-slip procedures that are being eliminated in Express Payment Service.

Opportunity in Fast Food

The fast-food industry does $55 billion in annual sales, and virtually none of that on bank cards, Mr. Francini said. Some chains, including McDonald's Corp. and Wendy's International Inc., have participated in bank-owned automated teller machine networks or point-of-sale debit card systems, but on a small scale.

Arizona has been a hotbed of electronic point-of-sale activity. Cactus Switch, a statewide system operated by the Arizona Clearing House Association, is handling more than 500,000 debit card transactions per month. Accounts are settled via the automated clearing house network.

Coincidentally, Visa will soon begin providing automated clearing house services to the Arizona Clearing House. Although Arby's has not yet participated in the Cactus Switch, Visa's Express Payment Service might be seen as a competitive challenge to the debit card system.

Arby's this year became one of the few fast-food retailers to accept credit cards, offering an "extra convenience" at 19 outlets in the Cleveland area, said Len Roberts, president and chief executive officer of the 2,000-store chain.

"Credit cards provide customers with an alternative and nontraditional payment method that attracts new customers and stimulates add-on purchases," Mr. Roberts said.

An analysis by Arby's and its transaction-processing bank — Chemical Bank, New York — showed the average credit card sale to be twice as high as a cash purchase, Mr. Francini said. That experience led Arby's into a test of new technology in Arizona.

In preparation for six months, the new system involves transmission of up-to-date "hot card" listings each day. It is an efficient delivery mechanism, Mr. Francini said, and it gives the retailer more security and reliability than the printed warning bulletins, which are updated only every other week.

"We purposely are going after merchants that are not known for accepting credit cards, because we think this will answer their misgivings," Mr. Francini said of Express Payment Service.

He said the television vertical blanking interval has greater potential than the FM sideband method because "there is no place in the world not reached by TV signals. This is not true of FM radio."

The system that Visa is setting up for Arby's is nondiscriminatory — it will allow Arby's to accept MasterCard as well as Visa. But Visa transactions will be completed within a second or two because of the immediate accessibility of the "hot card" file. It may take a minute for a MasterCard authorization to be returned, Mr. Francini estimated. ■

Losses in Swap Market Are Low, Survey Shows

Continued from Page 2

swaps, two were nondollar interest rate swaps, one was a currency swap, and one was unidentified.

Swap business booked in 1987 totaled $473.7 billion, according to the survey. Of that amount, $387.9 billion or 82% were interest rate swaps and $85.8 billion or 18% were currency swaps.

U.S. dollar interest rate swaps have dominated the market, holding 79% of total outstandings. Last year, $286.7 billion in U.S. dollar interest rate swaps were booked.

The dollar also dominated in currency swaps. Of all outstandings, $98 billion or 45% of the market involved the dollar on one side of the transaction.

The relatively low level of losses from swaps speaks well of the product, Mr. Brickell said, especially as federal regulators are formulating risk-based capital guidelines.

"We think it strengthens our view that there are low risks for currency and interest rate swap products," he said. "It's a good indication of the quality of the counterparties."

Swap dealers have been concerned that, under proposed international capital guidelines, the large amount of capital required to back currency swaps would be disproportionate to what they see as the low risk of the product.

Mr. Brickell said the fact that there has been been only one loss from a currency swap "hints at the possibility that currency counterparties have even a higher level of quality than other counterparties." ■

From the Regions..

Continued from Page 22

Michigan banks to open branches anywhere in the state beginning Aug. 1. The precipitating force, said Richard B. Foster Jr., president of Banconsult Inc., a Lansing consulting firm, was when two Detroit national banks filed branch applications last year.

Last Oct. 13, Michigan National Bank of Detroit filed an application to open a branch that, under the old law, was prohibited. And on Dec. 31, Manufacturers National Bank of Detroit filed an application to open a branch where it was prohibited under the old law.

"Statewide branching would not be taking effect so soon if it were not for the two national banks' pressing the issue, said Mr. Foster. "Getting statewide branching was like a glacier moving forward — very slowly."

Still, there is hope. Bankers compare this branching battle to efforts to get interstate banking laws approved.

A few years ago, only a few states permitted interstate banking. Today, only a few states prohibit it. ■

Cancer Victim's Family Poured Grief into Film

Continued from Backpage

and follow-up continues for five years beyond that. In addition, weaknesses caused by the severe treatments can result in other cancers or illnesses.

One 11-year-old at the hospital has been through eight years of chemotherapy, including four relapses, Ms. Tilley says. Amputations may result, and radiation treatments may stunt growth or cause learning disabilities.

"Our focus is to make it [the illness and treatment] a part of their life, but not the controlling factor of their life," explains Ms. Tilley.

Typically, the first week is a terrible shock for the family. Batteries of medical tests for the victim, medical explanations for parents and child, a shattered routine, and fear of the prognosis result in families that are, Ms. Tilley says, "pretty much a wreck."

Once the diagnosis is in, a period of discussion begins about what it means, identifying resources and agencies that can help with the problem, and getting guidance on decisions about jobs, schooling, transportation, and family.

This is the period when the hospital will show the parents — and usually their older children — the "sibling film," the movie that helped make the Langfords aware of the subtle dynamics within the family.

The pressures would drain any family. Typically, mothers will stay with the sick child, which may mean being far from home and family. Fathers worry about the medical bills. Both parents are exhausted. Care of the other siblings may be farmed out, at least part-time, to friends and relatives.

Changes Are Permanent

Their lives will never be the same. Mrs. Langford says 85% of the parents of a child who dies wind up getting divorced. They often become intolerant toward other parents who are worrying about what they deem relatively minor problems.

The hospital stresses being honest with its young patients. Some of those with terminal illnesses may not want to talk about it, Ms. Tilley says. Others deal with it in different ways.

One motocross bike-racing champion, she recalls, began having dreams in which he lost every race. Others, near the end, may need "permission" from their parents to stop fighting and accept death.

"The children teach the parents a lot about living and dying. Most are givers rather than takers. They are very wise and giving to other people," she says.

The hospital encourages parents and siblings to stay with the victim, even sleeping overnight in the same room to lessen fears and isolation for victim and family alike. It offers sibling support groups and summer camps where siblings and victims can just grow and have fun together.

Still, Ms. Tilley says, the siblings often suffer a variety of problems, just like their parents: anger, resentment, isolation, guilt, fear of getting cancer, feeling left out, wondering if their ill brother or sister will die, feeling the victim is spoiled, jealousy, overprotectiveness toward the victim, and even getting into fights with others about, for example, the victim's loss of hair.

"Give them real support rather than mouthing 'I'm so sorry,' " Mr. Langford advises those who would help families in which cancer has struck. "Help them so they can get back to their family on a minute's notice:

" 'How can I help you, Ken? Is there something I can do for you? Have you got to get home today?' Give them real support, so you can make it easier at home.

"Don't avoid that family. Go to them. Don't make them feel ostracized.

"I've been a diabetic all my life. I was brought up [to believe] diabetics must take care of themselves. It took me into Lesa's death with the same feeling: You have to cope with it yourself.

"I think Lesa's death has turned that completely around. I believe, truthfully, that it has helped me — from the standpoint [of learning] that you can't do it all yourself." ■

Ex-Kidder Municipal Head Sets Up Investment Firm

NEW YORK — William G. Ferrell, who ran Kidder, Peabody & Co.'s municipal and public finance departments until last January, has started his own investment banking firm.

W.G. Ferrell & Co., based in Greenwich, Conn., will not be restricted to municipal finance, according to a statement issued by Mr. Ferrell. One of its initial assignments is developing an investment vehicle that will permit institutions and other investors to participate in global currency and debt markets.

Mr. Ferrell, an 11-year veteran of Citibank, headed the tax-exempt sales force there before joining Kidder Peabody in 1978. ■

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153rd Year

Today

First Interstate Bancorp was one of five major supperreginal companies that reported increases in earnings for the second quarter. 2

Increases in nonperforming assets brought down earnings of thrifts on both coasts, but two Midwest companies reported strong results. 2

Irving Bank Corp. and Mellon Bank Corp. — two embattled money centers — have reversed the losses reported in last year's second quarter. 2

Service is increasingly important to winning the banking business of smaller companies, according to a survey by Greenwich Associates. 3

The entrepreneur who built MTech into one of the largest bank data processing companies has started what he hopes will become a computer services empire. 3

Flashbacks 4
In the News 3

CONSUMER FINANCIAL SERVICES

Tellers have been eliminated at the Hamden branch of Great Country Bank, replaced by representatives who provide services at individual workstations. 12

Customer demand for one-stop services has led Rainier Bank and others to open branches in supermarkets. And International Banking Technologies is helping them pursue their supermarket strategy. 6

A complaint department at Citytrust in Trumbull, Conn., has developed into a centralized location for product information. 7

A group of Kentucky banks are engaged in a credit card feud, enticing Louisville-area customers with suspended finance charges and annual fees, plus bonus points for purchases. 7

A series of Swiss television ads is promoting identity verification for depositors at a time when banking rules in Switzerland are being tightened to ensure that less and less illegally gained money is laundered through bank accounts. 7

Chemical Bank doubled to 18 the number of branches paying consumers $5 each time they wait more than seven minutes for a teller. 7

Marketing executives and issues must be given a prominent place on the agenda of a bank's planning retreats if these sessions are to yield profitable strategies, writes Barry I. Deutsch in Marketing Management. 4

Worth Repeating

I don't think banking will improve from the consumer standpoint until banks recognize that tellers are really their frontline people.

Sheri Pasqualoni, vice president at Great Country Bank, which has upgraded the teller position and eliminated lines. [Page 12]

Regulators Force Bankers Trust To Cut Earnings by $80 million

By JED HOROWITZ

NEW YORK — Bankers Trust New York Corp., which dazzled the banking community with $338 million of foreign exchange profits in fourth-quarter 1987, has been forced by regulators to cut those earnings by $80 million.

The unusual action by the Federal Reserve Bank of New York means Bankers Trust will file an amended call report for 1987 that slices foreign exchange trading income 24% for the fourth quarter to $258 million and to $513 million for the year.

The nation's eighth largest bank company said its restatement will have no material effect on its previously reported numbers because it also is reducing salary expenses for the quarter by $80 million.

In a statement, the bank said the salary giveback will come from bonus accruals that were "ultimately to be paid" but not yet announced to employees. Salary expenses for the fourth quarter after restatement were $212 million, the bank said.

Separately, Bankers Trust reported Wednesday that it earned $174.1 million for the second quarter of 1988, or $2.18 per share. The firm took a $554 million loss during the period last year, due to a special provision against possible losses on loans to developing countries.

In two key measures of profitability, the firm returned $1.21 on every $100 of assets and $22.39 on every $100 of

Bankers Trust: Page 8 ➸

DEMOCRATIC NATIONAL CONVENTION

Lobbyists Out in Force in Atlanta

By ROBERT M. GARSSON
Washington Bureau

ATLANTA — Bank industry lobbyists remember Jonathan Sallet best for a long night he spent on Capitol Hill in March negotiating with Senate staff members in an effort to limit bank insurance powers.

Bankers were dismayed by the compromise reached that night, which was incorporated into the banking bill. They were even more upset that Mr. Sallet had been allowed in the room at all, since other lobbyists had been barred.

This week, Mr. Sallet has been at work on compromises of a different sort. A Democrat who has begun to play an active role in presidential politics, Mr. Sallet is at the Democratic National Convention as special counsel to the party's rules committee, which helped in a delicate set of talks between the Jackson and Dukakis camps.

The trade groups representing the financial services industry are here in force this week, some as Democrats working on presidential politics and others as lobbyists, working on the same legislative issues they pursue back in Washington. Some, including Mr.

ELECTIONS
'88

In Atlanta: Page 8 ➸

2 Texas Banks Set to Merge With FDIC Aid

Minnesota Exec to Buy Resulting $8-Billion Firm

By BARBARA A. REHM
Washington Bureau

WASHINGTON — In a $675 million rescue plan, Texas American Bancshares Inc. and National Bancshares Corporation of Texas will merge, be recapitalized with cash from the Federal Deposit Insurance Corp., and then be sold to a prominent Minnesota banker.

The deal, announced in Dallas on Wednesday, combines the two companies to form Texas' fourth largest banking firm, with $7.8 billion in assets. The FDIC will recapitalize the new company with a $475 million cash infusion, but the agency will assume none of the company's assets.

Carl R. Pohlad, a 72-year-old Minneapolis financier who built his fortune in banking and bottling, will kick in $200 million.

Texas American, a $5 billion-asset institution in Fort Worth, and National Bancshares, a $2.8 billion-asset institution in San Antonio, both have nonperforming asset ratios of 13%.

Frank W. Anderson, a banking analyst with D. Latin & Co., Dallas, predicted on Wednesday that the two companies' second-quarter losses will exceed the first quarter's. Together, Texas American and National Bancshares lost more than $29 million during the first three months.

Mr. Pohlad is worth more than $550 million, according to the Forbes 400 list of the country's richest people. In addition to owning about 40 banks with a total of $4 billion in assets in the

Texas: Page 8 ➸

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IN THE NEWS

Freddie Mac Offers New Pool

WASHINGTON — The Federal Home Loan Mortgage Corp. introduced a new program that allows home lenders to securitize 15-year or 30-year fixed-rate mortgages into pools with a face value as small as $250,000.

Under the new MultiLender Swap Program, mortgages from several lenders are pooled together with mortgages purchased for cash by Freddie Mac. Each lender receives a Freddie Mac cash pool participation certificate representing its share.

The product is a response to "Fannie Majors," introduced by the Federal National Mortgage Association in January 1987. The Fannie Mae program allows lenders to pool small batches of mortgages together to form big pools, which can be securitized at more attractive rates. Lenders have securitized $8.1 billion worth of small mortgages using Fannie Majors since the program was begun.

Thorn Acquires Software Firm

NEW YORK — Thorn EMI PLC, London, is acquiring Financial Trading Systems Inc., New York, through its Thorn EMI North America unit, headquartered in Chelmsford, Mass. Financial Trading Systems is a privately held securities trading support software developer. The deal cost Thorn EMI about $35 million.

Financial Trading Systems will operate as part of Software Sciences, a division of Thorn Software. The acquisition is part of Thorn's push to establish a substantial Wall Street-based financial systems operation, active in trading systems and related institutional activities.

Among Financial Trading Systems' current offerings are a front- and back-office trade processing system and an institutional portfolio data management system. The company, which had revenues of $23 million in 1987, is a subsidiary of Drexel Burnham Lambert Inc.

Shearson Earnings Drop

NEW YORK — Shearson Lehman Hutton Holdings Inc. said it earned $51 million, or 51 cents per share, in the second quarter, down 20% from a restated $64 million, or 68 cents per share, a year earlier. Revenues in the second quarter were $2.53 billion, up from $1.7 billion in the earlier period.

Shearson's acquisition of E.F. Hutton last winter substantially increased both total revenues and operating expenses. The latter rose 54% in the quarter to $2.46 billion.

Shearson, like other large retail firms, said it suffered a slowdown in commission revenue. All of its revenue sectors showed gains, however, led by a 45% rise in investment banking fees to $395 million.

Household Buys Visa Portfolio

LOS ANGELES — Household Bank agreed to acquire the $38 million Visa credit card portfolio of troubled Beverly Hills Savings and Loan Association, Mission Viejo, Calif. The terms of the deal were not disclosed.

Household, based in Prospect Heights, Ill., is one of the 15 largest issuers of bank cards in the nation. The employees of Beverly Hills' credit card department will be offered jobs at Household's servicing facility in Irvine, Calif.

Beverly Hills, which has assets of $1.26 billion, was seized by thrift regulators in 1985 and is in the process of selling its operations. The credit card transaction is expected to be completed by July 28 if regulators approve.

— Compiled by Dennis P. O'Connell

Survey: Small Firms Looking for Bank Service

By DAVID NEUSTADT

NEW YORK — Service is increasingly important in winning the banking business of smaller companies, according to the findings of a Greenwich Associates survey of 15,888 companies with revenues from $5 million to $50 million.

Bankers have always used lending as the main way to win small business accounts, but that is no longer enough, according to David Fox, a partner in the Greenwich, Conn., market research firm. "Lending is still the No. 1 criterion, but there are so many competitors that you need to do more than offer a loan to win the day," he said.

Small companies, just like their bigger brethren, want other products besides loans, and they want quality service.

The study indicates that credit and service are becoming more equal considerations in a small company's selection of a bank.

In a similar survey in 1986, when companies were asked what was most important to them in a bank, credit-related factors were cited by 70%; 65% gave service-related answers. In 1988, credit-and-service-related answers were given equal weight — both were cited 67% of the time.

A bank's willingness to lend remained the most frequently cited consideration in choosing a bank, but it fell to 63% in 1988 from 66% in 1986. Meanwhile, more attention from the bank account officer was important to 60% of the companies in 1988, compared with 56% in 1986.

Even on a credit-related question — how companies select a bank for active credit use — the top answer was service oriented: the bank's ability to act quickly.

One finding of the survey indicates that banks may not be delivering service very well. Seventeen percent of the respondents received no visits from their lead banks in the past year, 13% received only one visit, and 16% got two visits a year. Thus, almost half the group got two or fewer visits from their lead bank in the past year.

Smaller companies in the group were more likely to be getting few or no visits, Mr. Fox said. He called it a mistake to decide those clients are not worth the effort.

"With inflation and real growth, which usually total 9% a year, a $10 million company is going to be a $20 million company in five to six years," he said. "Which makes more sense: waiting until the company gets big and trying to capture it as a client, or getting it now when it is not using many banks?"

The survey also found that unsecured lending is replacing secured lending, a sign of the increased competition among banks. "It's a signal of more aggressive lending," Mr. Fox said.

For example, 40% of the respondents now use confirmed lines of credit, up from 33% in 1985. Use of revolving loans that are convertible to term loans has more than tripled, to 20% from 6% in 1985.

Over the same time period, use of accounts-receivable loans fell to 18% from 32%, while use of inventory loans dropped to 15% from 26%. Among secured types of lending, only leasing increased, to 27% from 17%.

Offering unsecured loans and cutting prices are not the best ways to compete for business from small companies, Mr. Fox said.

"If banks provide a commodity, then price drives it; if they provide service, other things drive it as well," Mr. Fox said. "The account officer is the pivotal point in turning what banks can offer from a commodity into service." ■

More Small Firms Use Unsecured Lending

Survey finds drop in percentage of companies with secured loans

Unsecured	1985	1986	1987	1988
Confirmed line of credit	33%	45%	41%	40%
Revolving loan convertible to term loan	6	12	18	20
Nonrevolving term loan	7	8	18	19
Secured				
Equipment loans	39	39	38	39
Leasing	17	19	27	27
Accounts receivable loan	32	26	21	18
Inventory loans	26	21	20	15

Source: Greenwich Associates survey of 15,888 companies with revenues from $5 million to $50 million

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Former MTech Chief Hopes for Another Winner

Darwin Deason's Start-Up Will Handle Data Processing for First Texas Financial

By JEFFREY KUTLER and DAVID LaGESSE

Darwin Deason, the entrepreneur who built MTech Corp. into one of the largest bank data processing companies, has started what he hopes will become a computer services empire.

The former MTech chairman leads an investor group that is forming a new company, Affiliated Computer Systems Inc., which will take over the data processing activities of First Texas Financial Corp., a Dallas-based thrift holding company.

Mr. Deason is chairman and chief executive officer of Affiliated. Charles "Chick" Young, a former MTech division president, is president and chief operating officer.

The investor group includes Gibraltar Savings Association, Houston, a subsidiary of First Texas.

Affiliated is acquiring three computer-related business units of First Texas: the MoneyMaker division, which markets automated teller machine services; TransFirst Corp., a processor of ATM and other electronic transactions; and First Texas Computer Corp., which does the data processing for 1.5 million customer accounts of Gibraltar Savings and First Texas Savings Association, Dallas.

Mr. Deason said he expects to use the First Texas business as a nucleus around which to expand Affiliated. In that way he is attempting to repeat his earlier success with MTech, which had sales of $237 million in 1987.

Affiliated's mix of businesses — basic data processing augmented by more specialized, electronic transaction services — is similar to MTech's, though on a smaller scale. MTech provides software and computer services to several hundred banks and operates the 1,200-machine Mpact ATM system.

The company name is the same as that of the firm Mr. Deason founded in 1968, which later became known as Mtech. In 1976, Mr. Deason sold the original Affiliated Computer Systems to Mercantile Texas Corp., a Dallas-based bank holding company that was its major customer. Affiliated changed its name to MTech when Mercantile became MCorp.

Mr. Deason left MTech in April 1988 after MCorp, in a move to raise capital, agreed to sell its 80% stake in the data processing company to Electronic Data Systems Corp. for $234 million. EDS, a subsidiary of General Motors Corp. also based in Dallas, acquired the remaining shares of MTech in June.

Mr. Deason, 48, reportedly made about $6 million himself from the sale of MTech. He is investing part of that in the new company, along with Gibraltar and other unidentified investors, and eventually might seek to take the company public.

MTech and its new parent, EDS, apparently did not secure a no-compete agreement from Mr. Deason when he left the company, and the First Texas acquisition gives Mr. Deason a foundation on which to compete with his former employer.

Mr. Deason has already approached a number of other financial institutions as potential clients for his venture, but he could run into a legal fight if he solicits MTech clients, sources said.

Sources familiar with the negotiations between Mr. Deason and First Texas said the investor group would hold a controlling interest in the voting stock of Affiliated. First Texas would retain a majority share of the profits from current contracts, but that mix would change as new business is gained under Mr. Deason's leadership.

When the formation of Affiliated was announced earlier this week, Mr. Deason issued a statement saying, "This is a very exciting opportunity. ACS begins its operation with a strong financial base and employees of exceptional skill and talent.

"Furthermore, TransFirst and First Texas Computer Corp. make a perfect fit. The combination of their financial institution processing systems with the TransFirst/MoneyMaker EFT [electronic funds transfer] products results in a complete product offering . . . to other financial institutions and businesses."

"TransFirst has been exceptionally successful during its initial development and is now ready for broader ownership and management," said J. Livingston Kosberg, chairman and chief executive officer of the Gibraltar and First Texas associations. "Darwin Deason and his investor group bring a proven and most successful management team plus considerable future business opportunities."

The MoneyMaker network of 900 ATMs, most of them in Texas 7-Eleven stores, handles more than three million transactions per month.

First Texas' MoneyMaker division provides ATM support services to 85 other financial institutions with 135 ATMs in Texas, Arkansas, and Louisiana. ■

Using the Strategic Planning Retreat Profitably

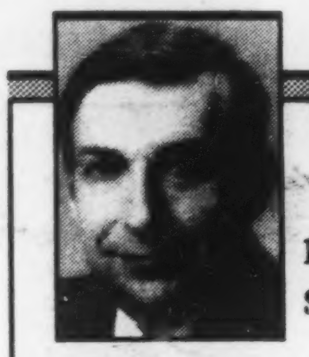
By BARRY I. DEUTSCH

SOME COME with outside speakers to help broaden perspectives. But some organizers believe in keeping the circle closed. Some have built-in breaks for recreation to help develop the teamwork needed for the rest of the year but some are organized so that noses are to grindstones at all times.

My favorites include late-night games of chance, although I'd have to admit that the only times I've ever profited from these was when I had an associate whose judgment at the backgammon table diminished at the same pace as the ingredients of the bottle of Irish whiskey at his side.

If Theodore Roosevelt had been director of marketing instead of President of the United States it would have been strategic planning retreats, not the presidency, that he would have called lovingly his "bully pulpit."

Many of the vital issues confronting managements that are serious about the concept of strategic planning are, if not marketing issues, issues that can be better understood in marketing contexts. And, it is at the planning retreat — a staple in anyone's planning process — that the marketing director can most effectively focus attention on the marketing agenda.



Deutsch Says:

Becoming a true low-cost producer means determining to provide less service for less cost, appealing to bargain seekers, and enjoying the rewards of low margin offset by high volume.

Don't make a mistake. There is a sufficiency of particularistic marketing issues: promotional strategies, product-naming approaches, centralization of marketing support, institutionalizing cross-selling. But particularizing is not the best use of the bully pulpit.

Who's *Really* Market-Driven?

The planning retreat, whether held on-site or off-site, with or without poker, provides the best opportunity for the issues-aware marketing director to force an organization to confront the degree to which it is market driven in the broadest possible terms.

It's expected, almost as a matter of course, for a modern financial services company to claim to be market driven — and many are. The litmus test is whether the organization is easily led to recognizing its vital issues as marketing issues.

The question of where to compete, selecting geographic markets to enter, or market segments to address, is a marketing issue because the likelihood of success is greatly enhanced if the target markets are better understood. The appropriate use of marketing, moreover, might well help avoid a frequently encountered strategic error, that of entering markets where there is either no profitability or little chance of success.

The marketing director needs to force the discussion beyond the numbers and beyond the cliche of "We have to do it, just to fly the flag." The discussion has to move, for example, to the competitive environment, likely competitive reaction, and whether the company will have the ability to influence prices, and therefore, profitability.

Taking a Firm Stand on Product, Price

The question of how to compete is another line of strategic thought for the the marketing professional. The bank must be led to a point of view couched in conceptual marketing terms. The issue breaks down into two subsidiary questions, the articulation of a product strategy and a pricing strategy.

Planning processes nurture words as much as they do concepts. The phrase in vogue a few years ago was "niche strategy." That it was little understood and less well practiced is beside the point.

The point is that niching is viable if we define niches carefully. Too many times, the concept has been put into practice as a random walk through a list of products.

It doesn't work to offer a few products that might appeal to certain users. It works better to become known, for example, as a bank for health care providers, local governments, or whatever — as long as we agree to take the time to learn all there is to know about health care, local government, or whatever — so that we can position ourselves to succeed in those niches. It also means understanding the competition in the niche because no niche is unoccupied and in some we will encounter players rarely seen on the broader stage of the mass market.

How to compete also means addressing the age-old question, do I want to be a low-cost producer or an adder of value? Many planners will overlook the obvious conclusion that the two approaches are meant to be mutually exclusive. A bank can't be both.

Becoming a true low-cost producer means determining to provide less service for less cost, appealing to bargain seekers, and enjoying the rewards of low margin offset by high volume.

Becoming a value adder is different. It means providing quality at higher prices and accepting lower volume but commensurately higher margins. What happens if you mix and match?

Quality of Service Comes at a Price

The profitability-measurement staff will blow the whistle on the low-price-/high-quality combination because the financial result will speak for itself. I've got to admit that I know there are marketing directors who don't understand the error of this approach. The zeal with which many are embracing the quality-customer-service movement is not always matched by an understanding that there needs to be a price paid for quality.

The high-price/low quality cell of the matrix should fail on its own. Whatever one's view of the value of market share, it is clear that no company can operate without customers and high prices matched with low quality of performance subtracts down to no customers.

Despite the tightness of the tautology, I am amazed at how many banks try to get away with defying it. It's an issue that cries out for full review during the strategic planning retreat.

After we've licked where to compete and how to compete, we're still left with another key strategic issue whose marketing implications are often overlooked, how to assemble the business. The marketing director has an important contribution to make in framing the organization's merger and acquisition strategy, an important byproduct of the larger strategic process.

There is a mystique to the process of doing deals. When the M&A rubber meets the investment banker's road, the marketing director is often left in the hallway watching the action through cracks in the closed door. Often marketing is called in only at the point where someone wants to get 100 copies of the tombstone embedded in lucite.

Before it gets to that point, however, there could well be some important strategic discussion revolving around the questions of targeting acquisitions. Its important to understand the why of the merger and acquisition activity.

Mergers with a Purpose

Among the objectives might be achieving easier entry into certain markets, building sustainable competitive advantage, achieving economies of scale, enhancing profitability, achieving market-share goals, positioning the organization for further growth, or protecting the acquiring organization from takeover.

All of the above might be valid in individual cases. The strategic planning

Marketing: Page 8 ➔

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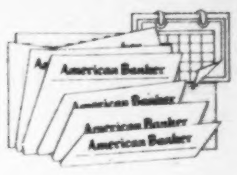
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- The tentative platform for the third party led by presidential candidate Henry Wallace called for nationalization of "the largest banks, along with the railroads, the electric power and gas industry, and industries dependent on government funds and purchases." The tentative platform draft said "the cure for the excesses of private monopoly is democratic control through public ownership."
- The report of the Johnston Committee, headed by Percy H. Johnston, chairman of the executive committee of the Chemical Bank & Trust Co., recommended a "virtual 'green light' " for Japan's economic recovery, including a more realistic exchange rate and the removal of obstacles to foreign private investment. The committee, commissioned by the Department of the Army to visit Japan and Korea and make recommendations for the improvement of their economies, also urged that Japan's products be admitted to the world's markets if they were fairly competitive and fairly marketed. The committee further urged that Japan import its food from sources cheaper and closer to it than the United States.

20 Years Ago

- President Johnson nominated Irvine H. Sprague, a member of his White House staff, to fill a vacancy on the board of the Federal Deposit Insurance Corp. Mr. Sprague, whose background was in politics and journalism and who had no previous banking experience, came to Washington in 1957 to serve on the staff of Rep. John J. McFall, D-Calif., and left the post in 1963 to serve as California's deputy director of finance.

10 Years Ago

- The General Accounting Office told a House subcommittee that federal law enforcement agencies could accept a substantially reduced role in bank robbery cases without impairing investigations or reducing the number of prosecutions. It was also learned that the GAO was preparing a report on bank protection devices that probably would recommend that banks be required to install more monitoring cameras.

5 Years Ago

- Treasury Secretary Donald T. Regan defended before Congress an administration proposal to expand bank and thrift holding company activities, saying it would benefit consumers and would not lead to a disaster such as the one that following the 1929 stock market crash. Worries about another crash, Mr. Regan said, were "overblown" because financial markets in the 1980s are more sophisticated, more technologically advanced, and are overseen by a more powerful federal regulatory system.

1 Year Ago

- Citicorp posted the largest domestic bank loss — just under $2.6 billion — which it had predicted when it announced a $3 billion special provision to its reserves for possible Third World loan losses in the second quarter. Among other major banks that posted losses attributed to increased loan-loss reserves were Bankers Trust New York Corp., $554 million; Manufacturers Hanover Corp., $1.37 billion; Security Pacific Corp., $172.4 million; and Bank of Boston Corp., $83.7 million. First City Bancorporation of Texas, Houston, posted a loss of $116.4 million for the quarter, which it attributed to mounting real estate problems and Third World loans. First RepublicBank Corp., Dallas, announced a loss of $313.2 million, attributed primarily to international loans.
- Alan Greenspan told the Senate Banking Committee at his confirmation hearing for Federal Reserve Board chairman that he favored expanded bank powers but would be uncomfortable acting without more guidance from Congress.
- Security Pacific Corp., Los Angeles, won approval from the Fed to acquire Rainier Bancorp., Seattle.

— Domenica Trevor

7/25/88

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American Banker

The Daily Financial Services

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Today

The Bank of Vermont confirmed that $400,000 was illicitly transferred out of the bank in a nationwide scheme using the wire transfer networks. ___2

House members at the Democratic convention expressed skepticism about the prospects for a vote on major banking legislation next week. 2

Arkansas has entered the regional interstate banking arena with passage of legislation that also puts statewide branching on hold. ___2

2d-QUARTER EARNINGS

BankAmerica Corp. earned $162 million, or 85 cents per share. ___3

Shawmut National Corp. reported earnings of $58.9 million, a 24% jump, while Marine Midland Banks posted earnings of $36.5 million compared with a $294.6 loss in the comparable quarter last year. ___3

Meritor Financial Group lost $79.4 million, or $2.27 a share. ___3

Net income rose at Carteret Bancorp, Morristown, N.J., for the quarter that ended in June. ___7

Earnings declined at Great American First Savings Bank and CalFed, while increasing at H.F. Ahmanson and the Imperial Corporation of America, all in California. ___ 10

COMMENT

Regulatory vigilance will do more to restore health to the nation's thrift industry than blaming the economy, says House Banking Committee Chairman Fernand J. St Germain. 4

THRIFTS & MORTGAGES

Home mortgage originations plummeted 37% in the first three months of this year. ___2

Though asset size is often dismissed as a measure of accomplishment, the growth at seven-year-old County Savings suits bank chairman William J. Levy just fine. ___6

HUD received 909 letters on the rewrite of the 14-year-old Real Estate Settlement and Procedures Act. ___6

Gibraltar Savings is offering a package of features for its adjustable-rate mortgages that includes charging lower interest rates to the thrift's most creditworthy borrowers. ___7

Marking short-term investments to market should not hurt thrift institutions that actively manage portfolios, writes Joseph C. Hu. ___4

Worth Repeating

I tried to talk about it, but the bankers didn't seem disposed to that. They want to fight, and so I am forced to oblige them.

Rep. John D. Dingell, D-Mich., chairman of the Energy and Commerce Committee, when asked if he had tried to compromise with the banking industry on new powers. [Page 2]

Japanese Run 6 of Top 10 ATM Systems

Foreign Banks Own Biggest Networks

World ATM rankings at yearend 1987

Financial institution	Country	Cards (mil.)	Machines
1. Post Office Savings System	Japan	9.7	6,036
2. Dai-Ichi Kangyo Bank	Japan	4.9	4,976
3. Mitsubishi Bank	Japan	7.8	4,747
4. Sumitomo Bank	Japan	6.4	4,008
5. Credit Agricole	France	6.1	3,467
6. National Westminster Bank	England	4.6	2,389
7. Trust Bank System	Japan	1.1	2,379
8. Taiyo Kobe Bank	Japan	2.7	2,051
9. Lloyds Bank	England	4.4	1,900
10. TSB Group	England	3.3	1,787
Leading U.S. Banks			
14. Bank of America	U.S.	3.9	1,358
15. First Interstate Bancorp	U.S.	4.3	1,355
19. Citicorp	U.S.	1.9	1,281
20. Wells Fargo Bank	U.S.	2.1	1,204

Source: *The Nilson Report*

By JEFFREY KUTLER

NEW YORK — Japanese institutions not only dominate the ranks of the world's largest banks, as the *American Banker* reported earlier this week. They also own more automated teller machines than do banks in any other country.

Six of the 10 largest proprietary, or single-bank, ATM networks in the world, including the top four, are Japanese. Other positions in the top 10 are held by French and British banks.

Bank of America, which owns more ATMs than any other U.S. bank, ranks only 14th. First Interstate Bancorp is 15th, Citicorp 19th, and Wells Fargo Bank 20th.

The standings appear in a directory, just published by *The Nilson Report*, listing more than 1,000 ATM systems in 81 countries. H. Spencer Nilson, publisher of the Los Angeles-based newsletter, made an advance copy of the 220-page, $650 directory available to the *American Banker*.

Mr. Nilson and his staff counted 80,933 ATMs in Japan at yearend 1987, 17,068 more than the 63,865 in the U.S., which is the second largest country in terms of ATM population.

Third on the list is England, with 12,520, or only one-fifth of the U.S. total, followed by France at 11,895. No other country has as many as 8,000 ATMs.

Mr. Nilson's U.S. estimate of less than 64,000 ATMs is well below the 68,000 to 70,000 that other researchers — notably Linda Fenner Zimmer of Marlborough, Conn., and the Chicago-based newsletter, *Bank Network News* — have tallied. Mr. Nilson claims he is more careful than the others to reconcile manufacturers' orders with actual installations by banks.

Mrs. Zimmer has said that the average ATM in the U.S. handles 5,000 to 5,500 transactions per month, and that this figure fell in recent years as ATM

Japan: Page 11 ➽

Futures Group Trying to Woo Bankers

By JED HOROWITZ

NEW YORK — After last October's crash, some futures and options traders grumbled that banks had abandoned them when they needed quick cash to pay their margins. Now, a group organized by futures exchange clearing houses is taking a more formal approach to woo lenders back into the futures fold.

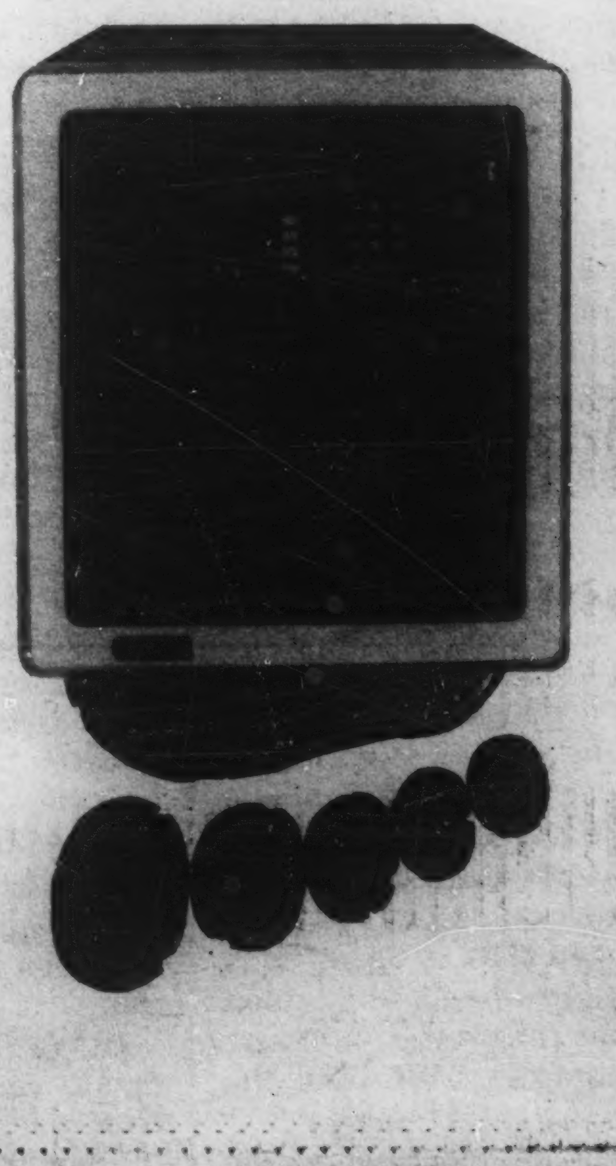
The Clearing Organization/Clearing Bank Roundtable is planning a group of seminars to educate lenders about the clearing and settlement system. The group was formed by the Chicago Mercantile Exchange and the Board of Trade Clearing Corp. after the market crash, to improve communications among exchanges, banks, and regulators.

Various government-sponsored reports criticized exchange clearing houses and banks for failure to coordinate their clearing and settlement procedures during the October tumult.

The purpose of the seminars, which are still in the planning stage, will be to educate banks on "how futures and options exchanges work, what sort of financing arrangements exist, and how they might be expanded," said John Davidson, senior vice president and head of the Chicago Mercantile Exchange's clearing house. The sessions are expected to be held in early fall.

In particular, clearing house executives are hoping that banks will be more eager to accept options on securi-

Futures: Page 8 ➽



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Marking to Market for Active Mortgage Portfolios

By JOSEPH C. HU

Constant monitoring and rebalancing of the portfolio are necessary to ensure that the arbitrage continues to perform as originally planned.

— Joseph C. Hu
Executive Vice President
Shearson Lehman Hutton Inc.

IN EARLY June, the Federal Home Loan Bank Board issued a proposed regulation for public comment that would require all FSLIC-insured thrifts to account for securities held for investment, sale, or trading using generally accepted accounting principles.

In an effort to encourage thrifts to develop strategic policies for their securities investments, the Bank Board proposed to distinguish and therefore account for thrifts' investment activities by their intent and ability to hold the securities. Those securities held for long-term investment would be carried on an institution's books at amortized cost; those for trading, at market value; and those for sale, at the lower of amortized cost or market value.

In the past, a clear distinction has rarely been made among investment, trading, and sale accounts. The issue of mark-to-market (at least for assets already on the books) has long been emotionally debated between the regulator and the thrift industry.

Looking forward, however, sound management of a mortgage portfolio — either for long-term investment or short-term gains — requires frequent trading of parts of the portfolio whenever market conditions change, in order to achieve the originally stated objectives. Furthermore, recently created derivative mortgage securities have provided managers with opportunities for effectively hedging the value of their mortgage portfolios.

As a result, the market value of hedged portfolios will have limited fluctuations when interest rates vary. Marking these portfolios to market, therefore, should not have significant balance-sheet consequences.

Unlike other fixed-income debt, mortgages are prepayable at par at any time. In a declining interest rate environment, this feature results in rising prepayments that not only limit the portfolio's appreciation but also reduce its originally stated cash-flow yield.

Conversely, as market interest rates rise, prepayments slow, prolonging the portfolio's expected maturity and rendering heavier principal losses than other nonprepayable securities. Because of this feature, a mortgage portfolio requires active management to achieve desirable yields.

Active management includes frequently trading parts of the portfolio as relative values among various coupons change according to market interest rates and housing fundamentals. Managing a mortgage portfolio without trading can only be detrimental to its potential performance and involves a level of risk inconsistent with the stated goals of the proposed regulation.

Trading Strategies

- Enhancing returns through dollar rolls: Unique to the mortgage securities market is its forward-delivery mechanism. Mortgage origination is a time-consuming process. This feature provides interest rate protection for originators.

Taking advantage of forward delivery, an investor can roll securities out of his portfolio for current-month delivery and simultaneously buy them back at lower price for forward delivery. This price differential, after taking prepayments into consideration, can be viewed as a cheap method of obtaining short-term financing. Managers can enhance the annual return of a mortgage securities portfolio by at least 50 to 75 basis points by constantly doing dollar rolls.

- Increasing yield with arbitrage transactions: Another popular means of enhancing portfolio yield is the arbitrage transaction in which thrifts fund the purchase of mortgage securities with short-term repurchase agreements. To reduce interest rate risks in these transactions, a thrift enters into an interest rate swap agreement to pay fixed rates (a series of Treasury yields plus a spread) in return for a rate pegged to an index (usually Libor).

Even though this arbitrage is a long-term investment, the portfolio needs constant adjustment of both assets and liabilities. Varying prepayments through time inevitably change the expected duration or average life of the remaining mortgage assets. Constant monitoring and rebalancing of the portfolio are necessary to ensure that the arbitrage continues to perform as originally planned.

- Hedging with derivative mortgage securities: Over the past year, large amounts of derivative securities have been created, including stripped interest-only securities, fixed-rate collateralized mortgage obligation residuals, CMO superfloaters, and excess servicing. All these securities are fundamentally bearish and are ideal vehicles for hedging against rising interest rates.

Long-Term Assets

Unlike options and futures, these are long-term assets that provide positive, albeit minimal yield while performing the hedging function. Because of this feature, they have been purchased increasingly by thrifts to hedge their overall mortgage portfolios or to use in arbitrage transactions.

At the same time, derivative securities tend to stabilize the market value of the portfolio because their value always moves in the opposite direction from the hedged assets. Strategic use of derivative securities and active trading are important to the performance of mortgage portfolios.

More important, they foster the discipline of mark-to-market without significant balance-sheet consequences. For thrifts that are willing to manage their portfolios actively, mark-to-market should help distinguish their competitiveness in attracting equity capital and the performance of their stock. ■

Dr. Hu is executive vice president and director of mortgage research at Shearson Lehman Hutton Inc.

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REQUIRED READING

What Signals Is Congress Sending to Regulators?

Following are excerpts from opening remarks delivered July 7 by House Banking Committee Chairman Fernand J. St Germain, D-R.I., at oversight hearings on the condition of the thrift industry.

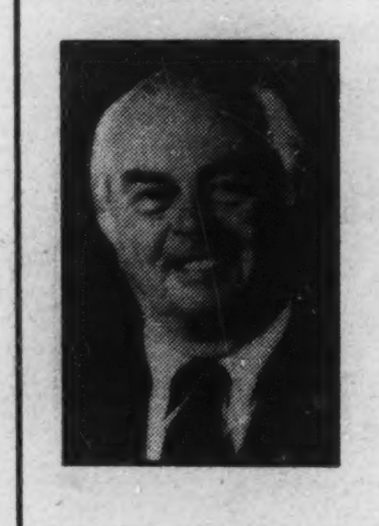
□

NO ADMINISTRATION headed for retirement likes to talk about unsolved problems. That's the next guy's headache after the optimistic scenarios fade like the first rose of summer.

Perhaps this syndrome explains some of the growing tendencies of the Home Loan Bank Board to come up with upbeat explanations and the most comforting projections — billions below the cautious conservative analysis of the General Accounting Office and less than half what many respected private analysts believe it will cost to straighten out the mess over the next five years.

This committee needs to try and make sense out of the multibillion dollar variations in the numbers, but it is also imperative that we make certain that the supervision of savings and loans is in place and that new situations — future candidates for bailouts — aren't being created.

Too often, problems in the savings and loan industry are explained away with a few well-chosen cliches about oil prices and sagging economies. No question that economic conditions are a substantial factor, but it is naive to think this is the whole story. Some of the problems are just plain old-fashioned mismanagement, insider dealing, fraud, and high-flying excesses — exacerbated by lax supervision and hesitant enforcement.



Too often, problems in the savings and loan industry are explained away with a few cliches about oil prices and sagging economies . . . but it is naive to think this is the whole story.

— Fernand J. St Germain
Chairman
House Banking Committee

No one can look at the looting of Vernon Savings and Loan in Texas and conclude that economic conditions created that mess. Oil at $30 a barrel wouldn't save that kind of operation.

In California, the regulators let a mailbox operation get started and flourish — American Diversified — with no retail outlets. Just a mailbox — fully insured by the FSLIC — that received deposits from around the country. This outfit grew an unbelievable 7,000% in 18 months — from $11 million in mid-1983 to $792 million at yearend 1984.

These are not happenings in the distant past. They began and grew in recent years — in the 1980s. Where were the regulators? What did they know? What did they do about it, if they knew? How many of these situations are out there now?

Are the same examiners and supervisors who missed Vernon's shenanigans still in place? More important, is the same regulatory mind-set in place? Some recent incidents raise serious questions about just what kind of signal is being sent to the regulatory troops.

With the Texas cleanup still underway, suddenly this spring Joe Selby was dropped as director of regulatory affairs for the Dallas Home Loan Bank.

Required Reading: Page 9 ➸

The Top 10 ATM Countries

At yearend 1987

	ATM Cards (mil.)	ATM Networks	No. of machines	Increase in ATMs since '85
Japan	135.0	13	80,933	27%
United States	137.7	609	63,865	8
England	30.1	11	12,520	43
France	23.0	5	11,895	26
Spain	15.0	4	7,873	63
Canada	17.5	20	6,175	69
Italy	6.1	1	5,658	166
Germany	23.4	1	5,396	116
South Africa	5.5	16	4,074	81
Australia	15.5	9	3,906	84
Worldwide (81 countries)	473.6	1,062	226,361	32

Source: *The Nilson Report*

10 Largest Shared ATM Networks

World ranking at yearend 1987

Name	Country or home state	Cards (mil.)	Machines
Carte Bleue	**France**	13.9	7,124
NYCE	**New York**	10.8	5,780
German Pool	**West Germany**	23.0	5,390
Interac	**Canada**	16.2	5,225
Star System	**California**	11.9	5,122
Pulse	**Texas**	7.2	4,500
Mac	**Pennsylvania**	10.0	4,020
Nationet	**U.S.**[1]	20.0	4,000
Bancomat	**Italy**	4.1	3,796
Most	**Virginia**	5.7	2,875

[1] Nationet is a joint venture of several regional networks including Tyme (Wisconsin), Shazam (Iowa), Metroteller (New York), Exchange (Washington), and Honor (Florida).

Source: *The Nilson Report*

Japan, with Biggest Banks, Is Country with Most ATMs

➛ **Continued from Page 1**

systems expanded faster than consumer demand. Mr. Nilson found the average ATM to be doing only 4,225 transactions per month.

He projected that ATMs in the U.S. will grow to 91,000 by 1995, 42% above his 1987 figure, while installations worldwide, including the United States, will increase 57% to 356,000.

U.S. banks excel in the sheer number of networks — 609, or 57% of the 1,062 proprietary and shared systems in the global Nilson directory. This is a function of the size of the country and of the relatively large number of banks in the United States.

This country lacks the nationwide branching tradition — and concentration of banking assets in a handful of large institutions — common to most other industrialized countries. The largest bank-owned ATM systems in such countries as Japan, England, France, and Canada have been integrated by those nations' largest financial institutions with extensive, full-service branch networks.

The correlation of market size with ATM-network size also shows up in the United States. Four of the nation's six biggest ATM owners are based in California, the most populous state and one that allows unlimited branching. These institutions are Bank of America, First Interstate Bancorp, and Wells Fargo Bank — all in the top 20 — and Security Pacific National Bank at No. 37.

Besides the California companies and New York-based Citicorp, the only other U.S. institutions among the world's top 40 ATM owners are Bay Banks Inc., Boston, in 33d place, with 792 machines, and First Texas Savings Association, Dallas, in 35th place with 750.

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Growth Fastest Overseas

The United States has abdicated its former status as the leading ATM market in the world — to Japan in total number of machines, and to several European and Pacific Rim countries in terms of market growth.

Diebold's worldwide market share, including machines sold under other names, equals 16.1%.

ATMs in the United States grew only 8% in the two years since *The Nilson Report*'s previous survey. In the 18 other countries with at least 1,000 ATMs, the numbers of machines increased by double-digit or triple-digit percentages except in 15th-ranked Scotland, which grew 8% to 1,740, and 17th-ranked Hong Kong, which fell 2% to 1,211.

Italy, seventh on the country list, with 5,658 ATMs, and Germany, eighth, with 5,396, each doubled their totals in two years.

Japan and the United States together account for 64% of the world ATM market, down from 72% in 1985. This means that other countries are catching up: ATM growth rates in Spain (63%), Canada (69%), South Africa (81%), Australia (84%), and Switzerland (53%), for example, are higher than in both the United States and Japan.

Japan, at the top of the 1985 listing with 63,867, compared with 59,075 in the United States, managed to grow in ATM installations by 27% since the last Nilson publication, or more than three times the U.S. rate.

Strong as they have become in electronic banking, Japanese institutions do not dominate the ATM rankings as much as they do the *American Banker*'s list of the 500 largest banks by deposits. As of yearend 1987, all of the top 10 banks and 17 of the top 25 are Japanese.

None of the top 25 world banks are based in the U.S., but four of the top ATM-owning banks are. Nine of the Nilson top 25 ATM owners are Japanese banks, five are British, and three are French.

The Japanese have done the most to integrate ATMs into their basic operations. Most Japanese ATMs are inside bank offices, where they provide an alternative to waiting in line for human tellers, and are accessible for less than the 24 hours a day that American ATM users have come to expect.

At the top of the ATM-owning list is the Japanese post office. In administering a savings program to which almost the entire population subscribes, the post office has installed 6,036 ATMs.

Three other Japanese banks, all among the five largest in the world, each have between 4,000 and 5,000 ATMs: Dai-Ichi Kangyo Bank Ltd., Tokyo; Mitsubishi Bank Ltd., Tokyo; and the Sumitomo Bank Ltd., Osaka.

Credit Agricole, the French cooperative bank, has 3,467 ATMs to rank fifth in the world, and National Westminster Bank, London, ranks sixth with 2,389. Bank of America, in 14th place, has 1,358 machines, or 1,031 fewer than National Westminster.

NYCE Is No. 2 Shared Network

The American ATM industry rises closer to the top in the ranking of shared networks. The New York Cash Exchange, known as NYCE, with 5,780 ATMs at yearend, is second only to the 7,124-machine Carte Bleue system in France and ahead of a 5,390-machine system that ties most of the German financial community together.

NYCE is one of 16 U.S. shared networks among the world's top 25. Among the others are the California-based Star System, Texas-based Pulse, and Pennsylvania-based Mac. Only 4 of the top 10 are not U.S. networks: Carte Bleue in France (ranked No. 1), the German pool (3), Interac in Canada (4), and Bancomat in Italy (9).

Of the 34 shared networks consisting of at least 1,000 machines, 19 are American, including No. 34, the Louisiana-based Near network, at 1,092.

U.S. banks formed so many regional networks because interstate banking was not legal until recently. By the time some states began to dismantle their branch-banking barriers in the 1980s, shared ATM networks had become a principal means for banks to expand their service areas.

Japan, which has 27% more ATMs than the U.S., has only 13 networks, or one for every 47 in the U.S.

Austria, Denmark, Germany, Italy, Korea, and Thailand, each have only one electronic banking network listed in the Nilson directory.

Diebold Tops in Market Share

In the supplier portion of his survey, Mr. Nilson found Diebold Inc., Canton, Ohio, to have manufactured more ATMs than any of its competitors. Diebold held onto that lead since the previous survey despite claims by NCR Corp., International Business Machines Corp., Fujitsu Ltd., and others that they have been replacing Diebold machines at an accelerating pace.

Diebold's worldwide market share, including machines that it manufactures for sale under other companies' names, equals 16.1% of the 226,361 ATMs.

NCR is second at 15.2%, followed by Fujitsu at 10.9% and IBM at 10.4%. All others, including the Japanese vendors Omron and Toshiba and the French companies Groupe Bull and Dassault, are in single digits.

Counting machines that Toshiba makes for NCR to sell in the Japanese market, NCR's installed base rises to 43,619 ATMs or 19.3% of the world market.

Diebold continues to draw its greatest strength from the home front. Of the 63,865 ATMs in the U.S., Diebold's share is 46.1%, up from 43.7% in 1985, according to *The Nilson Report*. NCR is second at 19.9%, IBM is third at 18.7%, and Docutel Corp. — no longer active in the market — is fourth at 9.8%.

In all of North America — the U.S., Canada, Mexico, and the Caribbean — Diebold's market share fell 1.4 points in two years to 41.9%, the survey said. IBM has sold 22.3% of the 71,062 machines in those markets. NCR is third in North America at 19.7%.

Japan and the United States account for 64% of the world ATM market, down from 72% in 1985.

The Japanese vendors Fujitsu, Omron, and Hitachi dominate the 86,699-machine Asian market with regional shares of 25.4%, 19.6%, and 14.5%, respectively. NCR is the biggest in Europe at 26.9% of 55,425 machines, followed by 23.4% for IBM, 11.1% for the German manufacturer Nixdorf, and 9.3% for Olivetti of Italy.

IBM is tops in Australia, New Zealand, and the South Pacific, with 57.2% of the 4,616 machines installed there; in Africa, with 32.8% of 4,183 machines; and in Central and South America, with 33.3% of 3,258 machines. ■

Pension Management Co. Sets Compliance Seminar

NEW YORK — Pension Management Co., King of Prussia, Pa., has scheduled its 12th annual national compliance seminar for managers of Keogh plans, individual retirement accounts, and similar retirement plans.

The seminar will be held Oct. 3-7 at the Omni International Hotel, St. Louis.

Pension Management is a research, consulting, and publishing concern that specializes in helping financial institutions deal with the marketing and administration of pension plans. It claims a client base of 1,300 institutions around the country.

For more information, contact the company at 215-251-0360. ■

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TOP 500 BANKS BY ASSETS — TABLES BEGIN ON P. 35

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SPECIAL REPORT

American Banker

SMOKESTACK REVIVAL: The giant manufacturers of the past have been slimming down recently and giving their global competitors a run for the money. Those restructurings have heightened demand for commercial loans as well as other banking products and services. Lisabeth Weiner of the *American Banker's* Midwest Bureau explores how the industrial reversal is affecting the bottom line at banks. 11

Today

Fleet/Norstar Financial Group has agreed to acquire Indian Head Banks Inc., Nashua, N.H., in a stock swap valued at $240 million. ________ 2

Superregional banking companies continued to report strong gains in net income in the second quarter, but several are showing evidence that their momentum may be slowing. 2

In a move to make it even more difficult for thrifts to leave the FSLIC, the Bank Board will review applications for those that seek renewal of their district bank memberships after switching to the less expensive deposit insurance coverage offered by the FDIC. ________ 2

A letter from Federal Reserve Board Chairman Alan Greenspan criticizing every provision of Rep. Fernand J. St Germain's draft of banking legislation hasn't swayed the House Banking Committee chairman. ________ 2

Mellon Bank Corp. will raise $525 million in equity capital over the next year and a half and will sell $1 billion of bad loans for about $575 million to an independent liquidating bank it is forming. ________ 3

The weekly listing of financial services stocks features regional industry groups and price indexes. __ 50

Since taking over as president of Exchange National Bank of Chicago in 1983, John Rau has helped build a solidly profitable performer that has made major inroads in serving the city's middle market. ________ 56

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As head of investment banking at First Union Corp., Barnes Hauptfuhrer has brought an aggressive strategy to the North Carolina bank. 6

Worth Repeating

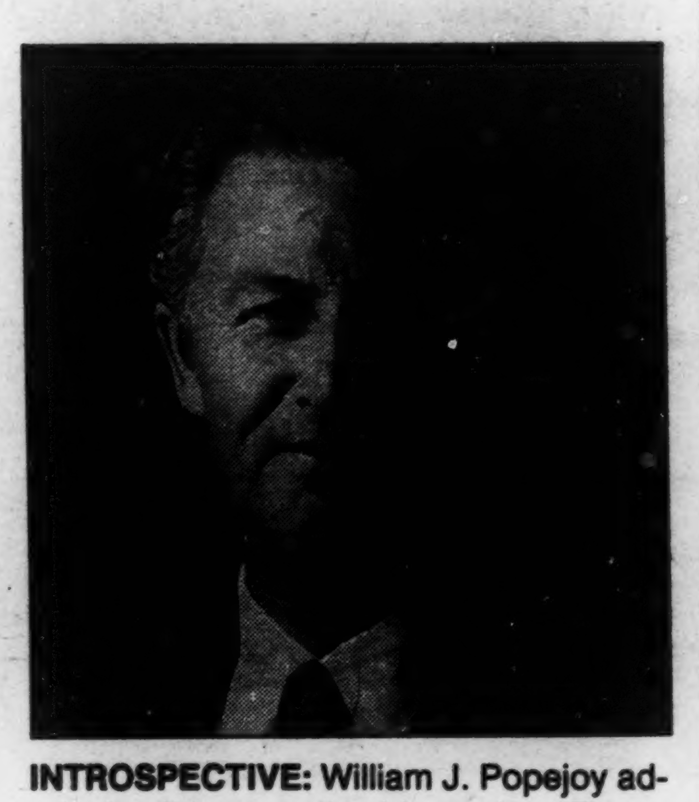
The accounting was almost impossible to reconcile. We'd get payments and we couldn't even find the loans.

Chairman William J. Popejoy on the disarray at the Financial Corporation of America when he arrived in 1984. [Page 1]

Popejoy Rates His Performance

By MICHAEL A. ROBINSON and ROBERT LUKE

West Coast Bureau



INTROSPECTIVE: William J. Popejoy admits he did not realize his goals at Financial Corporation of America.

IRVINE, Calif. — With two successful turnarounds under his belt, William J. Popejoy arrived at the Financial Corporation of America four years ago confident he could conduct the biggest recovery in the history of the savings and loan industry.

Now, just days before he expects FCA's deeply troubled American Savings and Loan Association subsidiary to be sold with federal assistance, an introspective chairman and chief executive gave an "unsatisfactory" rating to his overall job performance.

"I did not achieve that which I de-

Popejoy: Page 47 ➺

COMMENT

A Peer-Group Analysis Of 1987 Bank Earnings

By SANFORD ROSE

As has been noted before in this column, the First Manhattan Consulting Group has pioneered an approach to peer-group analysis that classifies banking companies according to their business mix as opposed to their size, location, etc. Thus the 249 bank holding companies with assets of over a billion dollars are divided into six distinct types of entities: fee-based banks, consumer intermediators, commercial financiers, low-cost funders, money center banks, and a residual category — the undifferentiated group; that is, banks with no ostensible balance-sheet or income specialty.

The consulting firm has just released 1987 figures for each of these six types. The figures show the median return on equity, adjusted for special loan-loss provisions and for certain types of nonrecurring earnings.

Additionally, ROEs are normalized for leverage. That is, a bank's return is what it would have made if its ratio of equity to assets in 1987 had been the same as the average of the top 249 banks (6%). Also

Comment: Page 4 ➺

Japanese Banks Far from Top In Equity Rank

Asset Leaders Missing From Top 25 Companies

By JOHN J. DUFFY

London Bureau

LONDON — Japanese banks continue to dominate the rankings of the world's largest banks in terms of assets, but they drop significantly when ranked in terms of equity capital.

Nine of the ten largest banks — and 17 of the top 25 — are Japanese, according to the *American Banker* annual ranking of the world's 500 largest banks in terms of assets. Yet when ranked in terms of equity capital, not one Japanese bank is listed among the top 25. The *American Banker* publishes its first table of equity rankings today, on page 44.

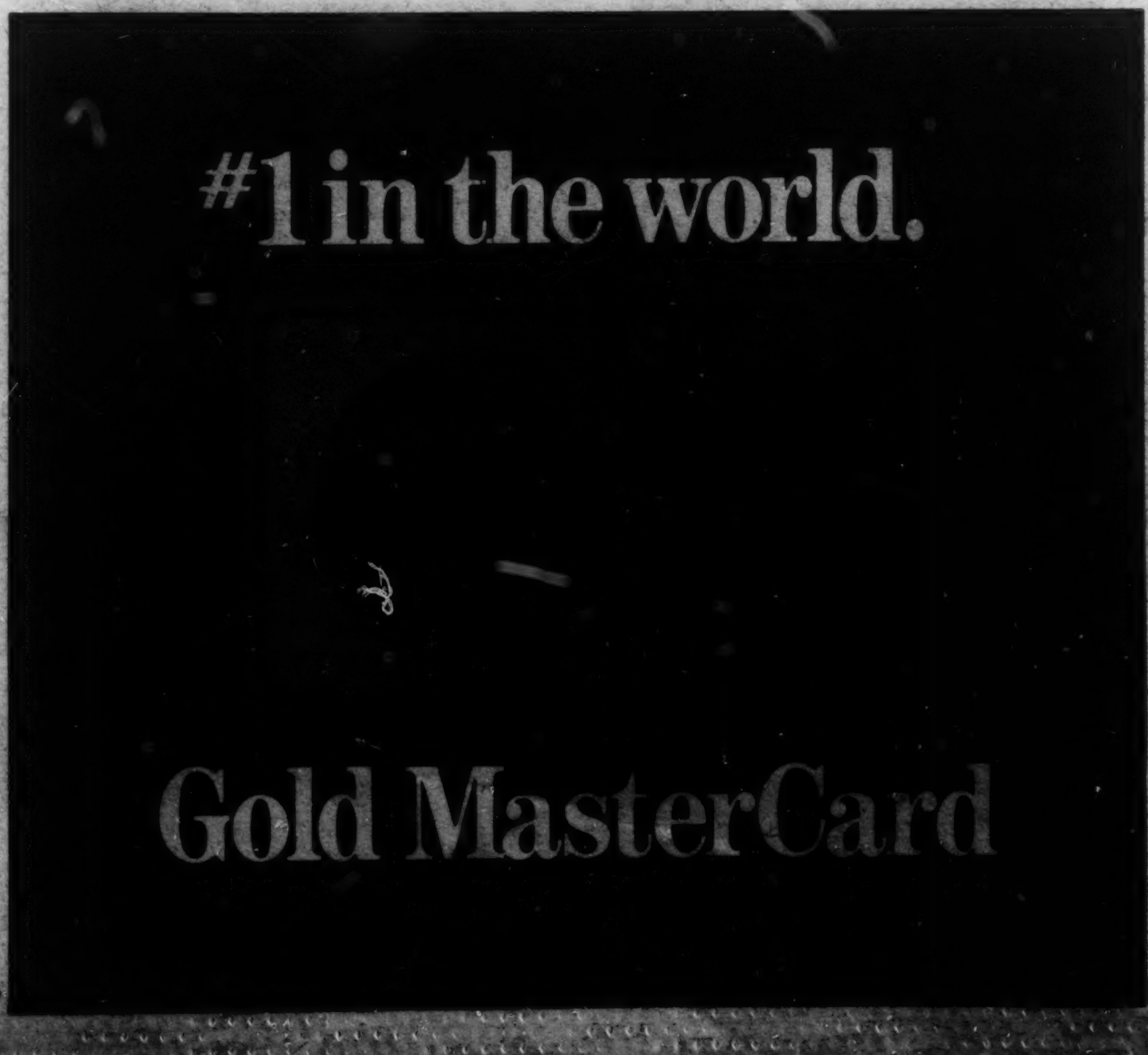
Ranking by equity has become an increasingly important way to measure banks' international standing now that regulators have agreed to implement common capital-adequacy standards. The standards will require that international banks have capital equal to 8% of their total risk-adjusted assets — and pure equity capital equal to 4% of risk assets — by yearend 1992.

By such standards, the Japanese appear to have a long way to go.

Dai-Ichi Kangyo Bank Ltd. again took the top spot as the world's largest bank, with total assets of $345 billion in 1987 — an astounding one-year increase of more than $106 billion. To put such an increase in perspective, $106 billion amounts to more than the combined total assets of Bankers Trust Co. and Security Pacific National Bank.

Rankings in terms of equity tell a far

Japanese: Page 55 ➺



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Continued from Page 1

shown is the median adjusted ROE for the top 25% of banks in each peer group.

Last year, the consumer-intermediator group registered the highest median adjusted ROE, 15.1%. Fee-based banks and commercial financiers tied for second place with a 14.9% return. Low-cost funders came in with a 14.1% ROE, while the undifferentiated group recorded an 11.3% return. Rounding into last place were the money center banks, with an anemic 6.7% ROE.

Last year's rankings differ somewhat from those of 1986. In that year, the fee-based group was the premier earner, with a 16.3% median adjusted return, followed by the consumer intermediators (15.7%), the commercial financiers (15.3%), the low-cost funders (13.9%), the undifferentiated group (12.0%), and the money center institutions (11.1%).

Good and Steady

But there has been no change at all in the ranking of the top-quartile banks in each grouping. The top 25% of fee-based banks made a median adjusted return of 20.5% last year, compared to 20.6% in 1986. The best of the consumer intermediators made a median of 19.9% in 1987 and 19.6% in 1986. The top commercial financiers earned 19.4% last year and 19.6% the year earlier.

In 1987 the top low-cost funders made 19.1%, as compared to 17.8% in 1986. The best of the undifferentiated institutions recorded returns of 16.2% (1987) and 16.6% (1986). And the best of the worst — the top quartile of the money center banks — made 13.8% last year, as opposed to 14.0% in 1986.

Hence, the top 25% of banks in each peer group show remarkable consistency. Based on the returns of these elite institutions going back to 1984, the most profitable banking formula is clearly a fee-based strategy. Those that can best implement this strategy make higher returns than those that pursue any other business formula.

(Although high performance depends on business mix, it is also quite obviously a function of factors independent of mix and therefore more controllable. The most important controllable reason for the difference between the top-quartile banks and the median performers in any given peer group, calculates First Manhattan Consulting, is superior expense control.)

The consumer intermediators — the grouping with the highest 1987 median adjusted ROE — comprise 33 bank holding companies. The five largest banks in this peer group are Banc One, National City of Ohio, Barnett Banks, KeyCorp of New York, and Norstar Bancorp. The five most profitable institutions are Citizens Bancorp of Maryland, Banc One, First Illinois, First Virginia Banks, and Horizon Bancorp of New Jersey.

Consumer intermediators, as the name suggests, lend relatively more to the consumer than does the average over-billion-dollar bank. They also borrow more at retail than is the norm.

The income consequences of this balance sheet skew are as follows: In 1987 the ratio of gross pretax interest income to average assets was 50 basis points higher for the consumer intermediators than for the typical top-249 bank. In other words, since yields on consumer loans are higher than those on many other loans, the consumer banks raked in a larger-than-average gross.

Oddly enough, they also paid a tad more than the average to acquire their investable funds. The ratio of their interest expense to assets was 5 basis points higher than that of the overall sample of 249 institutions. It seems that consumer deposits, once appreciably cheaper than other funds sources, are no longer quite the bargain they used to be — unless, of course, the bank has access to an above-average store of transaction or demand-deposit money.

Fees and Float

Among the peer groups that apparently have access to abundant transaction money are the fee-based institutions. The fee-based peer group contains 39 bank holding companies. The five largest are Security Pacific, Mellon Bank, PNC Financial, Sovran Financial, and Bank of New York. The five most profitable are Fifth Third of Ohio, CB&T Bancshares of Georgia, Fleet Financial, City National of California, and United States Trust.

Fee-based banks have few discernible asset or liability skews. But they have very distinctive income characteristics. For example, the 1987 ratio of their fee income to assets was an astounding 100 basis points higher than at the average bank.

In the net-interest-income area, their performance was equally untypical. Gross pretax yield on assets was 35 basis points below average. But this yield disadvantage was almost entirely offset by a 30-basis-point funding advantage, traceable in part to that transaction money — the generous supply of demand deposits and float connected with many types of fee-earning services.

The fee-based banks are by and large below-average credit administrators, or at least were so in 1987. The ratio of their net chargeoffs to assets was 15 basis points higher than at the average top-249 bank.

The commercial-finance peer group, tied with the fee banks for second spot in the 1987 ROE derby, encompasses 44 institutions. The five largest are Wells Fargo, Dominion Bankshares of Virginia, Signet Banking of Virginia, Crestar Financial, also in Virginia, and Barclays USA, a Delaware corporation. The five most profitable are UST Corp. of Maine, First National Bancorp of Georgia, MBI Bancshares of Missouri, Fulton Financial of Pennsylvania, and Citizens First Bancorp of New Jersey.

The commercial financiers are characterized by an above-average concentration of middle-market C&I loans and real estate credits. These banks were more successful than any other 1987 peer group in generating outsize gross interest yields. Their ratio of interest income to assets was a vertiginous 105 basis points greater than at the typical top-249 bank.

So developed, in fact, was their skill in yield generation that these banks were prepared to pay substantially more for investable money than the average bank. Interest expense as a percent of assets was 45 basis points above the norm.

Given their focus on acquiring high-yield assets, the commercial financiers were perhaps understandably negligent in the fee area. Their ratio of fee income to assets was 30 basis points below the average of the top 249 banks.

Flouting the Textbooks

More surprisingly, despite their emphasis on high-yielding loan assets, the commercial financiers are excellent credit administrators. The group sported a ratio of net chargeoffs to assets that was 20 basis points below the top-249 norm. That is, these banks got the higher yields without, however, assuming the concomitantly higher risks — at least that is the message conveyed by their 1987 and also their 1986 results.

The low-cost funding peer group, fourth place in median 1987 ROE, includes 57 institutions. Among the largest of these banks are First Wachovia, First Union, and Citizens and Southern of Georgia. Among the most profitable are three New Jersey banks — Valley National, United Counties Bancorp, and Ultra Bancorp.

Like the fee-based banks but for somewhat different reasons, the low-cost funders have access to an above-average store of cheap demand as well as other inexpensive deposits. In consequence, their 1987 interest expense as a percent of assets was 55 basis points below the top-249 norm.

Safer than Average

Possessed of this funding bonanza, these banks are apparently content to invest disproportionately in securities and relatively safe C&I loans, with the result that their gross interest yield was 45 basis points less than that realized by the typical bank.

Because of their securities orientation and the type of loan customer to whom they gravitate, the low-cost funders have an excellent record in credit administration. Their ratio of net chargeoffs to assets was 15 basis points below the 1987 average of the top banks. And being basically quite conservative and also mindful of the expense dollar, these banks do not generate an appreciable amount of fees (fee income as a percent of assets in 1987 was 20 basis points below average).

The undifferentiated peer group — those banks unremarkable in either a balance-sheet or an income sense from the average top-249 institution — consists of 58 institutions. Among the largest are NBD Bancorp of Michigan, NCNB of North Carolina, and First Bank System of Minneapolis. Among the most profitable are Dauphin Deposit of Pennsylvania, Central Bancorp of Ohio, and SouthTrust of Alabama.

Trailing the Average

The run-of-the-mill undifferentiated institution, which makes, as has been noted, only 11.3% on equity, trails the average top-249 bank in all three income categories. In 1987 it earned 20 basis points less in gross yield and 30 basis points less in fee income, while paying 20 basis points more in interest expense. Its credit performance was also subpar, net chargeoffs amounting to 15 basis points above the norm.

The last-ranking peer group embraces those institutions trapped in the money center formula — above-average concentrations of foreign loans and wholesale money and below-average hoards of retail assets and demand deposits. This grouping consists of 18 banks, including, of course, the nation's best known. The most profitable are Bank of Boston, which has lately taken to styling itself a "super-regional," Irving Bank, Bankers Trust, J.P. Morgan, and Citicorp.

Relative to the average of the top 249 institutions, the median money center bank earned a gross interest yield of 30 basis points less, paid 60 basis points more in interest expense, and had net chargeoffs that were 25 basis points higher.

Its only advantage was in the area of fee income. Even here, however, the advantage was surprisingly modest. Despite their much-ballyhooed emphasis on fee businesses, in 1987 the ratio of fee income to assets at the money center banks was only 15 basis points greater than at the typical over-billion-dollar institution. ■

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The World's Top 500 Banks By Assets

American Banker ranks the world's 500 largest banks in assets as of yearend 1987. This listing includes an asset comparison with 1986, as well as the number of bank branches, the number of employees, and the year the bank was established. Additional tables list the top 500 banks geographically and alphabetically. Also, the world's 100 largest banking firms— which include both banks and bank holding companies are ranked by assets. For the first time, this listing includes the equity capital of the top 100 firms and their respective equity- capital-to-assets ratios for 1987.

BANK OF ENGLAND
EL BANCO DE MEXICO S.A.
BANK INDONESIA
BANCO CENTRAL DE VENEZUELA
THE BANK OF KOREA
BANCO CENTRAL DE RESERVA DE EL SALVADOR
BANK OF JAMAICA
KONINKRIJK BELGIE
בנק ישראל
BANK OF ISRAEL
COMMONWEALTH OF AUSTRALIA

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Assets on Dec. 31, 1987 or Nearest Fiscal Yearend

Asset Rank 1987			Assets in US Dollars 12/31/87 (a)	Assets in US Dollars 12/31/86 (a)	Asset Rank 12/31/86	Gain in Rank	Bank Branches 12/31/87	Employees 12/31/87	Operating Since
1	**Dai-ichi Kangyo Bank Ltd., Tokyo**	Japan	345,026,714,585u	239,579,956,638s	1		372	20,097	1971
2	**Sumitomo Bank Ltd., Osaka**	Japan	322,483,528,185u	205,125,658,320s	3	+1	371	17,259	1912
3	**Fuji Bank, Ltd., Tokyo**	Japan	313,114,962,180u	212,440,935,245s	2		299	15,034	1880
4	**Mitsubishi Bank Ltd., Tokyo**	Japan	309,246,988,745u	203,806,229,407s	4		280	14,849	1880
5	**Sanwa Bank Ltd., Osaka**	Japan	297,707,797,310u	191,362,046,502s	5		287	14,938	1933
6	**Industrial Bank of Japan, Ltd., Tokyo**	Japan	238,477,414,490u	160,836,885,902s	7	+1	32	4,723	1902
7	**Norinchukin Bank, Tokyo**	Japan	229,966,074,645	161,569,466,432	6		40	2,916	1923
8	**Credit Agricole Mutuel, Paris**	France	214,878,584,600u	156,382,230,000	8		-1	73,939	1920
9	**Tokai Bank Ltd., Nagoya**	Japan	208,280,644,710u	137,789,365,967s	11	+2	277	12,767	1941
10	**Mitsui Bank, Ltd., Tokyo**	Japan	192,182,832,770	131,405,672,057	14	+4	230	10,579	1876
11	**Mitsubishi Trust & Banking Corp., Ltd., Tokyo**	Japan	190,279,726,425	125,032,558,354	15	+4	64	5,189	1927
12	**Banque Nationale de Paris**	France	183,098,322,399s	143,685,189,600s	10		2,574	58,452	1966
13	**Sumitomo Trust & Banking Co., Ltd., Osaka**	Japan	178,331,859,795u	124,085,082,352u	16	+3	58	4,990	1925
14	**Mitsui Trust & Banking Co., Ltd., Tokyo**	Japan	170,280,610,985u	114,979,165,323u	21	+7	61	4,920	1924
15	**Deutsche Bank, Frankfurt**	Germany	170,156,459,837s	133,048,118,177s	13		1,498	54,579	1870
16	**Credit Lyonnais, Paris**	France	168,734,058,281s	133,765,413,664s	12		N.A.	58,181	1863
17	**Long-Term Credit Bank of Japan Ltd., Tokyo**	Japan	165,625,862,805u	114,971,034,178u	22	+5	27	3,267	1952
18	**Barclays Plc, London**	United Kingdom	165,564,396,000s	117,006,864,000s	19	+1	4,200	113,000	1896
19	**Taiyo Kobe Bank, Ltd., Kobe**	Japan	165,372,464,080u	115,952,421,266u	20	+1	363	13,737	1973
20	**National Westminster Bank Plc, London**	United Kingdom	164,132,922,000s	123,487,650,000s	17		3,735	102,000	1968
21	**Societe Generale, Paris**	France	153,377,059,186s	117,496,317,102s	18		2,323	45,381	1864
22	**Citibank NA, New York**	United States	149,133,000,000	145,892,000,000	9		59	55,428	1812
23	**Yasuda Trust & Banking Co. Ltd., Tokyo**	Japan	148,474,358,575	100,852,541,614	26	+3	61	4,359	1925
24	**Bank of Tokyo, Ltd.**	Japan	145,033,423,135u	111,455,055,811s	23		84	8,075	1946
25	**Daiwa Bank, Ltd., Osaka**	Japan	143,372,959,030u	102,338,474,348u	24		200	9,250	1918
26	**Dresdner Bank, Frankfurt**	Germany	131,430,936,000s	102,137,238,000s	25		1,403	38,116	1872
27	**Union Bank of Switzerland, Zurich**	Switzerland	126,295,427,048u	94,496,003,217u	27		33	20,881	1912
28	**Toyo Trust & Banking Co. Ltd., Tokyo**	Japan	125,698,748,200	80,764,013,374	31	+3	64	4,412	1959
29	**Swiss Bank Corp., Basle**	Switzerland	115,095,387,000u	85,591,057,499u	30	+1	232	16,828	1872
30	**Nippon Credit Bank, Ltd., Tokyo**	Japan	109,138,621,110	77,882,931,654u	33	+3	24	2,214	1957
31	**Hongkong and Shanghai Banking Corp., Hong Kong**	Hong Kong	106,086,506,400s	90,862,735,500s	28		1,300	51,950	1866
32	**Commerzbank, Frankfurt**	Germany	103,022,647,000s	76,980,401,610s	34	+2	882	26,640	1870
33	**Kyowa Bank, Ltd., Tokyo**	Japan	102,340,862,935u	72,397,959,271s	39	+6	237	8,727	1945
34	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	Germany	96,859,672,000s	76,960,757,300s	35	+1	8	N.A.	1969
35	**Bayerische Vereinsbank, Munich**	Germany	95,241,693,274s	72,803,327,548s	38	+3	404	14,270	1869
36	**Banca Nazionale del Lavoro, Rome**	Italy	93,886,760,000s	75,899,141,183s	36		446	28,602	1929
37	**Midland Bank Plc, London**	United Kingdom	91,376,700,000s	78,796,458,000s	32		2,050	58,778	1836
38	**Shoko Chukin Bank, Tokyo**	Japan	88,974,517,495	71,192,687,753	40	+2	92	6,408	1936
39	**Saitama Bank Ltd., Urawa**	Japan	86,377,819,700u	61,244,218,233s	50	+11	200	8,362	1943
40	**Zenshinren Bank, Tokyo**	Japan	85,285,359,740	54,293,274,915	59	+19	18	976	1951
41	**Algemene Bank Nederland, Amsterdam**	Netherlands	84,916,842,400s	67,337,384,400s	45	+4	940	29,314	1824
42	**Lloyds Bank Plc, London**	United Kingdom	84,700,260,000s	70,882,578,000s	41		N.A.	N.A.	1765
43	**Credit Suisse, Zurich**	Switzerland	84,429,953,587u	64,423,161,000u	46	+3	192	15,020	1856
44	**Rabobank Nederland, Utrecht**	Netherlands	81,921,651,500	64,284,737,439s	47	+3	2,293	32,646	1898
45	**Amsterdam-Rotterdam Bank, Amsterdam**	Netherlands	81,018,197,000s	63,994,031,400s	48	+3	878	23,709	1863
46	**Deutsche Genossenschaftsbank, Frankfurt**	Germany	80,666,285,060s	57,982,670,481s	54	+8	13	4,717	1895
47	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	Germany	80,390,803,485s	62,554,819,038s	49	+2	489	12,089	1835
48	**Chase Manhattan Bank NA, New York**	United States	79,643,448,000	75,736,907,000	37		448	33,203	1799
49	**Bank of America NT&SA, San Francisco**	United States	79,534,000,000	89,604,000,000	29		947	52,611	1904
50	**Chuo Trust & Banking Co., Ltd., Tokyo**	Japan	76,287,184,075u	48,853,862,860u	68	+18	54	3,453	1962
51	**Bank of Yokohama, Ltd.**	Japan	76,179,904,165u	55,999,357,590u	57	+6	200	6,915	1920
52	**Banco do Brasil, Brasilia**	Brazil	75,758,973,700s	69,581,270,450s	42		3,689	128,528	1853
53	**Bayerische Landesbank Girozentrale, Munich**	Germany	75,199,808,775s	56,395,949,210s	56	+3	6	4,297	1972
54	**Istituto Bancario San Paolo di Torino, Turin**	Italy	74,661,633,156s	59,433,241,284s	52		703	18,234	1563
55	**Banque Paribas, Paris (q)**	France	72,677,252,300s	41,285,504,940s	76	+21	108	9,350	1872
56	**Royal Bank of Canada, Montreal**	Canada	72,157,259,120s	67,782,710,878s	43		1,517	37,674	1869
57	**Hokkaido Takushoku Bank, Ltd., Sapporo**	Japan	71,337,198,480	51,297,236,298u	65†	+8	208	6,736	1900
58	**Morgan Guaranty Trust Co., New York**	United States	65,813,911,000	67,652,033,000	44		19	12,245	1839
59	**Cassa di Risparmio delle Provincie Lombarde, Milan**	Italy	65,541,718,000s	53,547,320,573s	62	+3	523	14,293	1823
60	**Generale Banque, Brussels**	Belgium	65,259,844,400s	51,025,156,800s	66	+6	1,157	15,875	1935
61	**Norddeutsche Landesbank Girozentrale, Hannover**	Germany	63,648,439,973s	49,064,539,514s	67	+6	219	6,100	1970
62	**Banca Commerciale Italiana, Milan**	Italy	63,547,102,300s	55,595,026,800s	58		550	21,352	1894
63	**Monte dei Paschi di Siena**	Italy	63,473,643,992s	53,635,139,863s	61		775	16,659	1472
64	**Canadian Imperial Bank of Commerce, Toronto**	Canada	62,500,989,440s	54,260,910,857s	60		N.A.	N.A.	1867
65	**Banco Espanol de Credito, Madrid**	Spain	62,331,179,152s	43,875,552,000s	74	+9	2,600	16,500	1902
66	**Bank of Montreal**	Canada	61,514,716,920s	59,417,270,137s	53		1,220	32,988	1817
67	**Banco di Napoli, Naples**	Italy	60,282,393,567u	45,141,230,419u	72	+5	510	13,107	1539
68	**Chemical Bank, New York**	United States	57,805,000,000	56,513,000,000	55		316	18,076	1824
69	**Manufacturers Hanover Trust Co., New York**	United States	57,286,000,000	60,276,000,000	51		242	22,105	1812
70	**Banco di Roma, Rome**	Italy	57,269,880,800s	52,751,571,300s	64		12	14,904	1880
71	**Standard Chartered Bank, London**	United Kingdom	56,077,003,800s	47,756,709,000s	69		800	40,000	1853
72	**Groupe Des Banques Populaires, Paris**	France	53,881,721,346	39,695,700,000s	78	+6	1,851	28,445	1921
73	**Credito Italiano, Milan**	Italy	52,097,505,900s	47,124,789,625s	70		501	17,333	1870
74	**Bankers Trust Co., New York**	United States	52,022,621,000	52,779,223,000	63		14	12,065	1917
75	**Bank of Nova Scotia, Toronto**	Canada	51,585,986,480s	43,814,407,390s	75		1,183	26,187	1832
76	**Banque Bruxelles Lambert, Brussels**	Belgium	50,373,359,645s	35,611,626,661s	84	+8	985	11,943	1935
77	**Bank Melli Iran, Tehran**	Iran	49,819,887,000	36,803,756,000	83	+6	1,667	19,953	1928
78	**Chiba Bank, Ltd.**	Japan	49,656,351,330	29,103,784,622	98	+20	164	5,050	1943
79	**Banque Indosuez, Paris**	France	47,886,192,930s	40,888,783,290s	77		43	12,800	1875
80	**Banco di Santo Spirito, Rome**	Italy	47,204,310,781s	37,169,869,933s	82	+2	240	6,038	1605
81	**Hokuriku Bank Ltd., Toyama**	Japan	45,929,367,790	29,420,044,049	97	+16	184	5,233	1943
82	**Rafidain Bank, Baghdad**	Iraq	45,797,264,000	43,979,417,386	73		230	12,557	1941
83	**Nederlandsche Middenstandsbank, Amsterdam**	Netherlands	45,113,620,500s	32,912,583,600s	90	+7	486	11,844	1927
84	**Westpac Banking Corp., Sydney**	Australia	45,024,912,240s	34,715,900,719s	85	+1	1,953	44,947	1817
85	**Joyo Bank, Ltd., Mito**	Japan	44,112,352,900	27,826,119,343	101	+16	153	5,128	1878
86	**Security Pacific National Bank, Los Angeles**	United States	43,826,674,000	46,585,708,000	71		N.A.	23,783	1871
87	**Creditanstalt-Bankverein, Vienna**	Austria	42,800,128,650	33,142,153,000	88	+1	345	10,110	1855
88	**Hessische Landesbank-Girozentrale, Frankfurt**	Germany	41,544,318,270s	31,966,294,142s	92	+4	5	2,802	1953
89	**Shizuoka Bank Ltd.**	Japan	41,455,865,195u	27,795,693,959	102	+13	192	5,556	1943
90	**Wells Fargo Bank NA, San Francisco**	United States	41,127,162,000	38,976,311,000	79		443	19,678	1870
91	**State Bank of India, Bombay**	India	40,931,747,000s	32,834,053,800s	90		11,366	284,851	1955
92	**Banco Central, Madrid**	Spain	40,535,682,176s	28,483,247,800s	99	+7	2,856	24,073	1919
93	**Skandinaviska Enskilda Banken, Stockholm**	Sweden	40,311,180,000s	28,352,265,200	100	+7	353	9,149	1972
94	**International Westminster Bank Plc, London**	United Kingdom	38,878,004,000t	38,720,214,000t	81		N.A.	N.A.	1913
95	**Banque Francaise du Commerce Exterieur, Paris**	France	38,799,749,488u	26,477,918,385	105	+10	28	2,765	1947
96	**Ashikaga Bank, Ltd., Utsunomiya**	Japan	38,590,840,985	25,669,674,899	109	+13	142	4,342	1895
97	**Australia & New Zealand Banking Group, Ltd., Melbourne**	Australia	38,546,836,513s	31,042,348,874s	95		1,690	41,187	1835
98	**Credit Commercial de France, Paris**	France	38,397,630,393s	32,448,068,822s	91		220	12,300	1894
99	**Caisse Generale d'Epargne et de Retraite, Brussels**	Belgium	38,121,777,700u	30,969,000,000u	96		1,139	7,325	1865
100	**Toronto Dominion Bank**	Canada	37,729,956,040	34,159,363,611s	86		954	21,710	1955

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Austrailian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)**— Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.**— Not available. **(†)**— Rank based on revised asset total for 1986.

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Assets on Dec. 31, 1987 or Nearest Fiscal Yearend

Asset Rank 1987			Assets in US Dollars 12/31/87 (a)	Assets in US Dollars 12/31/86 (a)	Asset Rank 12/31/86	Gain in Rank	Bank Branches 12/31/87	Employees 12/31/87	Operating Since
101	**Bank fuer Gemeinwirtschaft, Frankfurt**	Germany	37,717,677,138s	31,103,947,280s	94		279	8,960	1958
102	**Bank of Fukuoka, Ltd.**	Japan	35,027,191,385	24,078,160,381	114	+12	197	4,726	1945
103	**Svenska Handelsbanken, Stockholm**	Sweden	34,941,772,500s	23,232,465,200s	118	+15	451	6,447	1871
104	**Bank of Hiroshima, Ltd.**	Japan	34,911,569,065	22,328,059,380	122	+18	183	4,434	1878
105	**First National Bank, Chicago**	United States	34,681,439,000	33,207,022,000	87		17	9,447	1863
106	**National Australia Bank Ltd, Melbourne**	Australia	33,274,573,367u	22,646,482,034s	121	+15	1,186	21,783	1858
107	**Kredietbank International Group, Brussels**	Belgium	32,830,476,223u	38,800,333,200s	80		750	9,653	1935
108	**Sparbankernas Bank, Stockholm**	Sweden	32,392,222,500	25,678,245,600	108		0	1,211	1942
109	**Banco di Sicilia, Palermo**	Italy	31,641,556,133s	24,786,785,925	110	+1	374	9,827	1860
110	**Hachijuni Bank, Ltd., Nagano**	Japan	31,509,749,555	20,982,934,753	129	+19	139	4,195	1931
111	**Banco Hispano-Americano, Madrid**	Spain	31,382,899,328s	22,741,878,810s	120	+9	1,404	15,044	1900
112	**PKbanken, Stockholm**	Sweden	31,299,780,000s	26,374,538,400s	106		N.A.	N.A.	1974
113	**Continental Illinois Nat'l Bank & Trust Co., Chicago**	United States	31,176,014,000	31,210,460,000	93		14	9,477	1857
114	**Royal Bank of Scotland Plc., Edinburgh**	United Kingdom	31,011,342,400s	24,016,293,100s	115	+1	856	19,557	1968
115	**Bank Hapoalim, Tel-Aviv**	Israel	30,348,291,415s	26,287,379,909s	107		345	7,772	1921
116	**Banco de Bilbao**	Spain	30,203,280,448s	22,127,473,060s	123	+7	1,641	18,298	1857
117	**Kansallis-Osake Pankki, Helsinki**	Finland	29,401,512,500s	21,204,220,400s	127	+10	471	8,917	1889
118	**Union Bank of Finland, Ltd., Helsinki**	Finland	28,729,409,800s	21,876,134,500s	126	+8	449	10,165	1862
119	**Great Western Bank, FSB, Beverly Hills**	United States	28,526,110,000	27,405,368,000	104		N.A.	N.A.	N.A.
120	**Commonwealth Banking Corp., Sydney**	Australia	28,333,137,721s	24,293,835,284s	112		1,273	33,071	1960
121	**Gunma Bank, Ltd., Maebashi**	Japan	28,304,855,245	19,066,388,242u	137	+16	133	4,044	1932
122	**Banco de Vizcaya, Bilbao**	Spain	27,633,528,384s	20,594,400,050s	130	+8	991	14,689	1901
123	**Nippon Trust & Banking Co., Ltd., Tokyo**	Japan	27,432,266,070	19,257,130,002	136	+13	38	2,012	1927
124	**Banco Santander**	Spain	27,320,210,192s	21,159,882,240s	128	+4	1,616	14,505	1857
125	**Commonwealth Bank of Australia, Sydney**	Australia	26,694,992,555st	23,187,813,416st	119		1,273	33,071	1953
126	**Landesbank Stuttgart Girozentrale**	Germany	26,539,327,108	18,824,126,282	141	+15	1	1,066	1916
127	**Hyogo Sogo Bank, Ltd., Kobe**	Japan	26,473,997,020	15,162,615,809	166	+39	138	3,293	1912
128	**Banque Cantonale de Zurich**	Switzerland	26,374,234,461	18,852,175,170	140	+12	154	3,653	1871
129	**National Bank of Greece, Athens**	Greece	25,861,713,640s	20,446,876,800s	131	+2	532	16,000	1841
130	**Hamburgische Landesbank-Girozentrale, Hamburg**	Germany	25,731,192,669	18,961,764,192	139	+9	3	1,293	1938
131	**Bank Leumi le-Israel, Tel-Aviv**	Israel	25,679,875,184s	24,189,860,597s	113		396	12,611	1902
132	**Bank of Seoul**	Korea	25,493,368,131	17,515,257,446	147	+15	202	9,183	1959
133	**Banque Populaire Suisse, Berne**	Switzerland	25,347,450,990	17,953,136,082	146	+13	161	5,691	1869
134	**First National Bank, Boston**	United States	24,799,279,000	24,537,731,000	111		358	14,800	1784
135	**Landesbank Rheinland-Pfalz Girozentrale, Mainz**	Germany	24,501,800,746s	19,383,086,800s	134		3	1,967	1958
136	**Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt**	Germany	24,466,583,578u	18,973,069,819u	138	+2	2	340	1918
137	**Nishi-Nippon Sogo Bank, Ltd., Fukuoka**	Japan	24,173,336,055	16,243,805,413	155	+18	194	3,751	1944
138	**Banco Exterior de Espana, Madrid**	Spain	24,054,682,608s	19,336,838,710s	135		760	12,779	1929
139	**Yamaguchi Bank, Ltd., Shimonoseki**	Japan	23,683,571,685	16,716,118,034	152	+13	153	3,623	1944
140	**Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna**	Austria	23,648,759,679u	18,524,396,855	142	+2	2	1,704	1937
141	**Chugoku Bank, Ltd., Okayama**	Japan	23,515,939,900	15,818,193,424	157	+16	162	3,500	1930
142	**77 Bank, Ltd., Sendai**	Japan	23,013,210,760	15,377,103,104	163	+21	132	3,471	1878
143	**Danske Bank, Copenhagen**	Denmark	22,815,683,800s	16,820,380,500s	151	+8	318	6,273	1871
144	**National Bank of Canada, Montreal**	Canada	22,783,312,680s	20,062,472,902	132		579	11,550	1859
145	**Banca Nazionale dell'Agricoltura, Rome**	Italy	22,721,066,975	23,589,898,093	117		234	7,522	1921
146	**Credit Industriel et Commercial, Paris (h)**	France	22,713,317,786	14,862,344,027s	168	+22	118	4,974	1859
147	**Caja de Pensiones para la Vejez, Barcelona**	Spain	22,679,492,880	14,757,526,350	170	+23	1,143	6,611	1904
148	**Bank of Taiwan, Taipei**	Taiwan	22,520,723,365	15,706,349,189	158	+10	64	5,957	1946
149	**Oesterreichische Laenderbank, Vienna**	Austria	22,303,364,077s	17,484,072,100s	148		N.A.	N.A.	1880
150	**Hokkaido Bank, Ltd., Sapporo**	Japan	21,817,460,050	15,386,549,486	162	+12	133	2,971	1951
151	**Credit du Nord, Lille**	France	21,164,470,130s	15,361,038,753st	164	+13	601	11,452	1848
152	**Juroku Bank, Ltd., Gifu**	Japan	20,805,986,370	14,240,006,209	179	+27	127	2,985	1877
153	**Hyakujushi Bank, Ltd., Takamatsu**	Japan	20,798,451,290	14,148,535,687	182	+29	121	2,835	1878
154	**Mellon Bank NA, Pittsburgh**	United States	20,794,700,000	23,737,166,000	116		126	8,217	1869
155	**Bank of Scotland, Edinburgh**	United Kingdom	20,756,373,000s	14,388,220,000s	177	+22	500	13,426	1695
156	**Tokyo Sogo Bank, Ltd.**	Japan	20,714,275,265u	15,541,779,847	161	+5	85	3,270	1950
157	**Cassa di Risparmio di Roma, Rome**	Italy	20,654,593,608	27,479,277,954	103		187	4,409	1836
158	**Bank of Kyoto, Ltd.**	Japan	20,553,798,640	14,746,093,857	171	+13	118	2,912	1941
159	**Marine Midland Bank NA, Buffalo, N.Y.**	United States	20,548,988,000t	21,991,585,000t	125		327	11,634	1929
160	**Norske Creditbank, Oslo**	Norway	20,432,660,940s	17,193,827,200s	149		152	6,058	1857
161	**Landesbank Schleswig-Holstein Girozentrale, Kiel**	Germany	20,269,959,160s	15,275,665,836s	165	+4	3	1,263	1917
162	**Cooperative Bank of Taiwan, Taipei**	Taiwan	20,196,088,209	13,290,778,412	195	+33	89	5,251	1946
163	**Banca Popolare di Milano, Milan**	Italy	20,165,372,678s	16,236,792,000s	156		225	5,563	1865
164	**Nanto Bank, Ltd., Nara**	Japan	20,100,744,040	14,178,190,070	181	+17	120	3,033	1934
165	**Iyo Bank, Ltd., Matsuyama**	Japan	19,966,814,325	14,503,494,181	175	+10	140	2,902	1941
166	**Bank of New York**	United States	19,906,253,000	18,422,492,000	144		192	9,986	1784
167	**Korea Exchange Bank, Seoul**	Korea	19,744,021,794s	16,673,861,380s	153		166	7,871	1967
168	**Irving Trust Co., New York**	United States	19,669,715,000	19,546,388,000	133		2	7,826	1851
169	**Trustee Savings Bank England & Wales, London**	United Kingdom	19,507,116,800	13,014,781,800	198	+29	1,230	19,220	1983
170	**Berliner Bank, Berlin**	Germany	19,479,146,900s	14,636,438,879s	173	+3	90	4,726	1950
171	**First RepublicBank Dallas NA**	United States	19,443,313,000	14,273,563,000	178	+7	0	4,310	1920
172	**Daishi Bank, Ltd., Niigata**	Japan	19,429,172,120	13,722,120,302	189	+17	135	3,310	1873
173	**Banca Popolare di Novara**	Italy	19,416,389,771u	15,587,088,404u	160		383	7,313	1871
174	**First Interstate Bank of California, Los Angeles**	United States	19,281,889,000	22,054,460,000	124		329	12,476	1920
175	**Berliner Handels und-Frankfurter Bank, Frankfurt**	Germany	19,251,644,490s	14,131,117,000s	184	+9	17	3,099	1856
176	**Meritor Savings Bank, Philadelphia**	United States	19,016,456,000	18,447,272,000	143		N.A.	N.A.	1816
177	**National Commercial Bank, Jeddah**	Saudi Arabia	18,779,600,000	16,895,971,295	150		200	6,315	1954
178	**Shiga Bank, Ltd., Otsu**	Japan	18,706,192,275	13,419,129,867	193	+15	123	2,747	1933
179	**Copenhagen Handelsbank**	Denmark	18,519,782,962s	13,792,820,925s	187	+8	336	6,352	1873
180	**Zentralsparkasse und Kommerzialbank, Vienna**	Austria	18,311,382,389u	14,022,971,856	185	+5	178	3,652	1907
181	**Caisse Centrale des Banques Populaires, Paris**	France	18,302,492,155t	14,132,244,631t	183	+2	N.A.	1,587	1921
182	**First Commercial Bank, Taipei**	Taiwan	18,199,364,575	13,444,424,768	192	+10	127	5,337	1899
183	**Nuovo Banco Ambrosiano, Milan**	Italy	18,109,529,845s	13,753,251,558s	188	+5	330	7,119	1925
184	**Bremer Landesbank Kreditanstalt Oldenburg, Bremen**	Germany	17,981,092,675t	13,648,209,351t	190	+6	3	1,280	1983
185	**Suruga Bank, Ltd., Numazu**	Japan	17,838,407,505	12,151,280,273	209	+24	126	2,749	1895
186	**Cassa di Risparmio di Torino, Turin**	Italy	17,590,424,246	13,342,366,771	194	+8	221	4,652	1827
187	**Westdeutsche Genossenschafts-Zentralbank, Duesseldorf**	Germany	17,564,001,000	13,546,004,500	191	+4	3	1,238	1970
188	**Arab Banking Corp., Manama**	Bahrain	17,548,000,000s	14,582,000,000s	174		6	5,080	1980
189	**First Nationwide Bank, FSB, San Francisco**	United States	17,177,903,000	15,044,316,000	167		349	5,000	1885
190	**First Bank NA, Minneapolis**	United States	16,924,668,000	9,977,280,000	249	+59	34	2,465	1857
191	**Banco Popular Espanol, Madrid**	Spain	16,895,116,128s	12,720,751,260s	200	+9	1,602	11,682	1926
192	**Christiania Bank og Kreditkasse, Oslo**	Norway	16,783,708,953u	11,376,584,465s	223	+31	N.A.	N.A.	1848
193	**Badische Kommunale Landesbank-Girozentrale, Mannheim**	Germany	16,533,236,040u	12,966,931,470u	199	+6	3	1,036	1917
194	**Kiyo Bank, Ltd., Wakayama**	Japan	16,479,639,455	11,511,848,326	219	+25	98	2,679	1895
195	**Hyakugo Bank, Ltd., Tsu**	Japan	16,461,965,260	11,664,862,869	217	+22	128	2,968	1878
196	**Republic National Bank, New York**	United States	16,443,831,000	14,797,278,000	169		36	2,516	1966
197	**Hamburger Sparkasse, Hamburg**	Germany	16,187,305,960	12,593,981,559	204	+7	203	5,670	1827
198	**Bank fuer Arbeit und Wirtschaft, Vienna**	Austria	16,156,935,632u	12,699,834,516u	202	+4	125	1,953	1922
199	**Hokkoku Bank, Ltd., Kanazawa**	Japan	16,041,781,655	11,013,295,755	226	+27	131	2,744	1943
200	**Postipankki, Helsinki**	Finland	15,950,648,400s	11,791,445,600s	213	+13	57	7,508	1886

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Austrailian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)**— A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)**— A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)**— Consolidated data. **(t)**— Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)**— Data are not consolidated for affiliates more than 50% owned. **(v)**— Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)**— Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.**— Not available. **(†)**— Rank based on revised asset total for 1986.

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Assets on Dec. 31, 1987 or Nearest Fiscal Yearend

Asset Rank 1987			Assets in US Dollars 12/31/87 (a)	Assets in US Dollars 12/31/86 (a)	Asset Rank 12/31/86	Gain in Rank	Bank Branches 12/31/87	Employees 12/31/87	Operating Since
201	**Bergen Bank**	Norway	15,910,695,540s	10,955,956,000s	227	+26	137	4,206	1855
202	**Privatbanken, Copenhagen**	Denmark	15,898,696,189s	12,324,288,881s	207	+5	213	5,159	1857
203	**NCNB National Bank of North Carolina, Charlotte**	United States	15,895,791,000	14,188,974,000	180		252	7,181	1960
204	**First Union National Bank, Charlotte, N.C.**	United States	15,845,828,000	15,620,392,000	159		290	7,498	1908
205	**Kinki Sogo Bank, Ltd., Osaka**	Japan	15,553,726,925	10,509,631,253	234	+29	95	2,782	1942
206	**Allied Irish Banks Ltd., Dublin**	Ireland	15,493,990,874s	12,584,255,460	205		500	9,667	1966
207	**Oesterreichische Postsparkasse, Vienna**	Austria	15,259,837,500s	....	...		20	2,104	1883
208	**Great American First Savings Bank, San Diego, Calif.**	United States	15,242,243,000	13,064,815,000	197		N.A.	N.A.	1885
209	**Societe Nationale de Credit a l'Industrie, Brussels**	Belgium	15,193,458,351	12,095,395,696	211	+2	16	1,128	1919
210	**Genossenschaftliche Zentralbank, Vienna**	Austria	15,157,342,419u	11,800,549,200u	212	+2	3	912	1927
211	**Goldome FSB, Buffalo, N.Y.**	United States	15,153,370,000	14,669,199,000	172		110	4,766	1846
212	**Kleinwort, Benson, Lonsdale Plc, London**	United Kingdom	15,141,694,420s	13,203,075,756s	196		N.A.	N.A.	1793
213	**Hua Nan Commercial Bank, Ltd., Taipei**	Taiwan	15,118,159,392	7,990,278,416u	304	+91	120	4,827	1919
214	**Higo Bank, Ltd., Kumamoto**	Japan	15,116,304,450	10,591,972,864	232	+18	116	2,641	1925
215	**Chang Hwa Commercial Bank, Ltd., Taichung**	Taiwan	15,051,735,680	6,820,385,600	354	+139	129	5,038	1905
216	**American Express Bank Ltd. New York**	United States	15,041,000,000s	16,579,000,000	154		N.A.	N.A.	1919
217	**Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt**	Germany	14,956,559,982	10,496,965,965	235	+18	1	753	1971
218	**Deutsche Bank Compagnie Financiere Luxembourg**	Luxembourg	14,936,632,600t	12,616,088,194t	203		0	110	1970
219	**Westfalenbank, Bochum**	Germany	14,863,596,386st	11,407,866,889st	222	+3	1	742	1921
220	**Fukuoka Sogo Bank, Ltd.**	Japan	14,633,948,520	10,359,383,243	238	+18	131	2,383	1924
221	**Credito Romagnolo, Bologna**	Italy	14,532,811,603u	11,717,628,403u	216		195	4,280	1896
222	**Ogaki-Kyoritsu Bank, Ltd., Ogaki**	Japan	14,501,332,695	10,126,204,033	242	+20	108	2,619	1896
223	**National Bank of Detroit**	United States	14,337,478,000	14,398,417,000	176		119	5,844	1933
224	**Bank of Ireland, Dublin**	Ireland	14,255,532,700s	11,784,990,000s	214		367	8,526	1783
225	**Caixa Geral de Depositos, Lisbon**	Portugal	14,138,760,678s	11,158,395,220s	225		365	10,211	1876
226	**Pittsburgh National Bank**	United States	14,075,734,000	12,105,623,000	210		116	3,901	1852
227	**Nagoya Sogo Bank, Ltd.**	Japan	14,042,793,000	9,888,968,969	251	+24	114	2,710	1949
228	**Caja de Madrid**	Spain	14,035,934,880s	10,621,959,530	231	+3	774	5,358	1702
229	**Hang Seng Bank Ltd., Hong Kong**	Hong Kong	13,783,274,400st	11,459,373,000st	221		N.A.	N.A.	1933
230	**CrossLand Savings FSB, Brooklyn, New York**	United States	13,774,567,000	10,095,697,000	243	+13	78	2,880	1860
231	**Credit Lyonnais Bank Nederland, Rotterdam**	Netherlands	13,649,048,343st	6,900,190,000st	350	+119	131	4,194	1983
232	**Banco Brasileiro de Descontos, Sao Paulo**	Brazil	13,639,376,305s	14,006,960,500s	186		1,704	147,933	1943
233	**Israel Discount Bank, Ltd., Tel-Aviv**	Israel	13,602,150,663s	12,704,375,515s	201		253	6,873	1935
234	**San-in Godo Bank, Ltd., Matsue**	Japan	13,573,995,465	8,966,475,991	274	+40	129	2,227	1941
235	**Land Bank of Taiwan, Taipei**	Taiwan	13,526,943,220	10,073,922,700	244	+9	58	4,137	1946
236	**Commercial Bank of Korea Ltd., Seoul**	Korea	13,320,060,258s	9,028,262,265s	270	+34	179	8,532	1899
237	**Bausparkasse G.d.F. Wuestenrot, Ludwigsburg**	Germany	13,309,478,000	....	...		N.A.	N.A.	1924
238	**Bank of New England NA, Boston**	United States	13,259,132,000	9,440,144,000	255	+17	N.A.	4,998	1831
239	**Kofuku Sogo Bank, Ltd., Osaka**	Japan	13,238,035,375	9,134,644,915	267	+28	110	2,919	1926
240	**Arab Bank Ltd., Amman**	Jordan	13,181,677,953s	12,527,899,828s	206		73	3,500	1930
241	**Fukui Bank, Ltd.**	Japan	13,020,903,180	9,356,531,228	257	+16	134	2,524	1899
242	**Societe Generale Alsacienne de Banque, Strasbourg**	France	12,831,115,690st	8,817,780,000st	280	+38	146	3,083	1881
243	**Kagoshima Bank, Ltd.**	Japan	12,811,266,490	9,299,632,650	261	+18	131	2,551	1879
244	**Centrale Raiffeisenkas van Belgische Boerenbond, Leuven**	Belgium	12,808,609,013	9,105,760,908	268	+24	1,036	3,836	1935
245	**Boston Safe Deposit & Trust Co.**	United States	12,747,021,000	7,825,930,000	314	+69	1	2,722	1867
246	**Tokyo Tomin Bank, Ltd.**	Japan	12,736,161,055	8,545,509,445	286	+40	76	2,432	1951
247	**Shikoku Bank, Ltd., Kochi**	Japan	12,557,756,955	9,196,085,272	265	+18	123	2,525	1878
248	**Banca Toscana, Florence**	Italy	12,444,071,332t	9,993,140,269t	248		182	3,812	1904
249	**Toho Bank, Ltd., Fukushima**	Japan	12,411,709,375	9,092,952,550	269	+20	112	2,558	1941
250	**Bank of Communications, Taipei**	Taiwan	12,403,266,622	7,640,143,185	324	+74	13	841	1907
251	**Erste Oesterreichische Spar-Casse, Vienna**	Austria	12,379,607,166u	9,617,054,040	253	+2	115	2,212	1819
252	**Bank of Osaka, Ltd.**	Japan	12,250,916,150	7,971,197,927	307	+55	74	1,900	1950
253	**Korea First Bank, Seoul**	Korea	12,101,702,444s	8,892,228,842s	276	+23	167	8,321	1929
254	**Fukutoku Sogo Bank, Ltd., Osaka**	Japan	12,029,541,515	8,568,717,223	285	+31	104	2,330	1949
255	**Southeast Bank NA, Miami**	United States	12,014,173,000	11,742,490,000	215		181	6,857	1903
256	**Compagnie Luxembourgeoise de la Dresdner Banque**	Luxembourg	12,001,005,697t	9,935,612,908t	250		0	155	1967
257	**Citibank (South Dakota) NA, Sioux Falls**	United States	11,988,599,000	10,025,662,000	247		0	3,462	1981
258	**Musashino Bank, Ltd., Omiya**	Japan	11,910,492,000	8,268,337,825	296	+38	77	2,157	1952
259	**Bangkok Bank, Ltd.**	Thailand	11,871,647,412	10,371,204,674	237		350	19,701	1944
260	**Sovran Bank NA, Richmond**	United States	11,845,335,000	10,377,227,000	236		N.A.	6,847	1867
261	**Hiroshima Sogo Bank, Ltd.**	Japan	11,832,798,360	7,962,509,588	309	+48	98	2,199	1923
262	**Vereins-und Westbank, Hamburg**	Germany	11,735,490,456s	9,293,428,236s	262		243	4,388	1856
263	**Hanil Bank Ltd., Seoul**	Korea	11,685,143,385s	8,414,963,700s	291	+28	184	8,257	1932
264	**Awa Bank, Ltd., Tokushima**	Japan	11,667,200,730	8,355,519,249	295	+31	91	1,969	1896
265	**Sparekassen SDS, Copenhagen**	Denmark	11,642,565,875u	8,808,308,312u	281	+16	N.A.	N.A.	1973
266	**Cho Hung Bank Ltd., Seoul**	Korea	11,613,308,726s	7,836,764,870u	313	+47	189	8,588	1897
267	**Sparkasse der Stadt Berlin West, Berlin**	Germany	11,606,286,235	8,984,383,035	272	+5	91	3,980	1818
268	**Bank Leu, Ltd., Zurich**	Switzerland	11,581,588,613u	8,804,467,206u	282	+14	22	1,495	1755
269	**Landesgirokasse, Stuttgart**	Germany	11,471,594,454	8,640,863,057	283	+14	241	3,385	1818
270	**Bank of New Zealand, Ltd., Wellington**	New Zealand	11,467,794,058s	5,980,190,056s	400	+130	361	10,067	1861
271	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	United States	11,452,385,000	10,634,348,000	230		211	6,820	1879
272	**Hokuetsu Bank, Ltd., Nagaoka**	Japan	11,404,810,565	7,799,096,250	316	+44	93	2,031	1942
273	**Banque Internationale a Luxembourg**	Luxembourg	11,351,817,499s	8,154,616,436s	299	+26	59	2,136	1856
274	**National Westminster Bank USA, New York**	United States	11,333,242,000t	10,746,092,000t	228		143	4,771	1905
275	**Citizens & Southern National Bank, Atlanta**	United States	11,288,979,000	10,273,736,000	241		190	6,665	1887
276	**Skopbank, Helsinki**	Finland	11,191,339,943s	6,096,266,928s	393	+117	1,317	1,557	1908
277	**Oita Bank, Ltd.**	Japan	11,143,678,885	8,015,864,153	303	+26	117	2,191	1893
278	**Texas Commerce Bank NA, Houston**	United States	11,126,878,000	11,498,750,000	220		28	4,195	1886
279	**State Bank Victoria, Melbourne**	Australia	11,114,169,577s	7,985,993,470s	305	+26	529	9,900	1958
280	**Chiba Sogo Bank, Ltd.**	Japan	11,110,364,650	7,447,701,206	332	+52	97	2,101	1943
281	**National Bank of Kuwait**	Kuwait	11,103,719,255s	10,335,639,110s	239		49	2,050	1952
282	**Chuo Sogo Bank, Ltd., Nagoya**	Japan	11,047,456,230	7,891,000,865	311	+29	102	2,586	1944
283	**Genossenschaftliche Zentralbank, Stuttgart**	Germany	11,011,564,200	7,969,110,527	308	+25	0	483	1970
284	**Dime Savings Bank of New York FSB, Garden City**	United States	10,944,187,000	8,366,595,000	294	+10	59	4,104	1859
285	**Commerzbank International, Luxembourg**	Luxembourg	10,882,370,182t	8,825,924,841t	279		0	112	1969
286	**Empire of America FSB, Buffalo, N.Y.**	United States	10,855,983,000	6,301,574,000	384	+98	144	3,560	1854
287	**City Federal Savings Bank, Bedminster, N.J.**	United States	10,810,794,000	10,728,053,000	229		N.A.	N.A.	1887
288	**Norddeutsche Genossenschaftsbank, Hannover**	Germany	10,695,230,000u	8,982,179,010	273		N.A.	N.A.	1982
289	**Connecticut National Bank, Hartford**	United States	10,588,686,000	9,306,058,000	260		155	4,467	1792
290	**Commonwealth Savings Bank of Australia, Sydney**	Australia	10,570,676,172t	8,925,875,686t	275		N.A.	N.A.	1960
291	**Cassa di Risparmio di Verona, Vicenza & Belluno, Verona**	Italy	10,567,683,060	7,957,900,062	310	+19	158	2,926	1825
292	**Bank Mees & Hope, Amsterdam**	Netherlands	10,536,993,774st	8,836,053,533st	278		25	2,515	1720
293	**First Fidelity Bank NA, Newark, N.J.**	United States	10,506,383,000	9,260,982,000	264		16	5,417	1812
294	**Banco Nacional de Mexico, Mexico City**	Mexico	10,463,083,095s	10,025,815,552	246		13	28,896	1884
295	**Yamanashi Chuo Bank, Ltd., Kofu**	Japan	10,459,023,470	7,723,972,245	321	+26	76	2,079	1941
296	**Udruzena Banka Hrvatske, Zagreb**	Yugoslavia	10,440,544,703	11,619,776,139	218		538	16,450	1983
297	**Lombard North Central Plc, London**	United Kingdom	10,423,922,000t	7,660,458,000t	323	+26	N.A.	N.A.	1861
298	**C.O.B.-Caisse d'Epargne Privee, Brussels**	Belgium	10,358,290,089	7,534,815,815	326	+28	1,047	2,781	1924
299	**Banque Generale du Luxembourg**	Luxembourg	10,289,637,250s	7,449,369,762s	331	+32	50	1,647	1919
300	**Eighteenth Bank, Ltd., Nagasaki**	Japan	10,219,001,095	7,569,661,902	325	+25	112	1,950	1877

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Austrailian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)—** A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)—** A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)—** Consolidated data. **(t)—** Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)—** Data are not consolidated for affiliates more than 50% owned. **(v)—** Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)—** Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.—** Not available. **(†)—** Rank based on revised asset total for 1986.

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Assets on Dec. 31, 1987 or Nearest Fiscal Yearend

Asset Rank 1987			Assets in US Dollars 12/31/87 (a)	Assets in US Dollars 12/31/86 (a)	Asset Rank 12/31/86	Gain in Rank	Bank Branches 12/31/87	Employees 12/31/87	Operating Since
301	Chukyo Sogo Bank, Ltd., Nagoya	Japan	10,195,034,475	7,085,764,829	344	+43	97	2,187	1943
302	Banque Worms, Paris	France	10,094,506,000s	7,763,032,930s	320	+18	26	1,748	1928
303	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	10,039,783,464	8,382,487,274	293		230	4,175	1861
304	Riyad Bank Ltd., Jeddah	Saudi Arabia	10,020,381,196	8,849,820,000u	277		148	4,527	1957
305	Bank of Iwate, Ltd., Morioka	Japan	10,011,913,035	7,514,052,645	327	+22	108	2,003	1932
306	Akita Bank, Ltd.	Japan	10,007,686,425	7,224,512,614	340	+34	97	1,912	1941
307	Chiba Kogyo Bank, Ltd.	Japan	9,962,737,140	6,747,645,256	360	+53	74	1,803	1952
308	First National Bank of South Africa Ltd., Johannesburg	South Africa	9,941,333,500s	8,438,175,000s	290		1,445	25,134	1971
309	Seattle-First National Bank	United States	9,935,878,000	10,029,545,000	245		N.A.	N.A.	1870
310	Valley National Bank, Phoenix	United States	9,909,271,000	10,288,491,000	240		300	6,969	1899
311	Hokuyo Sogo Bank, Ltd., Sapporo	Japan	9,881,655,880	6,802,055,898	356	+45	103	2,170	1917
312	Fidelity Bank NA, Malvern, Pa.	United States	9,875,399,000	8,990,144,000	271		125	4,157	1814
313	Barclays de Zoete Wedd Ltd., London	United Kingdom	9,677,120,694st	6,956,508,000t	348	+35	N.A.	2,700	1986
314	NCNB National Bank of Florida, Tampa	United States	9,669,032,000	9,288,390,000	263		198	4,807	1982
315	Dai-San Sogo Bank, Ltd., Matsuzaka	Japan	9,666,375,795	6,670,402,618	363	+48	97	2,051	1912
316	Banque Regionale d'Escompte et de Depots, Vincennes	France	9,558,509,570u	6,276,000,000	385	+69	190	3,330	1919
317	Ehime Sogo Bank, Ltd., Matsuyama	Japan	9,507,228,890	6,582,456,672	367	+50	82	1,734	1943
318	Provinsbank, Aarhus	Denmark	9,463,897,327s	7,876,047,800s	312		220	3,728	1967
319	Taisei Sogo Bank, Ltd., Maebashi	Japan	9,445,452,315	6,641,337,824	365	+46	82	2,171	1917
320	Stadtsparkasse Koeln, Cologne	Germany	9,438,249,489	7,239,040,879	339	+19	N.A.	N.A.	1826
321	Societe Lyonnaise de Banque, Lyons	France	9,351,279,695st	6,861,614,517s	352	+31	300	4,445	1965
322	Shinwa Bank, Ltd., Sasebo	Japan	9,287,492,660	7,029,267,949	346	+24	116	2,017	1939
323	Aomori Bank, Ltd.	Japan	9,245,297,795	6,933,106,631	349	+26	106	2,121	1943
324	Union Bank of Switzerland (Luxembourg)	Luxembourg	9,200,376,907v	5,929,031,225t	407	+83	0	115	1973
325	Banco do Estado de Sao Paulo	Brazil	9,191,813,656s	8,385,002,814s	292		1,123	32,185	1926
326	Connecticut Bank & Trust Co. NA, Hartford	United States	9,153,076,000	9,306,495,000	259		166	6,019	1792
327	Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	9,087,8[illegible],336	6,806,856,465	355	+28	92	1,340	1856
328	Bancomer, Mexico City	Mexico	9,069,814,307u	8,497,212,581s	289		735	33,383	1932
329	Union de Banques Arabes et Francaises, Neuilly (w)	France	9,044,396,952s	7,764,611,030s	319		5	549	1970
330	Maryland National Bank, Baltimore	United States	9,031,622,000	7,767,838,000	318		164	4,214	1933
331	Union Bank, Los Angeles	United States	8,941,188,000	9,345,215,000t	258		32	4,455	1914
332	Gulf International Bank B.S.C., Manama	Bahrain	8,934,098,700	7,984,294,560	306		4	527	1976
333	Bank of the Ryukyus, Ltd., Naha	Japan	8,924,494,930	6,360,628,670	379	+46	75	1,924	1948
334	Bank of India, Bombay	India	8,893,066,618	7,271,121,797s	337	+3	1,950	49,881	1906
335	Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	Turkey	8,882,010,417	7,401,156,904	334		1,198	41,375	1863
336	Banca Popolare di Bergamo	Italy	8,861,280,904u	7,168,024,350u	342	+6	126	2,691	1869
337	Banque Cantonale de Berne	Switzerland	8,831,344,721	6,394,534,497	377	+40	N.A.	N.A.	1834
338	Miyazaki Bank, Ltd.	Japan	8,806,426,875	6,188,196,564	390	+52	102	1,815	1932
339	Banco Itau, Sao Paulo	Brazil	8,789,296,382s	9,188,941,874s	266		912	80,371	1944
340	Kredietbank S.A. Luxembourgeoise, Luxembourg	Luxembourg	8,784,003,800s	7,174,518,000s	341	+1	5	N.A.	1949
341	Banca Cattolica del Veneto, Vicenza	Italy	8,722,473,661t	6,859,223,667t	353	+12	201	3,378	1892
342	Nordbanken, Stockholm	Sweden	8,708,041,500s	4,929,061,480s	471	+129	102	1,550	1986
343	Yamagata Bank, Ltd.	Japan	8,682,137,630	6,191,306,484	389	+46	87	1,939	1881
344	Crestar Bank, Richmond	United States	8,623,141,000	8,193,865,000	298		182	5,103	1963
345	Standard Federal Bank, Troy, Mich.	United States	8,514,739,405	6,736,680,682	361	+16	84	1,437	1893
346	Jyske Bank, Silkeborg	Denmark	8,494,730,008s	5,535,582,363s	430	+84	142	2,580	1967
347	Udruzena Beogradska Banka, Belgrade	Yugoslavia	8,486,268,240s	9,704,417,800	252		20	13,000	1978
348	Senshu Bank, Ltd., Kishiwada	Japan	8,439,186,705	5,517,354,425	433	+85	55	1,394	1951
349	Gotabanken, Stockholm	Sweden	8,433,180,000s	8,545,465,600s	287		152	2,348	1848
350	Harris Trust & Savings Bank, Chicago	United States	8,403,923,000t	8,254,304,000t	297		2	3,822	1882
351	Huntington National Bank, Columbus, Ohio	United States	8,396,596,000	6,772,687,000	357	+6	163	2,617	1866
352	Philadelphia National Bank	United States	8,387,419,000	8,050,098,000	301		66	1,390	1803
353	Union Bank of Norway, Oslo	Norway	8,376,609,239s	5,500,546,112s	434	+81	121	2,553	1985
354	Banco Portugues do Atlantico, Oporto	Portugal	8,352,552,568u	6,200,174,583	388	+34	158	6,200	1919
355	Bikuben, Copenhagen	Denmark	8,284,170,300	6,562,160,534	370	+15	288	3,800	1857
356	Michigan National Bank, Farmington Hills	United States	8,271,849,000	....	...		204	5,337	1977
357	Bank of Saga, Ltd.	Japan	8,239,483,340	5,944,210,382	406	+49	103	1,767	1955
358	Cassa di Risparmio di Firenze, Florence	Italy	8,223,294,005	6,379,011,791	378	+20	174	3,429	1829
359	Michinoku Bank, Ltd., Aomori	Japan	8,170,084,620	5,912,460,506	408	+49	102	2,074	1976
360	Banco Lariano, Como	Italy	8,163,100,019t	6,562,447,883t	369	+9	127	2,400	1908
361	Banque Cantonale Vaudoise, Lausanne	Switzerland	8,139,899,307	6,010,400,857	399	+38	57	1,469	1845
362	Luzerner Kantonalbank, Lucerne	Switzerland	8,117,351,152	5,795,594,901	419	+57	29	927	1850
363	Tokiwa Sogo Bank, Ltd., Tokyo	Japan	8,113,049,130	5,176,662,689	449	+86	69	1,865	1924
364	Ljubljanska Banka, Ljubljana	Yugoslavia	8,094,746,772s	8,614,384,524s	284		398	14,613	1955
365	Bank of Ikeda, Ltd.	Japan	8,084,515,555	5,394,804,140	441	+76	61	1,460	1951
366	Istituto Bancario Italiano, Milan	Italy	8,039,157,766v	6,129,340,987t	392	+26	70	2,995	1918
367	Development Bank of Singapore Ltd.	Singapore	8,028,227,144	5,881,191,782	412	+45	42	2,205	1968
368	Hambros Bank Ltd., London	United Kingdom	8,012,202,000s	5,088,641,131s	457	+89	N.A.	N.A.	1912
369	AmeriTrust Co. NA, Cleveland	United States	7,994,524,000	8,523,802,000	288		141	4,392	1894
370	Comerica Bank-Detroit	United States	7,987,197,000	7,463,894,000	329		89	3,145	1849
371	Bank of Credit & Comm Int'l (Overseas) Ltd., Georgetown	Cayman Islands	7,978,525,000	7,502,200,415	328		65	3,181	1975
372	Sal. Oppenheim jr. & Cie., Cologne	Germany	7,971,714,541s	6,323,166,991s	381	+9	2	804	1789
373	Andelsbanken-Danebank, Copenhagen	Denmark	7,874,406,100	6,750,409,083	359		233	3,375	1925
374	Rainier National Bank, Seattle	United States	7,856,827,000	7,808,031,000	315		146	4,767	1889
375	Baden-Wuerttembergische Bank, Stuttgart	Germany	7,839,465,558s	5,950,485,578s	404	+29	126	2,055	1871
376	Banque Paribas Belgique, Brussels (q)	Belgium	7,834,846,400st	5,846,580,160s	414	+38	63	1,187	1968
377	Banque Cantonale de St. Gall	Switzerland	7,834,567,950	5,650,441,740	423	+46	N.A.	N.A.	1868
378	Bank of Credit & Commerce International, Luxembourg	Luxembourg	7,830,820,000	6,329,241,576	380	+2	69	3,777	1972
379	United States National Bank, Portland	United States	7,731,728,000	8,047,059,000	302		197	4,531	1891
380	Osuuspankkien Keskuspankki Oy, Helsinki	Finland	7,731,628,300s	5,138,076,900s	453	+73	1,223	1,609	1902
381	Manufacturers National Bank, Detroit	United States	7,693,999,000	7,029,449,000	345		100	4,228	1933
382	Malayan Banking Berhad, Kuala Lumpur	Malaysia	7,693,358,440s	6,459,838,500s	372		212	8,000	1960
383	Northern Trust Co., Chicago	United States	7,688,578,000	7,711,707,000	322		3	4,161	1889
384	Banque de l'Union Europeenne, Paris	France	7,679,825,887	6,038,007,754t	396	+12	6	1,393	1984
385	Anchor Savings Bank FSB, Northport, N.Y.	United States	7,673,815,000	7,359,381,000	336		126	3,400	1868
386	NatWest Investment Bank Ltd., London	United Kingdom	7,659,845,664t	5,523,768,198t	432	+46	N.A.	2,707	1986
387	Standard Bank of South Africa Ltd., Johannesburg	South Africa	7,594,871,452	6,025,535,020	397	+10	1,077	N.A.	1862
388	Caja de Ahorros y Monte de Piedad de Barcelona	Spain	7,585,921,376	5,115,327,490	454	+66	N.A.	N.A.	1844
389	Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	7,557,866,822s	5,218,160,117s	448	+59	12	3,507	1919
390	Shawmut Bank of Boston NA	United States	7,553,744,000	5,843,971,000	415	+25	101	4,997	1836
391	Florida National Bank, Jacksonville	United States	7,480,643,000	6,764,247,000	358		181	4,831	1889
392	Canara Bank, Bangalore	India	7,446,910,136	6,222,064,800	387		1,864	48,404	1906
393	National Bank of Egypt, Cairo	Egypt	7,411,700,000u	12,268,320,000u	208		229	7,193	1898
394	Stadtsparkasse Munchen, Munich	Germany	7,403,896,864u	5,646,843,804u	424	+30	113	2,900	1824
395	Bank of Baroda, Bombay	India	7,389,260,703	6,059,739,130u	394		2,025	41,538	1908
396	CIC-Union Europèenne, International & Cie, Paris	France	7,336,576,969	6,054,472,576s	395		4	428	1984
397	MBank Dallas NA	United States	7,310,658,000	7,461,916,000	330		8	1,967	1914
398	Nassauische Sparkasse Wiesbaden, Wiesbaden	Germany	7,310,204,592	5,831,045,970	416	+18	171	2,338	1840
399	Banco de la Nacion Argentina, Buenos Aires	Argentina	7,260,264,932	9,265,711,124	264†		562	18,736	1891
400	First Union National Bank of Florida, Jacksonville	United States	7,250,073,000	6,885,523,000	351		208	4,870	1908

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The Top 500 Banks in the World

U.S. and Overseas Banks Ranked by Assets on Dec. 31, 1987 or Nearest Fiscal Yearend

Asset Rank 1987			Assets in US Dollars 12/31/87 (a)	Assets in US Dollars 12/31/86 (a)	Asset Rank 12/31/86	Gain in Rank	Bank Branches 12/31/87	Employees 12/31/87	Operating Since
401	**Cassa di Risparmio di Padova e Rovigo, Padova**	Italy	7,187,662,934	5,550,225,687	427	+26	104	2,109	1822
402	**National City Bank, Cleveland**	United States	7,169,782,000	6,440,799,000	373		87	2,829	1845
403	**Commercial Bank of Greece, Athens**	Greece	7,164,000,000u	5,037,942,881u	462	+59	290	6,978	1907
404	**Banque Misr, Cairo**	Egypt	7,141,125,000u	10,565,037,740s	233		311	13,000	1920
405	**Signet Bank/Virginia, Richmond**	United States	7,111,965,000	5,959,535,000	403		141	3,912	1922
406	**Fleet National Bank, Providence, R.I.**	United States	7,109,303,000	6,718,744,000	362		44	2,960	1791
407	**Bank of Okinawa, Ltd., Naha**	Japan	7,104,005,355	4,804,249,769	479	+72	78	1,567	1956
408	**First National Bank, Atlanta**	United States	7,094,863,000	7,362,850,000	335		123	4,864	1865
409	**Bank fuer Handel und Industrie, Berlin**	Germany	7,013,692,923tu	5,374,395,390tu	443	+34	79	1,889	1949
410	**Morgan Grenfell & Co. Ltd., London**	United Kingdom	6,995,558,744	4,769,320,530	482	+72	N.A.	N.A.	1838
411	**Banca Provinciale Lombarda, Bergamo**	Italy	6,948,833,378t	5,802,258,643t	418	+7	144	2,927	1932
412	**Banco di Sardegna, Sassari**	Italy	6,936,186,092s	5,400,621,756s	439	+27	83	2,398	1955
413	**Meridian Bank, Reading, Pa.**	United States	6,913,267,000	6,439,137,000	374		180	3,286	1932
414	**Jugobanka-United Bank, Belgrade**	Yugoslavia	6,905,158,351	7,263,938,000	338		459	12,303	1955
415	**Kreissparkasse Koeln, Cologne**	Germany	6,894,464,677	5,339,532,658	446	+31	N.A.	2,681	1855
416	**Central Bank of India, Bombay**	India	6,827,795,149	5,869,401,746	413		2,569	48,166	1969
417	**International Commercial Bank of China, Taipei**	Taiwan	6,820,694,478	7,797,731,160u	317		32	2,081	1912
418	**United Overseas Bank Ltd., Singapore**	Singapore	6,804,033,062s	5,223,749,530s	447	+29	114	4,600	1935
419	**State Street Bank & Trust Co., Boston**	United States	6,801,171,000	7,000,819,000	347		8	6,603	1792
420	**Dai-Ichi Sogo Bank Ltd., Tokyo**	Japan	6,789,479,085	4,290,769,582	516	+96	42	1,160	1911
421	**Gulf Bank, Kuwait**	Kuwait	6,764,409,222	6,175,797,115	391		31	964	1960
422	**Norwest Bank Minneapolis NA**	United States	6,728,154,000	7,151,326,000	343		N.A.	1,127	1929
423	**Shiga Sogo Bank, Ltd., Otsu**	Japan	6,664,849,495	4,490,977,161	499	+76	62	1,239	1942
424	**Cassa di Risparmio di Genova e Imperia, Genoa**	Italy	6,648,418,417	5,420,151,709u	437	+13	136	2,807	1846
425	**First Interstate Bank of Arizona NA, Phoenix**	United States	6,636,583,000	6,504,303,000	371		192	4,633	1877
426	**MeraBank, FSB, Phoenix, Ariz.**	United States	6,635,588,000	6,257,802,000	386		75	2,371	1925
427	**Hanshin Sogo Bank, Ltd., Kobe**	Japan	6,610,148,930	4,426,802,666	506	+79	65	1,437	1949
428	**Tochigi Sogo Bank, Ltd., Utsunomiya**	Japan	6,551,269,245	4,454,778,988	503	+75	56	1,489	N.A.
429	**United Mizrahi Bank Ltd., Tel-Aviv**	Israel	6,538,392,452s	5,962,114,236	402		80	1,740	1923
430	**BFG Luxembourg**	Luxembourg	6,526,001,300tu	4,885,881,956tu	474	+44	N.A.	N.A.	1973
431	**Bowery Savings Bank, New York**	United States	6,513,306,000	6,303,939,000	383		N.A.	N.A.	1834
432	**Banco Intercontinental Espanol, Madrid**	Spain	6,455,955,440	3,149,885,270	639	+207	N.A.	N.A.	1965
433	**Clydesdale Bank Plc, Glasgow**	United Kingdom	6,442,768,372v	4,152,470,634t	530	+97	370	6,000	1987
434	**Kyushu Sogo Bank, Ltd., Sasebo**	Japan	6,438,258,875	4,311,709,710	514	+80	73	1,367	1940
435	**Kansai Sogo Bank, Ltd., Osaka**	Japan	6,409,274,145	4,124,829,434	534	+99	64	1,407	1922
436	**Banca della Svizzera Italiana, Lugano**	Switzerland	6,397,946,221s	5,010,758,955s	463	+27	43	1,893	1873
437	**West LB International, Luxembourg**	Luxembourg	6,394,697,175t	5,054,508,449t	459	+22	0	83	1972
438	**Banque Commerciale pour l'Europe du Nord, Paris**	France	6,388,069,228t	6,014,585,701t	398		N.A.	N.A.	1921
439	**Kitanippon Sogo Bank, Ltd., Morioka**	Japan	6,372,255,690	4,138,228,006	532	+93	75	1,518	N.A.
440	**Banque Internationale pour l'Afrique Occidentale, Paris**	France	6,359,651,400s	4,687,602,610s	487	+47	N.A.	8,000	1853
441	**Banco Espirito Santo e Comercial, Lisbon**	Portugal	6,355,555,620u	4,739,327,097	484	+43	137	6,433	1937
442	**Commercial Bank of Kuwait**	Kuwait	6,332,245,920	5,412,491,810	438		35	1,124	1962
443	**Niigata Sogo Bank, Ltd.**	Japan	6,330,654,450	4,371,893,141	509	+66	76	1,414	N.A.
444	**European American Bank, New York**	United States	6,313,594,000	6,609,739,000	366		88	2,720	1968
445	**Banca Catalana, Barcelona**	Spain	6,208,172,165tu	3,569,019,729tu	591	+146	362	3,384	1961
446	**State Bank of New South Wales, Sydney**	Australia	6,187,022,128	6,402,534,266	376		N.A.	N.A.	1933
447	**AmSouth Bank NA, Birmingham, Ala.**	United States	6,177,892,000	5,811,265,000	417		139	4,261	1873
448	**Provident National Bank, Philadelphia**	United States	6,169,715,000	5,882,255,000	410		60	2,778	1847
449	**Bank of Tokyo Trust Co., New York**	United States	6,091,331,000v	5,645,716,000t	425		N.A.	503	1955
450	**Landesbank Saar-Girozentrale, Saarbrucken**	Germany	6,078,928,583u	5,005,442,400u	464	+14	0	622	1941
451	**Turkiye Is Bankasi, Ankara**	Turkey	6,064,685,000u	4,949,509,518	467	+16	935	21,372	1924
452	**Mie Bank, Ltd., Yokkaichi**	Japan	6,061,496,960	4,051,331,658	545	+93	70	1,226	1895
453	**Credit Foncier Vaudois, Lausanne**	Switzerland	6,046,150,655	4,484,545,486	500	+47	N.A.	N.A.	1858
454	**Riggs National Bank, Washington, D.C.**	United States	6,030,748,000	5,713,314,000	420		33	1,972	1836
455	**Sparkasse in Bremen**	Germany	6,026,127,324u	4,805,942,519u	478	+23	N.A.	N.A.	1825
456	**Banca d'America e d'Italia, Milan**	Italy	6,023,830,964tu	4,618,306,469tu	493	+37	100	2,880	1917
457	**Cassa di Risparmio in Bologna**	Italy	6,010,584,492s	4,752,803,934s	483	+26	70	1,531	1837
458	**Frankfurter Sparkasse von 1822, Frankfurt**	Germany	5,989,793,446	4,441,383,271	505	+47	77	1,843	1822
459	**Thurgauische Kantonalbank, Weinfelden**	Switzerland	5,989,775,524u	4,534,532,685	496	+37	14	553	1870
460	**California First Bank, San Francisco**	United States	5,984,134,000v	5,944,315,000t	405		139	3,879	1953
461	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	United States	5,942,009,000	5,044,733,000	461		N.A.	1,173	1982
462	**Habib Bank Ltd., Karachi**	Pakistan	5,940,284,065s	5,093,270,000s	455		1,878	24,785	1941
463	**Westpac Savings Bank Ltd., Sydney**	Australia	5,915,281,680t	4,469,016,066st	502	+39	1,953	44,947	1955
464	**Alahli Bank of Kuwait**	Kuwait	5,907,717,801s	5,091,272,944	456		20	704	1967
465	**Scandinavian Bank Ltd., London**	United Kingdom	5,903,930,628s	4,899,406,044s	473	+8	3	1,000	1969
466	**Forsta Sparbanken, Stockholm**	Sweden	5,898,972,495	4,365,534,295	510	+44	129	2,889	1820
467	**Kagawa Sogo Bank, Ltd., Takamatsu**	Japan	5,859,996,890	4,212,827,212	523	+56	82	1,336	1950
468	**Bank Bumi Daya, Jakarta**	Indonesia	5,807,591,524s	4,698,833,504	486	+18	92	7,749	1959
469	**Krung Thai Bank Ltd., Bangkok**	Thailand	5,797,703,799	4,057,430,210	541	+72	279	11,580	1966
470	**First Pennsylvania Bank NA, Philadelphia**	United States	5,780,831,000	5,882,396,000	409		78	3,566	1782
471	**National Bank of Dubai Ltd., Dubai**	United Arab Emirates	5,726,147,368	5,534,288,168	431		15	725	1963
472	**Washington Mutual Savings Bank, Seattle**	United States	5,707,574,000	5,392,597,000	442		50	1,825	1889
473	**Kochi Sogo Bank, Ltd.**	Japan	5,688,035,600	4,145,588,150	531	+58	75	1,513	1951
474	**Chase Lincoln First Bank NA, Rochester, N.Y.**	United States	5,674,448,000	4,779,785,000	481	+7	108	3,427	1850
475	**Long Island Savings Bank FSB, Syosset, N.Y.**	United States	5,666,304,000	5,635,827,000	426		51	1,402	1876
476	**Peoples Bank, Bridgeport, Conn.**	United States	5,651,206,000	4,956,668,000	466		67	2,360	1842
477	**Oversea-Chinese Banking Corp., Ltd., Singapore**	Singapore	5,628,733,587s	4,609,822,925s	495	+18	86	3,249	1932
478	**First Tennessee Bank NA, Memphis**	United States	5,609,735,000	5,538,700,000	429		149	3,838	1864
479	**Sears Savings Bank, Glendale, Calif.**	United States	5,604,724,000	6,577,588,093	368		N.A.	N.A.	1946
480	**First Interstate Bank of Oregon NA, Portland**	United States	5,598,771,000	5,685,312,000	422		172	4,018	1865
481	**Bank of Hawaii, Honolulu**	United States	5,598,096,000	4,873,621,000	475		71	3,249	1897
482	**Trust Company Bank, Atlanta**	United States	5,595,850,000	5,704,490,000	421		53	2,761	1891
483	**Banco Urquijo Union, Madrid**	Spain	5,563,233,829st	3,964,998,170tu	554	+71	139	2,513	1984
484	**Banco Pinto & Sotto Mayor, Lisbon**	Portugal	5,561,969,316s	4,280,488,320u	517	+33	158	7,012	1914
485	**Banca San Paolo di Brescia**	Italy	5,531,949,720s	4,179,932,622s	526	+41	107	1,768	1888
486	**Caisse Hypothecaire Anversoise, Antwerp**	Belgium	5,518,043,355	4,012,221,289	550	+64	67	1,169	1881
487	**Banco de Sabadell**	Spain	5,470,163,688s	3,750,114,480	577	+90	235	3,221	1881
488	**Kanto Bank, Ltd., Tsuchiura**	Japan	5,470,016,925	3,831,026,221	566	+78	52	1,224	1952
489	**Credit Suisse (Luxembourg)**	Luxembourg	5,382,257,212t	3,598,803,803t	590	+101	0	89	1976
490	**Society National Bank, Cleveland**	United States	5,382,041,000	4,992,806,000	465		103	2,585	1849
491	**Barclays Bank, Paris**	France	5,375,352,600st	4,175,514,743st	527	+36	N.A.	N.A.	1968
492	**Banca Popolare di Verona**	Italy	5,363,602,408	4,135,118,582	533	+41	88	1,383	1867
493	**Banco Popular de Puerto Rico, San Juan**	United States	5,350,299,000	4,521,752,467	497	+4	135	4,283	1893
494	**Barnett Bank of South Florida NA, Miami**	United States	5,335,890,000	4,635,937,000	492		7	2,809	1933
495	**Taiko Sogo Bank, Ltd., Nagaoka**	Japan	5,321,088,285	3,753,919,642	576	+81	53	1,209	1942
496	**Sanwa Bank California, San Francisco**	United States	5,312,530,000v	5,051,560,000t	460		107	3,229	1972
497	**Caja de Ahorros de Cataluna, Barcelona**	Spain	5,304,964,192s	3,642,333,100s	585	+88	N.A.	N.A.	1926
498	**Banco Real, Sao Paulo**	Brazil	5,264,112,194	4,409,837,202s	507	+9	626	26,427	1925
499	**Oesterreichische Volksbanken, Vienna**	Austria	5,258,550,044	4,053,051,095	543	+44	1	453	1974
500	**Tokuyo Sogo Bank, Ltd., Sendai**	Japan	5,253,739,550	4,248,532,981	520	+20	69	1,458	N.A.

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for Austrailian and New Zealand banks are for June 30, 1987, Sept. 30, 1987, and March 31, 1988; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Exchange rates:** Whenever possible, the New York cable rate is used, and this rate is for same date as bank's figures. See "Foreign Currency Exchange Guide and Exchange Rate Comparisons" for key to currency abbreviations. **(h)—** A subsidiary of Compagnie Financiere de Credit Industriel et Commercial. **(q)—** A subsidiary Compagnie Financiere de Paribas, Paris, a financial holding company. **(s)—** Consolidated data. **(t)—** Figures are included in the consolidated figures of parent bank. For that reason, the data for the bank are not included in the aggregate data totals for the Top 500 Banks. **(u)—** Data are not consolidated for affiliates more than 50% owned. **(v)—** Bank is owned by another bank, which does not consolidate subsidiary banks in its data. **(w)—** Member of the Al UBAF Banking Group, Neuilly, France, under whose name the seven UBAF banks operate in the international financial markets. **N.A.—** Not available. **(†)—** Rank based on revised asset total for 1986.

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400 Largest Banks Outside U.S.

Listed Geographically by Order of Size within Nations

Rank 12/87		12/31/87 Assets (U.S. Dollars)
	Argentina	
399	Banco de la Nacion Argentina, Buenos Aires	7,260,264,932
	Australia	
84	Westpac Banking Corp., Sydney	45,024,912,240s
97	Australia & New Zealand Banking Group, Ltd., Melbourne	38,546,836,513s
106	National Australia Bank Ltd, Melbourne	33,274,573,367u
120	Commonwealth Banking Corp., Sydney	28,333,137,721s
125	Commonwealth Bank of Australia, Sydney	26,694,992,555st
279	State Bank Victoria, Melbourne	11,114,169,577s
290	Commonwealth Savings Bank of Australia, Sydney	10,570,676,172t
446	State Bank of New South Wales, Sydney	6,187,022,128
463	Westpac Savings Bank Ltd., Sydney	5,915,281,680t
	Austria	
87	Creditanstalt-Bankverein, Vienna	42,800,128,650
140	Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	23,648,759,679u
149	Oesterreichische Laenderbank, Vienna	22,303,364,077s
180	Zentralsparkasse und Kommerzialbank, Vienna	18,311,382,389u
198	Bank fuer Arbeit und Wirtschaft, Vienna	16,156,935,632u
207	Oesterreichische Postsparkasse, Vienna	15,259,837,500s
210	Genossenschaftliche Zentralbank, Vienna	15,157,342,419u
251	Erste Oesterreichische Spar-Casse, Vienna	12,379,607,166u
499	Oesterreichische Volksbanken, Vienna	5,258,550,044
	Bahrain	
188	Arab Banking Corp., Manama	17,548,000,000s
332	Gulf International Bank B.S.C., Manama	8,934,098,700
	Belgium	
60	Generale Banque, Brussels	65,259,844,400s
76	Banque Bruxelles Lambert, Brussels	50,373,359,645s
99	Caisse Generale d'Epargne et de Retraite, Brussels	38,121,777,700u
107	Kredietbank International Group, Brussels	32,830,476,223u
209	Societe Nationale de Credit a l'Industrie, Brussels	15,193,458,351
244	Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	12,808,609,013
298	C.O.B.-Caisse d'Epargne Privee, Brussels	10,358,290,089
376	Banque Paribas Belgique, Brussels (q)	7,834,846,400st
486	Caisse Hypothecaire Anversoise, Antwerp	5,518,043,355
	Brazil	
52	Banco do Brasil, Brasilia	75,758,973,700s
232	Banco Brasileiro de Descontos, Sao Paulo	13,639,376,305s
325	Banco do Estado de Sao Paulo	9,191,813,656s
339	Banco Itau, Sao Paulo	8,789,296,382s
498	Banco Real, Sao Paulo	5,264,112,194
	Canada	
56	Royal Bank of Canada, Montreal	72,157,259,120s
64	Canadian Imperial Bank of Commerce, Toronto	62,500,989,440s
66	Bank of Montreal	61,514,716,920s
75	Bank of Nova Scotia, Toronto	51,585,986,480s
100	Toronto Dominion Bank	37,729,956,040
144	National Bank of Canada, Montreal	22,783,312,680s
	Cayman Islands	
371	Bank of Credit & Comm Int'l (Overseas) Ltd., Georgetown	7,978,525,000
	Denmark	
143	Danske Bank, Copenhagen	22,815,683,800s
179	Copenhagen Handelsbank	18,519,782,962s
202	Privatbanken, Copenhagen	15,898,696,189s
265	Sparekassen SDS, Copenhagen	11,642,565,875u
318	Provinsbank, Aarhus	9,463,897,327s
346	Jyske Bank, Silkeborg	8,494,730,008s
355	Bikuben, Copenhagen	8,284,170,300
373	Andelsbanken-Danebank, Copenhagen	7,874,406,100
	Egypt	
393	National Bank of Egypt, Cairo	7,411,700,000u
404	Banque Misr, Cairo	7,141,125,000u
	Finland	
117	Kansallis-Osake Pankki, Helsinki	29,401,512,500s
118	Union Bank of Finland, Ltd., Helsinki	28,729,409,800s
200	Postipankki, Helsinki	15,950,648,400s
276	Skopbank, Helsinki	11,191,339,943s
380	Osuuspankkien Keskuspankki Oy, Helsinki	7,731,628,300s
	France	
8	Credit Agricole Mutuel, Paris	214,878,584,600u
12	Banque Nationale de Paris	183,098,322,399s
16	Credit Lyonnais, Paris	168,734,058,281s
21	Societe Generale, Paris	153,377,059,186s
55	Banque Paribas, Paris	72,677,252,300s
72	Groupe Des Banques Populaires, Paris	53,881,721,346
79	Banque Indosuez, Paris	47,886,192,930s
95	Banque Francaise du Commerce Exterieur, Paris	38,799,749,488u
98	Credit Commercial de France, Paris	38,397,630,393s
146	Credit Industriel et Commercial, Paris (h)	22,713,317,786
151	Credit du Nord, Lille	21,164,470,130s
181	Caisse Centrale des Banques Populaires, Paris	18,302,492,155t
242	Societe Generale Alsacienne de Banque, Strasbourg	12,831,115,690st
302	Banque Worms, Paris	10,094,506,000s
316	Banque Regionale d'Escompte et de Depots, Vincennes	9,558,509,570u
321	Societe Lyonnaise de Banque, Lyons	9,351,279,695st
329	Union de Banques Arabes et Francaises, Neuilly (w)	9,044,396,952s
384	Banque de l'Union Europeenne, Paris	7,679,825,887
389	Credit Industriel d'Alsace et de Lorraine, Strasbourg	7,557,866,822s
396	CIC-Union Europeenne, International & Cie, Paris	7,336,576,969
438	Banque Commerciale pour l'Europe du Nord, Paris	6,388,069,228t
440	Banque Internationale pour l'Afrique Occidentale, Paris	6,359,651,400s
491	Barclays Bank, Paris	5,375,352,600st
	Germany	
15	Deutsche Bank, Frankfurt	170,156,459,837s
26	Dresdner Bank, Frankfurt	131,430,936,000s
32	Commerzbank, Frankfurt	103,022,647,000s
34	Westdeutsche Landesbank Girozentrale, Duesseldorf	96,859,672,000s
35	Bayerische Vereinsbank, Munich	95,241,693,274s
46	Deutsche Genossenschaftsbank, Frankfurt	80,666,285,060s
47	Bayerische Hypotheken-und Wechsel-Bank, Munich	80,390,803,485s
53	Bayerische Landesbank Girozentrale, Munich	75,199,808,775s
61	Norddeutsche Landesbank Girozentrale, Hannover	63,648,439,973s
88	Hessische Landesbank-Girozentrale, Frankfurt	41,544,318,270s
101	Bank fuer Gemeinwirtschaft, Frankfurt	37,717,677,138s
126	Landesbank Stuttgart Girozentrale	26,539,327,108
130	Hamburgische Landesbank-Girozentrale, Hamburg	25,731,192,669
135	Landesbank Rheinland-Pfalz Girozentrale, Mainz	24,501,800,746s
136	Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	24,466,583,578u
161	Landesbank Schleswig-Holstein Girozentrale, Kiel	20,269,959,160s
170	Berliner Bank, Berlin	19,479,146,900s
175	Berliner Handels und-Frankfurter Bank, Frankfurt	19,251,644,490s
184	Bremer Landesbank Kreditanstalt Oldenburg, Bremen	17,981,092,675t
187	Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	17,564,001,000
193	Badische Kommunale Landesbank-Girozentrale, Mannheim	16,533,236,040u
197	Hamburger Sparkasse, Hamburg	16,187,305,960
217	Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	14,956,559,982
219	Westfalenbank, Bochum	14,863,596,386st
237	Bausparkasse Gemeinschaft der Freunde Wuestenrot, Ludwigsburg	13,309,478,000
262	Vereins-und Westbank, Hamburg	11,735,490,456s
267	Sparkasse der Stadt Berlin West, Berlin	11,606,286,235
269	Landesgirokasse, Stuttgart	11,471,594,454
283	Genossenschaftliche Zentralbank, Stuttgart	11,011,564,200
288	Norddeutsche Genossenschaftsbank, Hannover	10,695,230,000u
320	Stadtsparkasse Koeln, Cologne	9,438,249,489
372	Sal. Oppenheim jr. & Cie., Cologne	7,971,714,541s
375	Baden-Wuerttembergische Bank, Stuttgart	7,839,465,558s
394	Stadtsparkasse Munchen, Munich	7,403,896,864u
398	Nassauische Sparkasse Wiesbaden, Wiesbaden	7,310,204,592
409	Bank fuer Handel und Industrie, Berlin	7,013,692,923tu
415	Kreissparkasse Koeln, Cologne	6,894,464,677
450	Landesbank Saar-Girozentrale, Saarbrucken	6,078,928,583u
455	Sparkasse in Bremen	6,026,127,324u
458	Frankfurter Sparkasse von 1822, Frankfurt	5,989,793,446
	Greece	
129	National Bank of Greece, Athens	25,861,713,640s
403	Commercial Bank of Greece, Athens	7,164,000,000u
	Hong Kong	
31	Hongkong and Shanghai Banking Corp., Hong Kong	106,0[illegible]6,506,400s
229	Hang Seng Bank Ltd., Hong Kong	13,783,274,400st
	India	
91	State Bank of India, Bombay	40,931,747,000s
334	Bank of India, Bombay	8,893,066,618
392	Canara Bank, Bangalore	7,446,910,136
395	Bank of Baroda, Bombay	7,389,260,703
416	Central Bank of India, Bombay	6,827,795,149
	Indonesia	
468	Bank Bumi Daya, Jakarta	5,807,591,524s
	Iran	
77	Bank Melli Iran, Tehran	49,819,887,000
	Iraq	
82	Rafidain Bank, Baghdad	45,797,264,000
	Ireland	
206	Allied Irish Banks Ltd., Dublin	15,493,990,874s
224	Bank of Ireland, Dublin	14,255,532,700s
	Israel	
115	Bank Hapoalim, Tel-Aviv	30,348,291,415s
131	Bank Leumi le-Israel, Tel-Aviv	25,679,875,184s
233	Israel Discount Bank, Ltd., Tel-Aviv	13,602,150,663s
429	United Mizrahi Bank Ltd., Tel-Aviv	6,538,392,452s

400 Largest Banks Outside U.S.

Listed Geographically by Order of Size within Nations

Rank 12/87		12/31/87 Assets (U.S. Dollars)
	Italy	
36	Banca Nazionale del Lavoro, Rome	93,886,760,000s
54	Istituto Bancario San Paolo di Torino, Turin	74,661,633,156s
59	Cassa di Risparmio delle Provincie Lombarde, Milan	65,541,718,000s
62	Banca Commerciale Italiana, Milan	63,547,102,300s
63	Monte dei Paschi di Siena	63,473,643,992s
67	Banco di Napoli, Naples	60,282,393,567u
70	Banco di Roma, Rome	57,269,880,800s
73	Credito Italiano, Milan	52,097,505,900s
80	Banco di Santo Spirito, Rome	47,204,310,781s
109	Banco di Sicilia, Palermo	31,641,556,133s
145	Banca Nazionale dell'Agricoltura, Rome	22,721,066,975
157	Cassa di Risparmio di Roma, Rome	20,654,593,608
163	Banca Popolare di Milano, Milan	20,165,372,678s
173	Banca Popolare di Novara	19,416,389,771u
183	Nuovo Banco Ambrosiano, Milan	18,109,529,845s
186	Cassa di Risparmio di Torino, Turin	17,590,424,246
221	Credito Romagnolo, Bologna	14,532,811,603u
248	Banca Toscana, Florence	12,444,071,332t
291	Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	10,567,683,060
303	Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	10,039,783,464
336	Banca Popolare di Bergamo	8,861,280,904u
341	Banca Cattolica del Veneto, Vicenza	8,722,473,661t
358	Cassa di Risparmio di Firenze, Florence	8,223,294,005
360	Banco Lariano, Como	8,163,100,019t
366	Istituto Bancario Italiano, Milan	8,039,157,766v
401	Cassa di Risparmio di Padova e Rovigo, Padova	7,187,662,934
411	Banca Provinciale Lombarda, Bergamo	6,948,833,378t
412	Banco di Sardegna, Sassari	6,936,186,092s
424	Cassa di Risparmio di Genova e Imperia, Genoa	6,648,418,417
456	Banca d'America e d'Italia, Milan	6,023,830,964tu
457	Cassa di Risparmio in Bologna	6,010,584,492s
485	Banca San Paolo di Brescia	5,531,949,720s
492	Banca Popolare di Verona	5,363,602,408
	Japan	
1	Dai-Ichi Kangyo Bank Ltd., Tokyo	345,026,714,585u
2	Sumitomo Bank Ltd., Osaka	322,483,528,185u
3	Fuji Bank, Ltd., Tokyo	313,114,962,180u
4	Mitsubishi Bank Ltd., Tokyo	309,246,988,745u
5	Sanwa Bank Ltd., Osaka	297,707,797,310u
6	Industrial Bank of Japan, Ltd., Tokyo	238,477,414,490u
7	Norinchukin Bank, Tokyo	229,966,074,645
9	Tokai Bank Ltd., Nagoya	208,280,644,710u
10	Mitsui Bank, Ltd., Tokyo	192,182,832,770
11	Mitsubishi Trust & Banking Corp., Tokyo	190,279,726,425u
13	Sumitomo Trust & Banking Co., Ltd., Osaka	178,331,859,795u
14	Mitsui Trust & Banking Co., Ltd., Tokyo	170,280,610,985u
17	Long-Term Credit Bank of Japan Ltd., Tokyo	165,625,862,805u
19	Taiyo Kobe Bank, Ltd., Kobe	165,372,464,080u
23	Yasuda Trust & Banking Co. Ltd., Tokyo	148,474,358,575
24	Bank of Tokyo, Ltd.	145,033,423,135u
25	Daiwa Bank, Ltd., Osaka	143,372,959,030u
28	Toyo Trust & Banking Co. Ltd., Tokyo	125,698,748,200
30	Nippon Credit Bank, Ltd., Tokyo	109,138,621,110
33	Kyowa Bank, Ltd., Tokyo	102,340,862,935u
38	Shoko Chukin Bank, Tokyo	88,974,517,495
39	Saitama Bank Ltd., Urawa	86,377,819,700u
40	Zenshinren Bank, Tokyo	85,285,359,740
50	Chuo Trust & Banking Co., Ltd., Tokyo	76,287,184,075u
51	Bank of Yokohama, Ltd.	76,179,904,165u
57	Hokkaido Takushoku Bank, Ltd., Sapporo	71,337,198,480
78	Chiba Bank, Ltd.	49,656,351,330
81	Hokuriku Bank Ltd., Toyama	45,929,367,790
85	Joyo Bank, Ltd., Mito	44,112,352,900
89	Shizuoka Bank Ltd.	41,455,865,195u
96	Ashikaga Bank, Ltd., Utsunomiya	38,590,840,985
102	Bank of Fukuoka, Ltd.	35,027,191,385
104	Bank of Hiroshima, Ltd.	34,911,569,065
110	Hachijuni Bank, Ltd., Nagano	31,509,749,555
121	Gunma Bank, Ltd., Maebashi	28,304,855,245
123	Nippon Trust & Banking Co., Ltd., Tokyo	27,432,266,070
127	Hyogo Sogo Bank, Ltd., Kobe	26,473,997,020
137	Nishi-Nippon Sogo Bank, Ltd., Fukuoka	24,173,336,055
139	Yamaguchi Bank, Ltd., Shimonoseki	23,683,571,685
141	Chugoku Bank, Ltd., Okayama	23,515,939,900
142	77 Bank, Ltd., Sendai	23,013,210,760
150	Hokkaido Bank, Ltd., Sapporo	21,817,460,050
152	Juroku Bank, Ltd., Gifu	20,805,986,370
153	Hyakujushi Bank, Ltd., Takamatsu	20,798,451,290
156	Tokyo Sogo Bank, Ltd.	20,714,275,265u
158	Bank of Kyoto, Ltd.	20,553,798,640
164	Nanto Bank, Ltd., Nara	20,100,744,040
165	Iyo Bank, Ltd., Matsuyama	19,966,814,325
172	Daishi Bank, Ltd., Niigata	19,429,172,120
178	Shiga Bank, Ltd., Otsu	18,706,192,275
185	Suruga Bank, Ltd., Numazu	17,838,407,505
194	Kiyo Bank, Ltd., Wakayama	16,479,639,455
195	Hyakugo Bank, Ltd., Tsu	16,461,965,260
199	Hokkoku Bank, Ltd., Kanazawa	16,041,781,655
205	Kinki Sogo Bank, Ltd., Osaka	15,553,726,925
214	Higo Bank, Ltd., Kumamoto	15,116,304,450
220	Fukuoka Sogo Bank, Ltd.	14,633,948,520
222	Ogaki-Kyoritsu Bank, Ltd., Ogaki	14,501,332,695
227	Nagoya Sogo Bank, Ltd.	14,042,793,000
234	San-in Godo Bank, Ltd., Matsue	13,573,995,465
239	Kofuku Sogo Bank, Ltd., Osaka	13,238,035,375
241	Fukui Bank, Ltd.	13,020,903,180
243	Kagoshima Bank, Ltd.	12,811,266,490
246	Tokyo Tomin Bank, Ltd.	12,736,161,055
247	Shikoku Bank, Ltd., Kochi	12,557,756,955
249	Toho Bank, Ltd., Fukushima	12,411,709,375
252	Bank of Osaka, Ltd.	12,250,916,150
254	Fukutoku Sogo Bank, Ltd., Osaka	12,029,541,515
258	Musashino Bank, Ltd., Omiya	11,910,492,000
261	Hiroshima Sogo Bank, Ltd.	11,832,798,360
264	Awa Bank, Ltd., Tokushima	11,667,200,730
272	Hokuetsu Bank, Ltd., Nagaoka	11,404,810,565
277	Oita Bank, Ltd.	11,143,678,885
280	Chiba Sogo Bank, Ltd.	11,110,364,650
282	Chuo Sogo Bank, Ltd., Nagoya	11,047,456,230
295	Yamanashi Chuo Bank, Ltd., Kofu	10,459,023,470
300	Eighteenth Bank, Ltd., Nagasaki	10,219,001,095
301	Chukyo Sogo Bank, Ltd., Nagoya	10,195,034,475
305	Bank of Iwate, Ltd., Morioka	10,011,913,035
306	Akita Bank, Ltd.	10,007,686,425
307	Chiba Kogyo Bank, Ltd.	9,962,737,140
311	Hokuyo Sogo Bank, Ltd., Sapporo	9,881,655,880
315	Dai-San Sogo Bank, Ltd., Matsuzaka	9,666,375,795
317	Ehime Sogo Bank, Ltd., Matsuyama	9,507,228,890
319	Taisei Sogo Bank, Ltd., Maebashi	9,445,452,315
322	Shinwa Bank, Ltd., Sasebo	9,287,492,660
323	Aomori Bank, Ltd.	9,245,297,795
333	Bank of the Ryukyus, Ltd., Naha	8,924,494,930
338	Miyazaki Bank, Ltd.	8,806,426,875
343	Yamagata Bank, Ltd.	8,682,137,630
348	Senshu Bank, Ltd., Kishiwada	8,439,186,705
357	Bank of Saga, Ltd.	8,239,483,340
359	Michinoku Bank, Ltd., Aomori	8,170,084,620
363	Tokiwa Sogo Bank, Ltd., Tokyo	8,113,049,130
365	Bank of Ikeda, Ltd.	8,084,515,555
407	Bank of Okinawa, Ltd., Naha	7,104,005,355
420	Dai-Ichi Sogo Bank Ltd., Tokyo	6,789,479,085
423	Shiga Sogo Bank, Ltd., Otsu	6,664,849,495
427	Hanshin Sogo Bank, Ltd., Kobe	6,610,148,930
428	Tochigi Sogo Bank, Ltd., Utsunomiya	6,551,269,245
434	Kyushu Sogo Bank, Ltd., Sasebo	6,438,258,875
435	Kansai Sogo Bank, Ltd., Osaka	6,409,274,145
439	Kitanippon Sogo Bank, Ltd., Morioka	6,372,255,690
443	Niigata Sogo Bank, Ltd.	6,330,654,450
452	Mie Bank, Ltd., Yokkaichi	6,061,496,960
467	Kagawa Sogo Bank, Ltd., Takamatsu	5,859,996,890
473	Kochi Sogo Bank, Ltd.	5,688,035,600
488	Kanto Bank, Ltd., Tsuchiura	5,470,016,925
495	Taiko Sogo Bank, Ltd., Nagaoka	5,321,088,285
500	Tokuyo Sogo Bank, Ltd., Sendai	5,253,739,550
	Jordan	
240	Arab Bank Ltd., Amman	13,181,677,953s
	Korea	
132	Bank of Seoul	25,493,368,131
167	Korea Exchange Bank, Seoul	19,744,021,794s
236	Commercial Bank of Korea Ltd., Seoul	13,320,060,258s
253	Korea First Bank, Seoul	12,101,702,444s
263	Hanil Bank Ltd., Seoul	11,685,143,385s
266	Cho Hung Bank Ltd., Seoul	11,613,308,726s
	Kuwait	
281	National Bank of Kuwait	11,103,719,255s
421	Gulf Bank, Kuwait	6,764,409,222
442	Commercial Bank of Kuwait	6,332,245,920
464	Alahli Bank of Kuwait	5,907,717,801s
	Luxembourg	
218	Deutsche Bank Compagnie Financiere Luxembourg	14,936,632,600t
256	Compagnie Luxembourgeoise de la Dresdner Banque	12,001,005,697t
273	Banque Internationale a Luxembourg	11,351,817,499s
285	Commerzbank International, Luxembourg	10,882,370,182t
299	Banque Generale du Luxembourg	10,289,637,250s
324	Union Bank of Switzerland (Luxembourg)	9,200,376,907v
327	Caisse d'Epargne de l'Etat, Luxembourg	9,087,877,336
340	Kredietbank S.A. Luxembourgeoise, Luxembourg	8,784,003,800s
378	Bank of Credit & Commerce International, Luxembourg	7,830,820,000
430	BFG Luxembourg	6,526,001,300tu
437	West LB International, Luxembourg	6,394,697,175t
489	Credit Suisse (Luxembourg)	5,382,257,212t
	Malaysia	
382	Malayan Banking Berhad, Kuala Lumpur	7,693,358,440s
	Mexico	
294	Banco Nacional de Mexico, Mexico City	10,463,083,095s
328	Bancomer, Mexico City	9,069,814,307u
	Netherlands	
41	Algemene Bank Nederland, Amsterdam	84,916,842,400s
44	Rabobank Nederland, Utrecht	81,921,651,500
45	Amsterdam-Rotterdam Bank, Amsterdam	81,018,197,000s
83	Nederlandsche Middenstandsbank, Amsterdam	45,113,620,500s
231	Credit Lyonnais Bank Nederland, Rotterdam	13,649,048,343st
292	Bank Mees & Hope, Amsterdam	10,536,993,774st
	New Zealand	
270	Bank of New Zealand, Ltd., Wellington	11,467,794,058s
	Norway	
160	Norske Creditbank, Oslo	20,432,660,940s
192	Christiania Bank og Kreditkasse, Oslo	16,783,708,953u
201	Bergen Bank	15,910,695,540s
353	Union Bank of Norway, Oslo	8,376,609,239s

400 Largest Banks Outside U.S.

Listed Geographically by Order of Size within Nations

Rank 12/87		12/31/87 Assets (U.S. Dollars)
	Pakistan	
462	**Habib Bank Ltd., Karachi**	5,940,284,065s
	Portugal	
225	**Caixa Geral de Depositos, Lisbon**	14,138,760,678s
354	**Banco Portugues do Atlantico, Oporto**	8,352,552,568u
441	**Banco Espirito Santo e Comercial, Lisbon**	6,355,555,620u
484	**Banco Pinto & Sotto Mayor, Lisbon**	5,561,969,316s
	Saudi Arabia	
177	**National Commercial Bank, Jeddah**	18,779,600,000
304	**Riyad Bank Ltd., Jeddah**	10,020,381,196
	Singapore	
367	**Development Bank of Singapore Ltd.**	8,028,227,144
418	**United Overseas Bank Ltd., Singapore**	6,804,033,062s
477	**Oversea-Chinese Banking Corp., Ltd., Singapore**	5,628,733,587s
	South Africa	
308	**First National Bank of South Africa Ltd., Johannesburg**	9,941,333,500s
387	**Standard Bank of South Africa Ltd., Johannesburg**	7,594,871,452
	Spain	
65	**Banco Espanol de Credito, Madrid**	62,331,179,152s
92	**Banco Central, Madrid**	40,535,682,176s
111	**Banco Hispano-Americano, Madrid**	31,382,899,328s
116	**Banco de Bilbao**	30,203,280,448s
122	**Banco de Vizcaya, Bilbao**	27,633,528,384s
124	**Banco Santander**	27,320,210,192s
138	**Banco Exterior de Espana, Madrid**	24,054,682,608s
147	**Caja de Pensiones para la Vejez, Barcelona**	22,679,492,880
191	**Banco Popular Espanol, Madrid**	16,895,116,128s
228	**Caja de Madrid**	14,035,934,880s
388	**Caja de Ahorros y Monte de Piedad de Barcelona**	7,585,921,376
432	**Banco Intercontinental Espanol, Madrid**	6,455,955,440
445	**Banca Catalana, Barcelona**	6,208,172,165tu
483	**Banco Urquijo Union, Madrid**	5,563,233,829st
487	**Banco de Sabadell**	5,470,163,688s
497	**Caja de Ahorros de Cataluna, Barcelona**	5,304,964,192s
	Sweden	
93	**Skandinaviska Enskilda Banken, Stockholm**	40,311,180,000s
103	**Svenska Handelsbanken, Stockholm**	34,941,772,500s
108	**Sparbankernas Bank, Stockholm**	32,392,222,500
112	**PKbanken, Stockholm**	31,299,780,000s
342	**Nordbanken, Stockholm**	8,708,041,500s
349	**Gotabanken, Stockholm**	8,433,180,000s
466	**Forsta Sparbanken, Stockholm**	5,898,972,495
	Switzerland	
27	**Union Bank of Switzerland, Zurich**	126,295,427,048u
29	**Swiss Bank Corp., Basle**	115,095,387,000u
43	**Credit Suisse, Zurich**	84,429,953,587u
128	**Banque Cantonale de Zurich**	26,374,234,461
133	**Banque Populaire Suisse, Berne**	25,347,450,990
268	**Bank Leu, Ltd., Zurich**	11,581,588,613u
337	**Banque Cantonale de Berne**	8,831,344,721
361	**Banque Cantonale Vaudoise, Lausanne**	8,139,899,307
362	**Luzerner Kantonalbank, Lucerne**	8,117,351,152
377	**Banque Cantonale de St. Gall**	7,834,567,950
436	**Banca della Svizzera Italiana, Lugano**	6,397,946,221s
453	**Credit Foncier Vaudois, Lausanne**	6,046,150,655
459	**Thurgauische Kantonalbank, Weinfelden**	5,989,775,524u
	Taiwan	
148	**Bank of Taiwan, Taipei**	22,520,723,365
162	**Cooperative Bank of Taiwan, Taipei**	20,196,088,209
182	**First Commercial Bank, Taipei**	18,199,364,575
213	**Hua Nan Commercial Bank, Ltd., Taipei**	15,118,159,392
215	**Chang Hwa Commercial Bank, Ltd., Taichung**	15,051,735,680
235	**Land Bank of Taiwan, Taipei**	13,526,943,220
250	**Bank of Communications, Taipei**	12,403,266,622
417	**International Commercial Bank of China, Taipei**	6,820,694,478
	Thailand	
259	**Bangkok Bank, Ltd.**	11,871,647,412
469	**Krung Thai Bank Ltd., Bangkok**	5,797,703,799
	Turkey	
335	**Turkiye Cumhuriyeti Ziraat Bankasi, Ankara**	8,882,010,417
451	**Turkiye Is Bankasi, Ankara**	6,064,685,000u
	United Arab Emirates	
471	**National Bank of Dubai Ltd., Dubai**	5,726,147,368
	United Kingdom	
18	**Barclays Plc, London**	165,564,396,000s
20	**National Westminster Bank Plc, London**	164,132,922,000s
37	**Midland Bank Plc, London**	91,376,700,000s
42	**Lloyds Bank Plc, London**	84,700,260,000s
71	**Standard Chartered Bank, London**	56,077,003,800s
94	**International Westminster Bank Plc, London**	38,878,004,000t
114	**Royal Bank of Scotland Plc., Edinburgh**	31,011,342,400s
155	**Bank of Scotland, Edinburgh**	20,756,373,000s
169	**Trustee Savings Bank England & Wales, London**	19,507,116,800
212	**Kleinwort, Benson, Lonsdale Plc, London**	15,141,694,420s
297	**Lombard North Central Plc, London**	10,423,922,000t
313	**Barclays de Zoete Wedd Ltd., London**	9,677,120,694st
368	**Hambros Bank Ltd., London**	8,012,202,000s
386	**NatWest Investment Bank Ltd., London**	7,659,845,664t
410	**Morgan Grenfell & Co. Ltd., London**	6,995,558,744
433	**Clydesdale Bank Plc, Glasgow**	6,442,768,372v
465	**Scandinavian Bank Ltd., London**	5,903,930,628s
	Yugoslavia	
296	**Udruzena Banka Hrvatske, Zagreb**	10,440,544,703
347	**Udruzena Beogradska Banka, Belgrade**	8,486,268,240s
364	**Ljubljanska Banka, Ljubljana**	8,094,746,772s
414	**Jugobanka-United Bank, Belgrade**	6,905,158,351

The Top 500: Largest Asset Increases

Dollar amounts in millions

		Assets 12/31/87	Assets 12/31/86	Percent Increase	World Rank	Reason for increase
1	**Chang Hwa Commercial Bank, Ltd., Taichung,** Taiwan	15,051.7	6,820.4	120.7	215	"Accounts receivable under forward contracts" accounted for almost half of gain.
2	**Banco Intercontinental Espanol, Madrid,** Spain	6,456.0	3,149.9	105.0	432	Balances due from banks rose 170% and private customer deposits rose 150%.
3	**Credit Lyonnais Bank Nederland, Rotterdam,** Netherlands	13,649.0	6,900.2	97.8	231	Acquired Nederlandse Creditbank, Amsterdam.
4	**Bank of New Zealand, Ltd., Wellington**	11,467.8	5,980.2	91.8	270	Current data are for 3/31/88, and prior data are for 3/31/86.
5	**Hua Nan Commercial Bank, Ltd., Taipei,** Taiwan	15,118.2	7,990.3	89.2	213	"Accounts receivable under forward contracts" accounted for almost half of gain.
6	**Skopbank, Helsinki,** Finland	11,191.3	6,096.3	83.6	276	A 50% rise in liquid assets accounted for 77% of the gain.
7	**Nordbanken, Stockholm,** Sweden	8,708.0	4,929.1	76.7	342	Acquired Stockholms Tomtrattskassa AB, a mortgage finance firm.
8	**Banque Paribas, Paris,** France	72,677.3	41,285.5	76.0	55	Parent (Paribas Group) consolidated other bank subsidiaries into Banque Paribas.
9	**Hyogo Sogo Bank, Ltd., Kobe,** Japan	26,474.0	15,162.6	74.6	127	Bank involved in merger in 1987.
10	**Banca Catalana, Barcelona,** Spain	6,208.2	3,569.0	73.9	445	Balances due from banks rose 145% and accounted for 79% of the gain.

The Top 1,000: Largest Asset Declines

Dollar amounts in millions

		Assets 12/31/87	Assets 12/31/86	Percent Decline	World Rank	Reason for Decrease
1	**Commercial Bank of Syria, Damascus**	3,954.7	11,235.0	64.8	612	Pound fell 64.8% vis-a-vis the dollar.
2	**Libyan Arab Foreign Bank, Tripoli**	2,280.1	3,795.7	39.9	858	No reason given for the decline.
3	**Banque du Caire, Cairo,** Egypt	3,803.8	6,313.5	39.8	628	Pound fell 43.85% vis-a-vis the dollar.
4	**National Bank of Egypt, Cairo**	7,411.7	12,268.3	39.6	393	Pound fell 43.85% vis-a-vis the dollar.
5	**IBJ Schroder Bank & Trust Co., New York,** United States	3,217.1	5,145.4	37.5	714	Decline due to drop in loans outstanding.
6	**Banque Misr, Cairo,** Egypt	7,141,1	10,565.0	32.4	404	Assets for 1987 were unconsolidated, while 1986 assets were consolidated.
7	**Banco Mercantil de Sao Paulo,** Brazil	1,608.5	2,284.1	29.6	995	Cruzado fell 80.07% vis-a-vis the dollar.
8	**Imperial Bank, Los Angeles,** United States	1,728.4	2,365.4	26.9	974	Demand deposits fell by more than 44% to account for the decline.
9	**Cassa di Risparmio di Roma,** Italy	20,654.6	27,479.3	24.8	157	No reason given for the decline.
10	**Banco de la Nacion Argentina, Buesnos Aires**	7,260.3	9,387.7	22.7	399	Austral fell 77% vis-a-vis the dollar.

Top 500 Banks: Total Assets

Dollar amounts in billions

	Number Of Banks 12/31/87	Total Assets 12/31/87	Number Of Banks 12/31/86	Total Assets 12/31/86	Deposit Percent Change
U.S. Banks	100	$ 1,565.1	115	$ 1,509.1	+ 3.7
Foreign Banks	400	13,260.5	385	9,813.2	+35.1
Top 500 Banks	500	14,825.5	500	11,322.3	+30.9

To avoid double counting, deposits for banks owned by other banks in the top 500 are excluded.

Addendum to Tabulations

Data for some banks were received after American Banker's July 5th deadline for inclusion in today's listing. These banks appear below with the 1987 rank they would have had if the data for all were received earlier. (Dollar Amounts in Millions)

Rank 12/87	Name of Bank	Assets 12/31/87	Assets 12/31/86	Rank 12/86
354	**S.G. Warburg & Co. Ltd., London**[1]	$8,373	$5,399	440
643	**United Bank of Kuwait Plc, London**	3,723	3,396	615
(†)	**United Bank for Africa Ltd., Lagos, Nigeria**	1,553	N.A.	N.A.

[1] Data are for fiscal yearend 3/31/88 and 3/31/87, respectively.

(†) Did not rank among the top 1000 banks in assets.

100 Largest Banks in United States

Listed Geographically by Order of Size within States

Rank 12/87		12/31/87 Assets (U.S. Dollars)
	Alabama	
447	AmSouth Bank NA, Birmingham	6,177,892,000
	Arizona	
310	Valley National Bank, Phoenix	9,909,271,000
425	First Interstate Bank of Arizona NA, Phoenix	6,636,583,000
426	MeraBank, FSB, Phoenix	6,635,588,000
	California	
49	Bank of America NT&SA, San Francisco	79,534,000,000
86	Security Pacific National Bank, Los Angeles	43,826,674,000
90	Wells Fargo Bank NA, San Francisco	41,127,162,000
119	Great Western Bank, FSB, Beverly Hills	28,526,110,000
174	First Interstate Bank of California, Los Angeles	19,281,889,000
189	First Nationwide Bank, FSB, San Francisco	17,177,903,000
208	Great American First Savings Bank, San Diego	15,242,243,000
331	Union Bank, Los Angeles	8,941,188,000
460	California First Bank, San Francisco	5,984,134,000v
479	Sears Savings Bank, Glendale	5,604,724,000
496	Sanwa Bank California, San Francisco	5,312,530,000v
	Connecticut	
289	Connecticut National Bank, Hartford	10,588,686,000
326	Connecticut Bank & Trust Co. NA, Hartford	9,153,076,000
476	Peoples Bank, Bridgeport, Conn.	5,651,206,000
	Delaware	
461	Chase Manhattan Bank (USA) NA, Wilmington, Del.	5,942,009,000
	District of Columbia	
454	Riggs National Bank, Washington, D.C.	6,030,748,000
	Florida	
255	Southeast Bank NA, Miami	12,014,173,000
314	NCNB National Bank of Florida, Tampa	9,669,032,000
391	Florida National Bank, Jacksonville	7,480,643,000
400	First Union National Bank of Florida, Jacksonville	7,250,073,000
494	Barnett Bank of South Florida NA, Miami	5,335,890,000
	Georgia	
275	Citizens & Southern National Bank, Atlanta	11,288,979,000
408	First National Bank, Atlanta	7,094,863,000
482	Trust Company Bank, Atlanta	5,595,850,000
	Hawaii	
481	Bank of Hawaii, Honolulu	5,598,096,000
	Illinois	
105	First National Bank, Chicago	34,681,439,000
113	Continental Illinois Nat'l Bank & Trust Co., Chicago	31,176,014,000
350	Harris Trust & Savings Bank, Chicago	8,403,923,000t
383	Northern Trust Co., Chicago	7,688,578,000
	Maryland	
330	Maryland National Bank, Baltimore	9,031,622,000
	Massachusetts	
134	First National Bank, Boston	24,799,279,000
238	Bank of New England NA, Boston	13,259,132,000
245	Boston Safe Deposit & Trust Co.	12,747,021,000
390	Shawmut Bank of Boston NA	7,553,744,000
419	State Street Bank & Trust Co., Boston	6,801,171,000
	Michigan	
223	National Bank of Detroit	14,337,478,000
345	Standard Federal Bank, Troy	8,514,739,405
356	Michigan National Bank, Farmington Hills	8,271,849,000
370	Comerica Bank-Detroit	7,987,197,000
381	Manufacturers National Bank, Detroit	7,693,999,000
	Minnesota	
190	First Bank NA, Minneapolis	16,924,668,000
422	Norwest Bank Minneapolis NA	6,728,154,000
	New Jersey	
287	City Federal Savings Bank, Bedminster	10,810,794,000
293	First Fidelity Bank NA, Newark	10,506,383,000
	New York	
22	Citibank NA, New York	149,133,000,000
48	Chase Manhattan Bank NA, New York	79,643,448,000
58	Morgan Guaranty Trust Co., New York	65,813,911,000
68	Chemical Bank, New York	57,805,000,000
69	Manufacturers Hanover Trust Co., New York	57,286,000,000
74	Bankers Trust Co., New York	52,022,621,000
159	Marine Midland Bank NA, Buffalo	20,548,988,000t
166	Bank of New York	19,906,253,000
168	Irving Trust Co., New York	19,669,715,000
196	Republic National Bank, New York	16,443,831,000
211	Goldome FSB, Buffalo	15,153,370,000
216	American Express Bank Ltd. New York	15,041,000,000s
230	CrossLand Savings FSB, Brooklyn, New York	13,774,567,000
274	National Westminster Bank USA, New York	11,333,242,000t
284	Dime Savings Bank of New York FSB, Garden City	10,944,187,000
286	Empire of America FSB, Buffalo	10,855,983,000
385	Anchor Savings Bank FSB, Northport	7,673,815,000
431	Bowery Savings Bank, New York	6,513,306,000
444	European American Bank, New York	6,313,594,000
449	Bank of Tokyo Trust Co., New York	6,091,331,000v
474	Chase Lincoln First Bank NA, Rochester	5,674,448,000
475	Long Island Savings Bank FSB, Syosset	5,666,304,000
	North Carolina	
203	NCNB National Bank of North Carolina, Charlotte	15,895,791,000
204	First Union National Bank, Charlotte	15,845,828,000
271	Wachovia Bank & Trust Co. NA, Winston-Salem	11,452,385,000
	Ohio	
351	Huntington National Bank, Columbus	8,396,596,000
369	AmeriTrust Co. NA, Cleveland	7,994,524,000
402	National City Bank, Cleveland	7,169,782,000
490	Society National Bank, Cleveland	5,382,041,000
	Oregon	
379	United States National Bank, Portland	7,731,728,000
480	First Interstate Bank of Oregon NA, Portland	5,598,771,000
	Pennsylvania	
154	Mellon Bank NA, Pittsburgh	20,794,700,000
176	Meritor Savings Bank, Philadelphia	19,016,456,000
226	Pittsburgh National Bank	14,075,734,000
312	Fidelity Bank NA, Malvern	9,875,399,000
352	Philadelphia National Bank	8,387,419,000
413	Meridian Bank, Reading	6,913,267,000
448	Provident National Bank, Philadelphia	6,169,715,000
470	First Pennsylvania Bank NA, Philadelphia	5,780,831,000
	Puerto Rico	
493	Banco Popular de Puerto Rico, San Juan	5,350,299,000
	Rhode Island	
406	Fleet National Bank, Providence, R.I.	7,109,303,000
	South Dakota	
257	Citibank (South Dakota) NA, Sioux Falls	11,988,599,000
	Tennessee	
478	First Tennessee Bank NA, Memphis	5,609,735,000
	Texas	
171	First RepublicBank Dallas NA	19,443,313,000
278	Texas Commerce Bank NA, Houston	11,126,873,000
397	MBank Dallas NA	7,310,658,000
	Virginia	
260	Sovran Bank NA, Richmond	11,845,335,000
344	Crestar Bank, Richmond	8,623,141,000
405	Signet Bank/Virginia, Richmond	7,111,965,000
	Washington	
309	Seattle-First National Bank	9,935,878,000
374	Rainier National Bank, Seattle	7,856,827,000
472	Washington Mutual Savings Bank, Seattle	5,707,574,000

Earnings Up 26.7% At California First

West Coast Bureau

SAN FRANCISCO — California First Bank said earnings for the second quarter rose 26.7% to $12.1 million, or 88 cents a share. The bank cited an increase in net interest income combined with a lower provision for loan losses.

Seishichi Itoh, president and chief executive officer of California First, said in a prepared release that growth in lending led to the increase in net interest income. Decreases in net chargeoffs and nonperforming loans, he said, allowed the bank to reduce its loan-loss provision.

The San Francisco-based bank, which is the process of purchasing Union Bank, Los Angeles, had net interest income on a fully taxable equivalent basis of $73.3 million in the second quarter, up 4.77% from the same quarter last year.

California First reduced its provision for loan and lease losses to $15 million, down 16.2% from the second quarter last year. Net chargeoffs dropped 50.5% to $7.5 million.

For the first six months of this year, the bank earned $22.8 million, up 26.2% from the first six months of last year. Earnings per share for the first half were $1.67, up from $1.37 in the first half of 1987.

California First is the sixth largest bank in the state and had total assets on June 30 of $6.32 billion. The company has said it expects to complete its purchase of Union Bank in the next few months, at which time it will use the name Union Bank. ■

Financial Commissioner Appointed in Kentucky

FRANKFORT, Ky. — Edward Hatchett Jr., 36, has been named commissioner of the state Department of Financial Institutions.

Mr. Hatchett succeeds Thomas B. Miller, who resigned earlier this year. Mr. Hatchett had been a trust officer of New Farmers National Bank of Glasgow, Ky., a federally chartered bank owned by state Gov. Wallace Wilkinson. Mr. Hatchett resigned that job to take the state position.

The Department of Financial Institutions regulates and examines state-chartered banks. Gov. Wilkinson said Mr. Hatchett will play no role in regulating the Glasgow bank and another one the governor owns in Bowling Green, because both are federally chartered. ■

Computer Developer Ends Move on Software Firm

GARDEN CITY, N.Y. — Computer Associates International Inc. has given up on its effort to acquire Management Science America Inc., an Atlanta-based software firm.

Nevertheless, Anthony W. Wang, president of Computer Associates, said his company still believes the acquisition would benefit both sides and is willing to discuss the possibilities with MSA.

Computer Associates, a developer of systems and applications software, made a proposal to MSA's directors on June 9 to acquire all MSA shares for $11.50 cash net. The MSA board rejected the offer. MSA is a vendor of mainframe applications software for financial accounting and personnel management. ■

The Top 100 Banking Companies in the World

Includes Holding Companies, Commercial Banks, and Savings Banks (Dollar Amounts in Millions)

Rank 12/87		Total Assets 12/31/87	Total Assets 12/31/86	Rank 12/86	Gain in Rank	Equity Capital 12/31/87	Equity Capital /Assets	Name of Holding Company's Lead Bank (Name of Non-U.S. Bank's Top U.S. Bank Subsidiary)	Rank Among Top World Banks (a) Deposits	Rank Among Top World Banks (a) Assets
1	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	345,027	239,580	1		7,563	2.19	(Dai-Ichi Kangyo Bank of Calif. Los Angeles)	...	...
2	**Sumitomo Bank Ltd., Osaka**	322,484	205,126	3	+1	7,501	2.33	(Sumitomo Bank of Calif., San Francisco)	598†	668
3	**Fuji Bank,Ltd.,Tokyo**	313,115	212,441	2		8,426	2.69	(Fuji Bank & Trust Co., New York)	627†	546
4	**Mitsubishi Bank Ltd., Tokyo**	309,247	203,806	4		7,683	2.48	(Bank of California NA, San Francisco)	616†	541
5	**Sanwa Bank Ltd., Osaka**	297,708	191,362	5		6,997	2.35	(Golden State Sanwa Bank, San Francisco)	...	...
6	**Industrial Bank of Japan, Ltd., Tokyo**	238,477	160,837	8	+ 2	6,223	2.61	(Industrial Bk of Japan Tr. Co., New York)	618†	604
7	**Norinchukin Bank, Tokyo**	229,966	161,569	7		1,261	0.55	....	6	7
8	**Credit Agricole Mutuel, Paris**	214,879	156,382	9	+ 1	8,761	4.08	....	12	8
9	**Tokai Bank Ltd., Nagoya**	208,281	137,789	11	+2	4,516	2.17	(Tokai Bank of Calif., Los Angeles)	...	949
10	**Citicorp, New York**	198,388	191,355	6		8,810	4.44	Citibank NA, New York	28	22
11	**Mitsui Bank, Ltd., Tokyo**	192,183	131,406	14	+3	4,183	2.18	(Mitsui Manufacturers Bank, Los Angeles)	956†	...
12	**Mitsubishi Trust & Banking Corp., Tokyo**	190,280	125,033	15	+3	3,246	1.71	....	8	11
13	**Banque Nationale de Paris**	183,098	143,685	10		5,391[1]	2.94	(Bank of the West, San Francisco)	...	...
14	**Sumitomo Trust & Banking Co., Ltd., Osaka**	178,332	124,085	16	+2	3,232	1.81	....	10	13
15	**Mitsui Trust & Banking Co., Ltd., Tokyo**	170,281	114,979	21	+6	2,615	1.54	....	15	14
16	**Deutsche Bank, Frankfurt**	170,156	133,048	13		6,917	4.07	....	11	15
17	**Credit Lyonnais, Paris**	168,734	133,765	12		4,611	2.73	....	17	16
18	**Long-Term Credit Bank of Japan Ltd., Tokyo**	165,626	114,971	22	+4	4,037	2.44	....	18	17
19	**Barclays Plc, London**	165,564	117,007	19		7,767	4.69	(Barclays Bank of New York NA)	801†	788
20	**Taiyo Kobe Bank, Ltd., Kobe**	165,372	115,952	20		3,194	1.93	....	20	19
21	**National Westminster Bank Plc, London**	164,133	123,488	17		9,236	5.63	(National Westminster Bank USA, New York)	262	274
22	**Societe Generale, Paris**	153,377	117,496	18		4,119	2.69	....	21	21
23	**Yasuda Trust & Banking Co., Ltd., Tokyo**	148,474	100,853	27	+4	1,977	1.33	....	22	23
24	**Bank of Tokyo, Ltd.**	145,033	111,455	23		3,627	2.50	(Bank of Tokyo Trust Co., New York)	420	449
25	**Daiwa Bank, Ltd., Osaka**	143,373	102,338	24		2,595	1.81	(Daiwa Trust Co., New York)	...	968
26	**Dresdner Bank, Frankfurt**	131,431	102,137	26		4,263	3.24	....	24	26
27	**Union Bank of Switzerland, Zurich**	126,295	94,496	29	+2	7,673	6.08	....	26	27
28	**Toyo Trust & Banking Co., Ltd., Tokyo**	125,699	80,764	34	+6	1,687	1.34	....	27	28
29	**Compagnie Financiere de Paribas, Paris**	122,559	94,433	30	+1	3,335	2.72	Banque Paribas, Paris	57	55
30	**American Express Co., New York**	116,434	99,476	28		4,554	3.91	American Express Bank Ltd., New York	206	216
31	**Swiss Bank Corp., Basle**	115,095	85,591	33	+2	6,898	5.99	....	29	29
32	**Nippon Credit Bank, Ltd., Tokyo**	109,139	77,883	36	+4	2,361	2.16	....	32	30
33	**Hongkong & Shanghai Banking Corp.**	106,087	90,863	32		4,289	4.04	(Marine Midland Bank NA, Buffalo, N.Y.)	164	159
34	**Commerzbank, Frankfurt**	103,023	76,980	37	+3	2,174	2.11	....	30	32
35	**Kyowa Bank, Ltd., Tokyo**	102,341	72,398	43	+8	2,461	2.40	(Kyowa Bank of Calif., Los Angeles)	...	...
36	**Chase Manhattan Corp., New York**	97,165	92,147	31		3,914	4.03	Chase Manhattan Bank NA, New York	51	48
37	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	96,860	76,961	38	+1	2,587	2.67	....	33	34
38	**Bayerische Vereinsbank, Munich**	95,242	2,803	42	+4	2,028	2.13	....	34	35
39	**Banca Nazionale del Lavoro, Rome**	93,887	5,899	39		3,022	3.22	....	35	36
40	**Midland Bank Plc, London**	91,377	78,796	35		4,877	5.34	....	38	37
41	**BankAmerica Corp., San Francisco**	90,896	102,204	25		3,259	3.59	Bank of America NT & SA, San Francisco	45	49
42	**Shoko Chukin Bank, Tokyo**	88,975	71,193	44	+2	2,173	2.44	....	36	38
43	**Saitama Bank Ltd., Urawa, Japan**	86,378	61,244	55	+12	2,069	2.40	....	46	39
44	**Zenshinren Bank, Tokyo**	85,285	54,293	64	+20	1,214	1.42	....	39	40
45	**Algemene Bank Nederland, Amsterdam**	84,917	67,337	48	+3	3,290	3.87	(LaSalle National Bank, Chicago)	...	...
46	**Lloyds Bank Plc, London**	84,700	70,883	45		4,509	5.32	....	40	42
47	**Credit Suisse, Zurich**	84,430	64,423	50	+3	5,196	6.15	....	42	43
48	**Rabobank Nederland, Utrecht**	81,922	64,285	51	+3	4,746	5.79	....	49	44
49	**Amsterdam-Rotterdam Bank, Amsterdam**	81,018	63,994	52	+3	2,875	3.55	....	48	45
50	**Deutsche Genossenschaftsbank, Frankfurt**	80,666	57,983	59	+9	1,725	2.14	....	66	46
51	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	80,391	62,555	53	+2	2,428	3.02	....	41	47
52	**Chemical Banking Corp., New York**	76,668	58,712	58	+6	3,003	3.92	Chemical Bank, New York	72	68
53	**Chuo Trust & Banking Co., Ltd., Tokyo**	76,288	48,854	74	+21	520	0.68	....	47	50
54	**Bank of Yokohama, Ltd.**	76,180	55,999	61	+7	2,085	2.74	....	53	51
55	**Banco do Brasil, Brasilia**	75,759	69,581	46		5,177	6.83	....	107	52
56	**Bayerische Landesbank Girozentrale, Munich**	75,200	56,396	60	+4	1,868	2.48	....	43	53
57	**Istituto Bancario San Paolo di Torino, Turin**	74,662	59,433	56		3,208	4.30	....	55	54
58	**J.P. Morgan & Co., Inc., New York**	74,013	74,643	40		5,036	6.80	Morgan Guaranty Trust Co., New York	69	58
59	**Royal Bank of Canada, Montreal**	72,157	67,783	47		3,317	4.60	....	50	56
60	**Security Pacific Corp., Los Angeles**	71,983	61,651	54		3,363	4.67	Security Pacific National Bank, Los Angeles	87	86
61	**Manufacturers Hanover Trust Corp., New York**	71,475	72,918	41		2,704	3.78	Manufacturers Hanover Trust Co., New York	70	69
62	**Hokkaido Takushoku Bank, Ltd., Sapporo**	71,337	51,297	71	+9	1,509	2.12	....	56	57
63	**Cassa di Risparmio delle Provincie Lombarde, Milan**	65,542	53,547	68	+5	3,633	5.54	....	61	59
64	**Generale Banque, Brussels**	65,260	51,025	72	+8	1,479	2.27	....	52	60
65	**Compagnie Financiere de Suez, Paris**	64,567	52,300	70		3,529	5.47	Banque Indosuez, Paris	90	79
66	**Norddeutsche Landesbank Girozentrale, Hannover**	63,648	49,065	73	+7	1,286	2.02	....	54	61
67	**Banca Commerciale Italiana, Milan**	63,547	55,595	62		3,417	5.38	....	58	62
68	**Monte dei Paschi di Siena**	63,474	53,635	67		3,379	5.32	....	62	63
69	**Compagnie Financiere de Credit Industriel et Commercial, Paris**	63,015	44,019	79	+10	1,556	2.47	Credit Industrial et Commercial, Paris	124	146
70	**Canadian Imperial Bank of Commerce, Toronto**	62,501	54,261	65		3,234	5.17	(Canadian Imperial Bk of Comm. (Calif.), Los Angeles)	...	...
71	**Banco Espanol de Credito, Madrid**	62,331	43,876	81	+10	2,358	3.78	....	108	65
72	**Bank of Montreal**	61,515	59,417	57		2,631	4.28	....	59	66
73	**Banco di Napoli, Naples**	60,282	45,141	77	+4	1,017	1.69	....	64	67
74	**Banco di Roma, Rome**	57,270	52,752	69		1,220	2.13	(Banco di Roma, Chicago)	...	...
75	**Standard Chartered Plc, London**	56,077	47,757	75		1,353	2.41	Standard Chartered Bank, London	63	71
76	**Bankers Trust New York Corp.**	54,257	53,735	66		2,889	5.32	Bankers Trust Co., New York	89	74
77	**Groupe Des Banques Populaires, Paris**	53,882	39,696	83		2,471	4.59	....	74	72
78	**Credito Italiano, Milan**	52,098	47,125	76		2,573	4.94	....	68	73
79	**Bank of Nova Scotia, Toronto**	51,586	43,814	82	+3	2,192	4.25	(Scotiabank de Puerto Rico, San Juan)	...	...
80	**First Interstate Bancorp., Los Angeles**	50,473	54,821	63		2,166	4.29	First Interstate Bank of California, Los Angeles	162	174
81	**Banque Bruxelles Lambert, Brussels**	50,373	35,612	88	+7	959	1.90	....	71	76
82	**Bank Melli Iran, Tehran**	49,820	36,804	87	+5	2,338[1]	4.69	....	81	77
83	**Chiba Bank, Ltd.**	49,656	29,104	103	+20	1,586	3.19	....	76	78
84	**Banco di Santo Spirito, Rome**	47,204	37,170	86	+2	619	1.31	....	155	80
85	**Hokuriku Bank Ltd., Toyama**	45,929	29,420	102	+17	1,330	2.90	....	78	81
86	**Rafidain Bank, Baghdad**	45,797	43,979	80		2,236[1]	4.88	....	73	82
87	**Nederlandsche Middenstandsbank, Amsterdam**	45,113	32,913	94	+7	1,419	3.15	....	77	83
88	**Westpac Banking Corp., Sydney**	45,025	34,716	89	+1	2,519	5.59	....	97	84
89	**Joyo Bank, Ltd., Mito**	44,112	27,826	106	+17	1,361	3.09	....	79	85
90	**Wells Fargo & Co., San Francisco**	43,948	44,319	78		2,248	5.12	Wells Fargo Bank NA, San Francisco	88	90
91	**First Chicago Corp.**	43,394	38,638	85		1,802	4.15	First National Bank, Chicago	102	105
92	**Creditanstalt-Bankverein, Vienna**	42,800	33,142	93		1,692	3.95	....	94	87
93	**Hessische Landesbank-Girozentrale, Frankfurt**	41,544	31,966	98	+5	922	2.22	....	75	88
94	**Shizuoka Bank Ltd., Japan**	41,456	27,796	107	+13	1,662	4.01	....	80	89
95	**State Bank of India, Bombay**	40,932	32,834	95		828	2.02	....	92	91
96	**Banco Central, Madrid**	40,536‡	28,483	104	+8	3,351‡	4.73c	(Banco Central of New York)	...	...
97	**Skandinaviska Enskilda Banken, Stockholm**	40,311	28,352	105	+8	2,897	7.19	....	98	93
98	**Banque Francaise du Commerce Exterieur, Paris**	38,800	26,478	113	+15	375[2]	0.97	....	154	95
99	**Ashikaga Bank, Ltd., Utsunomiya, Japan**	38,591	25,670	118	+19	1,284	3.33	....	86	96
100	**Australia & New Zealand Banking Group, Ltd., Melbourne**	38,547	31,042	100		2,519	6.53	....	96	97
	TOTALS FOR THE TOP 100 BANKING FIRMS	**10,504,735**	**7,724,693**	**+36.0%**		**331,907**	**3.16%**	....		

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for the Australian banks in this listing are for Sept. 30, 1987; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Total assets** exclude contra accounts and contingent liabilities. **Equity Capital:** This is total shareholders' equity capital which includes the value of common and perpetual preferred stock, surplus, undivided profits, and capital reserves. **Equity Capital/Assets:** The ratio of total shareholders' equity capital to total assets (less contra accounts). **Rank Among Top World Banks:** For the holding companies in this listing, the ranks shown are for their respective lead banks. For non-U.S. banks that own U.S. banks, the ranks shown are for their top U.S. bank subsidiary that was ranked among the top banks in the world. **(1)**— Obtained from other published sources. **(2)**— Includes subordinated debt and net income. **†**— Revised since publication on July 19, 1988. **(‡)**— Bank overstated its assets and equity capital by including nonbank subsidiaries less than 50% owned. It was not possible to correct these errors before publication. Based on American Banker definitions, its consolidated assets were $35.33 billion and its equity capital was $1.67 billion. **(c)**— Ratio based on corrected equity capital and asset figures.

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Alphabetical Listing of Top 500 Banks in Assets

With Asset and Deposit Ranks on Dec. 31, 1987

		Asset Rank	Deposit Rank
77 Bank, Ltd., Sendai	Japan	142	131
Akita Bank, Ltd.	Japan	306	281
Alahli Bank of Kuwait	Kuwait	464	430
Algemene Bank Nederland, Amsterdam	Netherlands	41	44
Allied Irish Banks Ltd., Dublin	Ireland	206	186
AmSouth Bank NA, Birmingham, Ala.	United States	447	459
AmeriTrust Co. NA, Cleveland	United States	369	380
American Express Bank Ltd. New York	United States	216	206
Amsterdam-Rotterdam Bank, Amsterdam	Netherlands	45	48
Anchor Savings Bank FSB, Northport, N.Y.	United States	385	353
Andelsbanken-Danebank, Copenhagen	Denmark	373	351
Aomori Bank, Ltd.	Japan	323	303
Arab Bank Ltd., Amman	Jordan	240	204
Arab Banking Corp., Manama	Bahrain	188	177
Ashikaga Bank, Ltd., Utsunomiya	Japan	96	86
Australia & New Zealand Banking Group, Ltd., Melbourne	Australia	97	96
Awa Bank, Ltd., Tokushima	Japan	264	249
BFG Luxembourg	Luxembourg	430	390
Baden-Wuerttembergische Bank, Stuttgart	Germany	375	320
Badische Kommunale Landesbank-Girozentrale, Mannheim	Germany	193	169
Banca Catalana, Barcelona	Spain	445	391
Banca Cattolica del Veneto, Vicenza	Italy	341	354
Banca Commerciale Italiana, Milan	Italy	62	58
Banca Nazionale del Lavoro, Rome	Italy	36	35
Banca Nazionale dell'Agricoltura, Rome	Italy	145	149
Banca Popolare di Bergamo	Italy	336	388
Banca Popolare di Milano, Milan	Italy	163	173
Banca Popolare di Novara	Italy	173	171
Banca Popolare di Verona	Italy	492	495
Banca Provinciale Lombarda, Bergamo	Italy	411	385
Banca San Paolo di Brescia	Italy	485	451
Banca Toscana, Florence	Italy	248	243
Banca d'America e d'Italia, Milan	Italy	456	472
Banca della Svizzera Italiana, Lugano	Switzerland	436	407
Banco Brasileiro de Descontos, Sao Paulo	Brazil	232	340
Banco Central, Madrid	Spain	92	84
Banco Espanol de Credito, Madrid	Spain	65	108
Banco Espirito Santo e Comercial, Lisbon	Portugal	441	457
Banco Exterior de Espana, Madrid	Spain	138	121
Banco Hispano-Americano, Madrid	Spain	111	106
Banco Intercontinental Espanol, Madrid	Spain	432	426
Banco Itau, Sao Paulo	Brazil	339	516
Banco Lariano, Como	Italy	360	410
Banco Nacional de Mexico, Mexico City	Mexico	294	339
Banco Pinto & Sotto Mayor, Lisbon	Portugal	484	508
Banco Popular Espanol, Madrid	Spain	191	182
Banco Popular de Puerto Rico, San Juan	United States	493	479
Banco Portugues do Atlantico, Oporto	Portugal	354	358
Banco Real, Sao Paulo	Brazil	498	812
Banco Santander	Spain	124	136
Banco Urquijo Union, Madrid	Spain	483	435
Banco de Bilbao	Spain	116	101
Banco de Sabadell	Spain	487	465
Banco de Vizcaya, Bilbao	Spain	122	111
Banco de la Nacion Argentina, Buenos Aires	Argentina	399	367
Banco di Napoli, Naples	Italy	67	64
Banco di Roma, Rome	Italy	70	65
Banco di Santo Spirito, Rome	Italy	80	155
Banco di Sardegna, Sassari	Italy	412	401
Banco di Sicilia, Palermo	Italy	109	110
Banco do Brasil, Brasilia	Brazil	52	107
Banco do Estado de Sao Paulo	Brazil	325	483
Bancomer, Mexico City	Mexico	328	314
Bangkok Bank, Ltd.	Thailand	259	271
Bank Bumi Daya, Jakarta	Indonesia	468	576
Bank Hapoalim, Tel-Aviv	Israel	115	123
Bank Leu, Ltd., Zurich	Switzerland	268	253
Bank Leumi le-Israel, Tel-Aviv	Israel	131	126
Bank Mees & Hope, Amsterdam	Netherlands	292	365
Bank Melli Iran, Tehran	Iran	77	81
Bank fuer Arbeit und Wirtschaft, Vienna	Austria	198	181
Bank fuer Gemeinwirtschaft, Frankfurt	Germany	101	82
Bank fuer Handel und Industrie, Berlin	Germany	409	361
Bank of America NT&SA, San Francisco	United States	49	45
Bank of Baroda, Bombay	India	395	349
Bank of Communications, Taipei	Taiwan	250	355
Bank of Credit & Comm Int'l (Overseas) Ltd., Georgetown	Cayman Islands	371	322
Bank of Credit & Commerce International, Luxembourg	Luxembourg	378	327
Bank of Fukuoka, Ltd.	Japan	102	93
Bank of Hawaii, Honolulu	United States	481	447

Top 100 Firms: Equity Capital-to-Assets Ratios

Equity/ Asset Rank		Equity/ Asset 12/31/87	Asset Rank
1	**Skandinaviska Enskilda Banken, Stockholm**	7.19%	97
2	**Banco do Brasil, Brasilia**	6.83	55
3	**J.P. Morgan & Co. Inc., New York**	6.80	58
4	**Australia & New Zealand Banking Group Ltd., Melbourne**	6.53	100
5	**Credit Suisse, Zurich**	6.15	47
6	**Union Bank of Switzerland, Zurich**	6.08	27
7	**Swiss Bank Corp., Basle**	5.99	31
8	**Rabobank Nederland, Utrecht**	5.79	48
9	**National Westminster Bank Plc, London**	5.63	21
10	**Westpac Banking Corp., Sydney**	5.59	88
11	**Cassa di Risparmio delle Provincie Lombarde, Milan**	5.54	63
12	**Compagnie Financiere de Suez, Paris**	5.47	65
13	**Banca Commerciale Italiana, Milan**	5.38	67
14	**Midland Bank Plc, London**	5.34	40
15	**Bankers Trust New York Corp.**	5.32	76
16	**Lloyds Bank Plc, London**	5.32	46
17	**Monte dei Paschi di Siena**	5.32	68
18	**Canadian Imperial Bank of Commerce, Toronto**	5.17	70
19	**Wells Fargo & Co., San Francisco**	5.12	90
20	**Credito Italiano, Milan**	4.94	78
21	**Rafidain Bank, Baghdad**	4.88	86
22	**Banco Central, Madrid**	4.73	96
23	**Barclays Plc, London**	4.69	19
24	**Bank Melli Iran, Tehran**	4.69	82
25	**Security Pacific Corp., Los Angeles**	4.67	60
26	**Royal Bank of Canada, Montreal**	4.60	59
27	**Groupe Des Banques Populaires, Paris**	4.59	77
28	**Citicorp, New York**	4.44	10
29	**Istituto Bancario San Paolo di Torino, Turin**	4.30	57
30	**First Interstate Bancorp., Los Angeles**	4.29	80
31	**Bank of Montreal**	4.28	72
32	**Bank of Nova Scotia, Toronto**	4.25	79
33	**First Chicago Corp.**	4.15	91
34	**Credit Agricole Mutuel, Paris**	4.08	8
35	**Deutsche Bank, Frankfurt**	4.07	16
36	**Hongkong & Shanghai Banking Corp., Hong Kong**	4.04	33
37	**Chase Manhattan Corp., New York**	4.03	36
38	**Shizuoka Bank Ltd., Japan**	4.01	94
39	**Creditanstalt-Bankverein, Vienna**	3.95	92
40	**Chemical Banking Corp. New York**	3.92	52
41	**American Express Co., New York**	3.91	30
42	**Algemene Bank Nederland, Amsterdam**	3.87	45
43	**Manufacturers Hanover Trust Corp.**	3.78	61
44	**Banco Espanol de Credito, Madrid**	3.78	71
45	**BankAmerica Corp., San Francisco**	3.59	41
46	**Amsterdam-Rotterdam Bank, Amsterdam**	3.55	49
47	**Ashikaga Bank Ltd., Utsunomiya, Japan**	3.33	99
48	**Dresdner Bank, Frankfurt**	3.24	26
49	**Banca Nazionale del Lavoro, Rome**	3.22	39
50	**Chiba Bank Ltd., Japan**	3.19	83
51	**Nederlandsche Middenstandsbank, Amsterdam**	3.15%	87
52	**Joyo Bank Ltd., Mito, Japan**	3.09	89
53	**Bayerische Hypotheken-und Wechsel-Bank, Munich**	3.02	51
54	**Banque Nationale de Paris**	2.94	13
55	**Hokuriku Bank Ltd., Toyama, Japan**	2.90	85
56	**Bank of Yokohama, Ltd., Japan**	2.74	54
57	**Credit Lyonnais, Paris**	2.73	17
58	**Compagnie Financiere de Paribas, Paris**	2.72	29
59	**Fuji Bank, Ltd., Tokyo**	2.69	3
60	**Societe Generale, Paris**	2.69	22
61	**Westdeutsche Landesbank Girozentrale, Duesseldorf**	2.67	37
62	**Industrial Bank of Japan, Ltd., Tokyo**	2.61	6
63	**Bank of Tokyo, Ltd.**	2.50	24
64	**Mitsubishi Bank Ltd., Tokyo**	2.48	4
65	**Bayerische Landesbank Girozentrale, Munich**	2.48	56
66	**Compagnie Financiere de Credit Ind'l et Commercial, Paris**	2.47	69
67	**Shoko Chukin Bank, Tokyo**	2.44	42
68	**Long-Term Credit Bank of Japan Ltd., Tokyo**	2.44	18
69	**Standard Chartered Plc, London**	2.41	75
70	**Kyowa Bank Ltd., Tokyo**	2.40	35
71	**Saitama Bank Ltd., Urawa, Japan**	2.40	43
72	**Sanwa Bank Ltd., Osaka**	2.35	5
73	**Sumitomo Bank Ltd., Osaka**	2.33	2
74	**Generale Banque, Brussels**	2.27	64
75	**Hessische Landesbank-Girozentrale, Frankfurt**	2.22	93
76	**Dai-Ichi Kangyo Bank Ltd., Tokyo**	2.19	1
77	**Mitsui Bank Ltd., Tokyo**	2.18	11
78	**Tokai Bank Ltd., Nagoya, Japan**	2.17	9
79	**Nippon Credit Bank, Ltd., Tokyo**	2.16	32
80	**Deutsche Genossenschaftsbank, Frankfurt**	2.14	50
81	**Bayerische Vereinsbank, Munich**	2.13	38
82	**Banco di Roma, Rome**	2.13	74
83	**Hokkaido Takushoku Bank Ltd., Sapporo, Japan**	2.12	62
84	**Commerzbank, Frankfurt**	2.11	34
85	**State Bank of India, Bombay**	2.02	95
86	**Norddeutsche Landesbank Girozentrale, Hannover**	2.02	66
87	**Taiyo Kobe Bank Ltd., Kobe, Japan**	1.93	20
88	**Banque Bruxelles Lambert, Brussels**	1.90	81
89	**Sumitomo Trust & Banking Co., Ltd., Osaka**	1.81	14
90	**Daiwa Bank, Ltd., Osaka**	1.81	25
91	**Mitsubishi Trust & Banking Corp., Tokyo**	1.71	12
92	**Banco di Napoli, Naples**	1.69	73
93	**Mitsui Trust & Banking Co. Ltd., Tokyo**	1.54	15
94	**Zenshinren Bank, Tokyo**	1.42	44
95	**Toyo Trust & Banking Co., Ltd., Tokyo**	1.34	28
96	**Yasuda Trust & Banking Co., Ltd., Tokyo**	1.33	23
97	**Banco di Santo Spirito, Rome**	1.31	84
98	**Banque Francaise du Commerce Exterieur**	0.97	98
99	**Chuo Trust & Banking Co., Ltd., Tokyo**	0.68	53
100	**Norinchukin Bank, Tokyo**	0.55	7

Data Source: The primary source of data is **American Banker's** questionnaire to the 1,100 largest banks in the world. Data were checked against annual reports whenever possible. Consolidated data, if available, are used for all banks that own over 50% of other banks. The consolidation includes only those affiliates in which ownership exceeds 50%. **Date of figures:** Data for most banks are for Dec. 31, 1987 and Dec. 31, 1986. **Exceptions:** Data for the Austrailian banks in this listing are for Sept. 30, 1987; Canadian bank data are for fiscal yearend Oct. 31, 1987; and all Japanese bank data are for fiscal yearend March 31, 1988, and are compared with data for Sept. 30, 1986. **Equity Capital-to-Assets Ratio:** The ratio of total shareholders' equity capital to total assets (less contra accounts). **Total shareholders' equity capital:** includes the value of common and perpetual preferred stock, surplus, undivided profits, and capital reserves.

Alphabetical Listing of Top 500 Banks in Assets

With Asset and Deposit Ranks on Dec. 31, 1987

		Asset Rank	Deposit Rank
Bank of Hiroshima, Ltd.	Japan	104	91
Bank of Ikeda, Ltd.	Japan	365	337
Bank of India, Bombay	India	334	296
Bank of Ireland, Dublin	Ireland	224	203
Bank of Iwate, Ltd., Morioka	Japan	305	290
Bank of Kyoto, Ltd.	Japan	158	145
Bank of Montreal	Canada	66	59
Bank of New England NA, Boston	United States	238	263
Bank of New York	United States	166	167
Bank of New Zealand, Ltd., Wellington	New Zealand	270	244
Bank of Nova Scotia, Toronto	Canada	75	67
Bank of Okinawa, Ltd., Naha	Japan	407	373
Bank of Osaka, Ltd.	Japan	252	240
Bank of Saga, Ltd.	Japan	357	333
Bank of Scotland, Edinburgh	United Kingdom	155	147
Bank of Seoul	Korea	132	122
Bank of Taiwan, Taipei	Taiwan	148	135
Bank of Tokyo Trust Co., New York	United States	449	420
Bank of Tokyo, Ltd.	Japan	24	25
Bank of Yokohama, Ltd.	Japan	51	53
Bank of the Ryukyus, Ltd., Naha	Japan	333	308
Bankers Trust Co., New York	United States	74	89
Banque Bruxelles Lambert, Brussels	Belgium	76	71
Banque Cantonale Vaudoise, Lausanne	Switzerland	361	330
Banque Cantonale de Berne	Switzerland	337	299
Banque Cantonale de St. Gall	Switzerland	377	334
Banque Cantonale de Zurich	Switzerland	128	115
Banque Commerciale pour l'Europe du Nord, Paris	France	438	394
Banque Francaise du Commerce Exterieur, Paris	France	95	154
Banque Generale du Luxembourg	Luxembourg	299	267
Banque Indosuez, Paris	France	79	90
Banque Internationale a Luxembourg	Luxembourg	273	246
Banque Internationale pour l'Afrique Occidentale, Paris	France	440	414
Banque Misr, Cairo	Egypt	404	375
Banque Nationale de Paris	France	12	13
Banque Paribas Belgique, Brussels (q)	Belgium	376	338
Banque Paribas, Paris	France	55	57
Banque Populaire Suisse, Berne	Switzerland	133	116
Banque Regionale d'Escompte et de Depots, Vincennes	France	316	326
Banque Worms, Paris	France	302	287
Banque de l'Union Europeenne, Paris	France	384	363
Barclays Bank, Paris	France	491	540
Barclays Plc, London	United Kingdom	18	19
Barclays de Zoete Wedd Ltd., London	United Kingdom	313	798
Barnett Bank of South Florida NA, Miami	United States	494	491
Bausparkasse Gemeinschaft der Freunde Wuestenrot, Ludwigsburg	Germany	237	211
Bayerische Hypotheken-und Wechsel-Bank, Munich	Germany	47	41
Bayerische Landesbank Girozentrale, Munich	Germany	53	43
Bayerische Vereinsbank, Munich	Germany	35	34
Bergen Bank	Norway	201	212
Berliner Bank, Berlin	Germany	170	144
Berliner Handels und-Frankfurter Bank, Frankfurt	Germany	175	221
Bikuben, Copenhagen	Denmark	355	344
Boston Safe Deposit & Trust Co.	United States	245	219
Bowery Savings Bank, New York	United States	431	425
Bremer Landesbank Kreditanstalt Oldenburg, Bremen	Germany	184	165
C.O.B.-Caisse d'Epargne Privee, Brussels	Belgium	298	272
CIC-Union Europeenne, International & Cie, Paris	France	396	335
Caisse Centrale des Banques Populaires, Paris	France	181	185
Caisse Generale d'Epargne et de Retraite, Brussels	Belgium	99	83
Caisse Hypothecaire Anversoise, Antwerp	Belgium	486	452
Caisse d'Epargne de l'Etat, Luxembourg	Luxembourg	327	288
Caixa Geral de Depositos, Lisbon	Portugal	225	220
Caja de Ahorros de Cataluna, Barcelona	Spain	497	470
Caja de Ahorros y Monte de Piedad de Barcelona	Spain	388	369
Caja de Madrid	Spain	228	223
Caja de Pensiones para la Vejez, Barcelona	Spain	147	141
California First Bank, San Francisco	United States	460	418
Canadian Imperial Bank of Commerce, Toronto	Canada	64	60
Canara Bank, Bangalore	India	392	374
Cassa di Risparmio V.E. per le Provincie Siciliane, Palermo	Italy	303	298
Cassa di Risparmio delle Provincie Lombarde, Milan	Italy	59	61
Cassa di Risparmio di Firenze, Florence	Italy	358	368
Cassa di Risparmio di Genova e Imperia, Genoa	Italy	424	422
Cassa di Risparmio di Padova e Rovigo, Padova	Italy	401	399
Cassa di Risparmio di Roma, Rome	Italy	157	195
Cassa di Risparmio di Torino, Turin	Italy	186	188
Cassa di Risparmio di Verona, Vicenza & Belluno, Verona	Italy	291	346
Cassa di Risparmio in Bologna	Italy	457	549
Central Bank of India, Bombay	India	416	360
Centrale Raiffeisenkas van Belgische Boerenbond, Leuven	Belgium	244	218
Chang Hwa Commercial Bank, Ltd., Taichung	Taiwan	215	277
Chase Lincoln First Bank NA, Rochester, N.Y.	United States	474	573
Chase Manhattan Bank (USA) NA, Wilmington, Del.	United States	461	970
Chase Manhattan Bank NA, New York	United States	48	51
Chemical Bank, New York	United States	68	72
Chiba Bank, Ltd.	Japan	78	76
Chiba Kogyo Bank, Ltd.	Japan	307	278
Chiba Sogo Bank, Ltd.	Japan	280	252
Cho Hung Bank Ltd., Seoul	Korea	266	332
Christiania Bank og Kreditkasse, Oslo	Norway	192	201
Chugoku Bank, Ltd., Okayama	Japan	141	129
Chukyo Sogo Bank, Ltd., Nagoya	Japan	301	265
Chuo Sogo Bank, Ltd., Nagoya	Japan	282	2510
Chuo Trust & Banking Co., Ltd., Tokyo	Japan	50	47
Citibank (South Dakota) NA, Sioux Falls	United States	257	851
Citibank NA, New York	United States	22	28
Citizens & Southern National Bank, Atlanta	United States	275	301
City Federal Savings Bank, Bedminster, N.J.	United States	287	328
Clydesdale Bank Plc, Glasgow	United Kingdom	433	419
Comerica Bank-Detroit	United States	370	395
Commercial Bank of Greece, Athens	Greece	403	492
Commercial Bank of Korea Ltd., Seoul	Korea	236	310
Commercial Bank of Kuwait	Kuwait	442	393
Commerzbank International, Luxembourg	Luxembourg	285	251
Commerzbank, Frankfurt	Germany	32	30
Commonwealth Bank of Australia, Sydney	Australia	125	132
Commonwealth Banking Corp., Sydney	Australia	120	125
Commonwealth Savings Bank of Australia, Sydney	Australia	290	258
Compagnie Luxembourgeoise de la Dresdner Banque	Luxembourg	256	237
Connecticut Bank & Trust Co. NA, Hartford	United States	326	324
Connecticut National Bank, Hartford	United States	289	315
Continental Illinois Nat'l Bank & Trust Co., Chicago	United States	113	139
Cooperative Bank of Taiwan, Taipei	Taiwan	162	150
Copenhagen Handelsbank	Denmark	179	170
Credit Agricole Mutuel, Paris	France	8	12
Credit Commercial de France, Paris	France	98	103
Credit Foncier Vaudois, Lausanne	Switzerland	453	415
Credit Industriel d'Alsace et de Lorraine, Strasbourg	France	389	370
Credit Industriel et Commercial, Paris (h)	France	146	124
Credit Lyonnais Bank Nederland, Rotterdam	Netherlands	231	205
Credit Lyonnais, Paris	France	16	17
Credit Suisse (Luxembourg)	Luxembourg	489	434
Credit Suisse, Zurich	Switzerland	43	42
Credit du Nord, Lille	France	151	157
Creditanstalt-Bankverein, Vienna	Austria	87	94
Credito Italiano, Milan	Italy	73	68
Credito Romagnolo, Bologna	Italy	221	284
Crestar Bank, Richmond	United States	344	352
CrossLand Savings FSB, Brooklyn, New York	United States	230	309
Dai-Ichi Kangyo Bank Ltd., Tokyo	Japan	1	1
Dai-Ichi Sogo Bank Ltd., Tokyo	Japan	420	371
Dai-San Sogo Bank, Ltd., Matsuzaka	Japan	315	280
Daishi Bank, Ltd., Niigata	Japan	172	163
Daiwa Bank, Ltd., Osaka	Japan	25	23
Danske Bank, Copenhagen	Denmark	143	134
Deutsche Bank Compagnie Financiere Luxembourg	Luxembourg	218	200
Deutsche Bank, Frankfurt	Germany	15	11
Deutsche Genossenschaftsbank, Frankfurt	Germany	46	66
Deutsche Girozentrale-Deutsche Kommunalbank, Frankfurt	Germany	136	245
Development Bank of Singapore Ltd.	Singapore	367	411
Dime Savings Bank of New York FSB, Garden City	United States	284	307
Dresdner Bank, Frankfurt	Germany	26	24
Ehime Sogo Bank, Ltd., Matsuyama	Japan	317	291
Eighteenth Bank, Ltd., Nagasaki	Japan	300	282
Empire of America FSB, Buffalo, N.Y.	United States	286	305
Erste Oesterreichische Spar-Casse, Vienna	Austria	251	233
European American Bank, New York	United States	444	475
Fidelity Bank NA, Malvern, Pa.	United States	312	341
First Bank NA, Minneapolis	United States	190	217
First Commercial Bank, Taipei	Taiwan	182	202
First Fidelity Bank NA, Newark, N.J.	United States	293	311
First Interstate Bank of Arizona NA, Phoenix	United States	425	404
First Interstate Bank of California, Los Angeles	United States	174	162
First Interstate Bank of Oregon NA, Portland	United States	480	455
First National Bank of South Africa Ltd., Johannesburg	South Africa	308	275
First National Bank, Atlanta	United States	408	432
First National Bank, Boston	United States	134	160
First National Bank, Chicago	United States	105	102
First Nationwide Bank, FSB, San Francisco	United States	189	210
First Pennsylvania Bank NA, Philadelphia	United States	470	506
First RepublicBank Dallas NA	United States	171	289
First Tennessee Bank NA, Memphis	United States	478	494
First Union National Bank of Florida, Jacksonville	United States	400	398
First Union National Bank, Charlotte, N.C.	United States	204	304
Fleet National Bank, Providence, R.I.	United States	406	439
Florida National Bank, Jacksonville	United States	391	383
Forsta Sparbanken, Stockholm	Sweden	466	421
Frankfurter Sparkasse von 1822, Frankfurt	Germany	458	402
Fuji Bank, Ltd., Tokyo	Japan	3	3
Fukui Bank, Ltd.	Japan	241	222
Fukuoka Sogo Bank, Ltd.	Japan	220	196
Fukutoku Sogo Bank, Ltd., Osaka	Japan	254	227
Generale Banque, Brussels	Belgium	60	52
Genossenschaftliche Zentralbank, Stuttgart	Germany	283	239
Genossenschaftliche Zentralbank, Vienna	Austria	210	183
Girozentrale und Bank der Oesterreichischen Sparkassen, Vienna	Austria	140	138
Goldome FSB, Buffalo, N.Y.	United States	211	225
Gotabanken, Stockholm	Sweden	349	319
Great American First Savings Bank, San Diego, Calif.	United States	208	235
Great Western Bank, FSB, Beverly Hills	United States	119	133
Groupe Des Banques Populaires, Paris	France	72	74
Gulf Bank, Kuwait	Kuwait	421	378
Gulf International Bank B.S.C., Manama	Bahrain	332	297
Gunma Bank, Ltd., Maebashi	Japan	121	112
Habib Bank Ltd., Karachi	Pakistan	462	443
Hachijuni Bank, Ltd., Nagano	Japan	110	100
Hambros Bank Ltd., London	United Kingdom	368	381
Hamburger Sparkasse, Hamburg	Germany	197	178
Hamburgische Landesbank-Girozentrale, Hamburg	Germany	130	113
Hang Seng Bank Ltd., Hong Kong	Hong Kong	229	194
Hanil Bank Ltd., Seoul	Korea	263	306
Hanshin Sogo Bank, Ltd., Kobe	Japan	427	387
Harris Trust & Savings Bank, Chicago	United States	350	366
Hessische Landesbank-Girozentrale, Frankfurt	Germany	88	75
Higo Bank, Ltd., Kumamoto	Japan	214	193
Hiroshima Sogo Bank, Ltd.	Japan	261	241
Hokkaido Bank, Ltd., Sapporo	Japan	150	146
Hokkaido Takushoku Bank, Ltd., Sapporo	Japan	57	56
Hokkoku Bank, Ltd., Kanazawa	Japan	199	190
Hokuetsu Bank, Ltd., Nagaoka	Japan	272	248
Hokuriku Bank Ltd., Toyama	Japan	81	78
Hokuyo Sogo Bank, Ltd., Sapporo	Japan	311	276
Hongkong and Shanghai Banking Corp., Hong Kong	Hong Kong	31	31
Hua Nan Commercial Bank, Ltd., Taipei	Taiwan	213	261
Huntington National Bank, Columbus, Ohio	United States	351	403
Hyakugo Bank, Ltd., Tsu	Japan	195	184
Hyakujushi Bank, Ltd., Takamatsu	Japan	153	159
Hyogo Sogo Bank, Ltd., Kobe	Japan	127	114
Industrial Bank of Japan, Ltd., Tokyo	Japan	6	7

Alphabetical Listing of Top 500 Banks in Assets

With Asset and Deposit Ranks on Dec. 31, 1987

		Asset Rank	Deposit Rank
International Commercial Bank of China, Taipei	Taiwan	417	474
International Westminster Bank Plc, London	United Kingdom	94	105
Irving Trust Co., New York	United States	168	207
Israel Discount Bank, Ltd., Tel-Aviv	Israel	233	215
Istituto Bancario Italiano, Milan	Italy	366	357
Istituto Bancario San Paolo di Torino, Turin	Italy	54	55
Iyo Bank, Ltd., Matsuyama	Japan	165	156
Joyo Bank, Ltd., Mito	Japan	85	79
Jugobanka-United Bank, Belgrade	Yugoslavia	414	509
Juroku Bank, Ltd., Gifu	Japan	152	151
Jyske Bank, Silkeborg	Denmark	346	362
Kagawa Sogo Bank, Ltd., Takamatsu	Japan	467	429
Kagoshima Bank, Ltd.	Japan	243	226
Kansai Sogo Bank, Ltd., Osaka	Japan	435	397
Kansallis-Osake Pankki, Helsinki	Finland	117	127
Kanto Bank, Ltd., Tsuchiura	Japan	488	445
Kinki Sogo Bank, Ltd., Osaka	Japan	205	189
Kitanippon Sogo Bank, Ltd., Morioka	Japan	439	400
Kiyo Bank, Ltd., Wakayama	Japan	194	179
Kleinwort, Benson, Lonsdale Plc, London	United Kingdom	212	260
Kochi Sogo Bank, Ltd.	Japan	473	433
Kofuku Sogo Bank, Ltd., Osaka	Japan	239	213
Korea Exchange Bank, Seoul	Korea	167	279
Korea First Bank, Seoul	Korea	253	317
Kredietbank International Group, Brussels	Belgium	107	95
Kredietbank S.A. Luxembourgeoise, Luxembourg	Luxembourg	340	312
Kreissparkasse Koeln, Cologne	Germany	415	356
Krung Thai Bank Ltd., Bangkok	Thailand	469	437
Kyowa Bank, Ltd., Tokyo	Japan	33	37
Kyushu Sogo Bank, Ltd., Sasebo	Japan	434	382
Land Bank of Taiwan, Taipei	Taiwan	235	228
Landesbank Rheinland-Pfalz Girozentrale, Mainz	Germany	135	118
Landesbank Saar-Girozentrale, Saarbrucken	Germany	450	756
Landesbank Schleswig-Holstein Girozentrale, Kiel	Germany	161	140
Landesbank Stuttgart Girozentrale	Germany	126	109
Landesgirokasse, Stuttgart	Germany	269	242
Ljubljanska Banka, Ljubljana	Yugoslavia	364	446
Lloyds Bank Plc, London	United Kingdom	42	40
Lombard North Central Plc, London	United Kingdom	297	496
Long Island Savings Bank FSB, Syosset, N.Y.	United States	475	504
Long-Term Credit Bank of Japan Ltd., Tokyo	Japan	17	18
Luzerner Kantonalbank, Lucerne	Switzerland	362	318
MBank Dallas NA	United States	397	409
Malayan Banking Berhad, Kuala Lumpur	Malaysia	382	350
Manufacturers Hanover Trust Co., New York	United States	69	70
Manufacturers National Bank, Detroit	United States	381	379
Marine Midland Bank NA, Buffalo, N.Y.	United States	159	164
Maryland National Bank, Baltimore	United States	330	343
Mellon Bank NA, Pittsburgh	United States	154	175
MeraBank, FSB, Phoenix, Ariz.	United States	426	522
Meridian Bank, Reading, Pa.	United States	413	408
Meritor Savings Bank, Philadelphia	United States	176	197
Michigan National Bank, Farmington Hills	United States	356	342
Michinoku Bank, Ltd., Aomori	Japan	359	325
Midland Bank Plc, London	United Kingdom	37	38
Mie Bank, Ltd., Yokkaichi	Japan	452	417
Mitsubishi Bank Ltd., Tokyo	Japan	4	4
Mitsubishi Trust & Banking Corp., Tokyo	Japan	11	8
Mitsui Bank, Ltd., Tokyo	Japan	10	14
Mitsui Trust & Banking Co., Ltd., Tokyo	Japan	14	15
Miyazaki Bank, Ltd.	Japan	338	313
Monte dei Paschi di Siena	Italy	63	62
Morgan Grenfell & Co. Ltd., London	United Kingdom	410	392
Morgan Guaranty Trust Co., New York	United States	58	69
Musashino Bank, Ltd., Omiya	Japan	258	234
NCNB National Bank of Florida, Tampa	United States	314	345
NCNB National Bank of North Carolina, Charlotte	United States	203	236
Nagoya Sogo Bank, Ltd.	Japan	227	199
Nanto Bank, Ltd., Nara	Japan	164	153
Nassauische Sparkasse Wiesbaden, Wiesbaden	Germany	398	431
NatWest Investment Bank Ltd., London	United Kingdom	386	633
National Australia Bank Ltd, Melbourne	Australia	106	152
National Bank of Canada, Montreal	Canada	144	142
National Bank of Detroit	United States	223	229
National Bank of Dubai Ltd., Dubai	United Arab Emirate	471	449
National Bank of Egypt, Cairo	Egypt	393	376
National Bank of Greece, Athens	Greece	129	120
National Bank of Kuwait	Kuwait	281	247
National City Bank, Cleveland	United States	402	442
National Commercial Bank, Jeddah	Saudi Arabia	177	158
National Westminster Bank Plc, London	United Kingdom	20	16
National Westminster Bank USA, New York	United States	274	262
Nederlandsche Middenstandsbank, Amsterdam	Netherlands	83	77
Niigata Sogo Bank, Ltd.	Japan	443	396
Nippon Credit Bank, Ltd., Tokyo	Japan	30	32
Nippon Trust & Banking Co., Ltd., Tokyo	Japan	123	119
Nishi-Nippon Sogo Bank, Ltd., Fukuoka	Japan	137	130
Nordbanken, Stockholm	Sweden	342	377
Norddeutsche Genossenschaftsbank, Hannover	Germany	288	259
Norddeutsche Landesbank Girozentrale, Hannover	Germany	61	54
Norinchukin Bank, Tokyo	Japan	7	6
Norske Creditbank, Oslo	Norway	160	176
Northern Trust Co., Chicago	United States	383	413
Norwest Bank Minneapolis NA	United States	422	531
Nuovo Banco Ambrosiano, Milan	Italy	183	191
Oesterreichische Laenderbank, Vienna	Austria	149	148
Oesterreichische Postsparkasse, Vienna	Austria	207	180
Oesterreichische Volksbanken, Vienna	Austria	499	440
Ogaki-Kyoritsu Bank, Ltd., Ogaki	Japan	222	208
Oita Bank, Ltd.	Japan	277	256
Osuuspankkien Keskuspankki Oy, Helsinki	Finland	380	562
Oversea-Chinese Banking Corp., Ltd., Singapore	Singapore	477	487
PKbanken, Stockholm	Sweden	112	117
Peoples Bank, Bridgeport, Conn.	United States	476	460
Philadelphia National Bank	United States	352	364
Pittsburgh National Bank	United States	226	286
Postipankki, Helsinki	Finland	200	232
Privatbanken, Copenhagen	Denmark	202	187
Provident National Bank, Philadelphia	United States	448	464
Provinsbank, Aarhus	Denmark	318	300
Rabobank Nederland, Utrecht	Netherlands	44	49
Rafidain Bank, Baghdad	Iraq	82	73
Rainier National Bank, Seattle	United States	374	372
Republic National Bank, New York	United States	196	198
Riggs National Bank, Washington, D.C.	United States	454	436
Riyad Bank Ltd., Jeddah	Saudi Arabia	304	293
Royal Bank of Canada, Montreal	Canada	56	50
Royal Bank of Scotland Plc., Edinburgh	United Kingdom	114	104
Saitama Bank Ltd., Urawa	Japan	39	46
Sal. Oppenheim jr. & Cie., Cologne	Germany	372	331
San-in Godo Bank, Ltd., Matsue	Japan	234	214
Sanwa Bank California, San Francisco	United States	496	502
Sanwa Bank Ltd., Osaka	Japan	5	5
Scandinavian Bank Ltd., London	United Kingdom	465	427
Sears Savings Bank, Glendale, Calif.	United States	479	519
Seattle-First National Bank	United States	309	302
Security Pacific National Bank, Los Angeles	United States	86	87
Senshu Bank, Ltd., Kishiwada	Japan	348	316
Shawmut Bank of Boston NA	United States	390	438
Shiga Bank, Ltd., Otsu	Japan	178	161
Shiga Sogo Bank, Ltd., Otsu	Japan	423	384
Shikoku Bank, Ltd., Kochi	Japan	247	230
Shinwa Bank, Ltd., Sasebo	Japan	322	294
Shizuoka Bank Ltd.	Japan	89	80
Shoko Chukin Bank, Tokyo	Japan	38	36
Signet Bank/Virginia, Richmond	United States	405	423
Skandinaviska Enskilda Banken, Stockholm	Sweden	93	98
Skopbank, Helsinki	Finland	276	458
Societe Generale Alsacienne de Banque, Strasbourg	France	242	216
Societe Generale, Paris	France	21	21
Societe Lyonnaise de Banque, Lyons	France	321	295
Societe Nationale de Credit a l'Industrie, Brussels	Belgium	209	209
Society National Bank, Cleveland	United States	490	493
Southeast Bank NA, Miami	United States	255	264
Sovran Bank NA, Richmond	United States	260	255
Sparbankernas Bank, Stockholm	Sweden	108	270
Sparekassen SDS, Copenhagen	Denmark	265	266
Sparkasse der Stadt Berlin West, Berlin	Germany	267	238
Sparkasse in Bremen	Germany	455	461
Stadtsparkasse Koeln, Cologne	Germany	320	274
Stadtsparkasse Munchen, Munich	Germany	394	359
Standard Bank of South Africa Ltd., Johannesburg	South Africa	387	336
Standard Chartered Bank, London	United Kingdom	71	63
Standard Federal Bank, Troy, Mich.	United States	345	477
State Bank Victoria, Melbourne	Australia	279	254
State Bank of India, Bombay	India	91	92
State Bank of New South Wales, Sydney	Australia	446	454
State Street Bank & Trust Co., Boston	United States	419	473
Sudwestdeutsche Genossenschafts-Zentralbank, Frankfurt	Germany	217	192
Sumitomo Bank Ltd., Osaka	Japan	2	2
Sumitomo Trust & Banking Co., Ltd., Osaka	Japan	13	10
Suruga Bank, Ltd., Numazu	Japan	185	168
Svenska Handelsbanken, Stockholm	Sweden	103	99
Swiss Bank Corp., Basle	Switzerland	29	29
Taiko Sogo Bank, Ltd., Nagaoka	Japan	495	511
Taisei Sogo Bank, Ltd., Maebashi	Japan	319	285
Taiyo Kobe Bank, Ltd., Kobe	Japan	19	20
Texas Commerce Bank NA, Houston	United States	278	348
Thurgauische Kantonalbank, Weinfelden	Switzerland	459	416
Tochigi Sogo Bank, Ltd., Utsunomiya	Japan	428	386
Toho Bank, Ltd., Fukushima	Japan	249	231
Tokai Bank Ltd., Nagoya	Japan	9	9
Tokiwa Sogo Bank, Ltd., Tokyo	Japan	363	321
Tokuyu Sogo Bank, Ltd., Sendai	Japan	500	466
Tokyo Sogo Bank, Ltd.	Japan	156	143
Tokyo Tomin Bank, Ltd.	Japan	246	224
Toronto Dominion Bank	Canada	100	85
Toyo Trust & Banking Co. Ltd., Tokyo	Japan	28	27
Trust Company Bank, Atlanta	United States	482	544
Trustee Savings Bank England & Wales, London	United Kingdom	169	166
Turkiye Cumhuriyeti Ziraat Bankasi, Ankara	Turkey	335	428
Turkiye Is Bankasi, Ankara	Turkey	451	485
Udruzena Banka Hrvatske, Zagreb	Yugoslavia	296	482
Udruzena Beogradska Banka, Belgrade	Yugoslavia	347	525
Union Bank of Finland, Ltd., Helsinki	Finland	118	137
Union Bank of Norway, Oslo	Norway	353	347
Union Bank of Switzerland (Luxembourg)	Luxembourg	324	283
Union Bank of Switzerland, Zurich	Switzerland	27	26
Union Bank, Los Angeles	United States	331	329
Union de Banques Arabes et Francaises, Neuilly (w)	France	329	292
United Mizrahi Bank Ltd., Tel-Aviv	Israel	429	406
United Overseas Bank Ltd., Singapore	Singapore	418	424
United States National Bank, Portland	United States	379	389
Valley National Bank, Phoenix	United States	310	273
Vereins-und Westbank, Hamburg	Germany	262	257
Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	United States	271	268
Washington Mutual Savings Bank, Seattle	United States	472	574
Wells Fargo Bank NA, San Francisco	United States	90	88
West LB International, Luxembourg	Luxembourg	437	405
Westdeutsche Genossenschafts-Zentralbank, Duesseldorf	Germany	187	174
Westdeutsche Landesbank Girozentrale, Duesseldorf	Germany	34	33
Westfalenbank, Bochum	Germany	219	589
Westpac Banking Corp., Sydney	Australia	84	97
Westpac Savings Bank Ltd., Sydney	Australia	463	412
Yamagata Bank, Ltd.	Japan	343	323
Yamaguchi Bank, Ltd., Shimonoseki	Japan	139	128
Yamanashi Chuo Bank, Ltd., Kofu	Japan	295	269
Yasuda Trust & Banking Co. Ltd., Tokyo	Japan	23	22
Zenshinren Bank, Tokyo	Japan	40	39
Zentralsparkasse und Kommerzialbank, Vienna	Austria	180	172

DAILY FINANCIALS

Monday July 25, 1988

Money Market

Federal funds range-Domestic 7⅞%-7 15/16%
Prime rate (7/15/88)..........9.50%
Discount rate FRB of New York (9/4/87)..........6.00%

Call loans on securities, to brokers on stock exchange collateral (7/20/88)..........9.00%

Bankers acceptances offering rate, discount (7/25)
30 days: 7.70 60 days: 7.75 90 days: 7.85
120 days: 7.88 150 days: 7.90 180 days: 7.95

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (7/25)
14 days: 7.30 30 days: 7.50 60 days: 7.60
90 days: 7.75 120 days: 7.80 150 days: 7.85
180 days: 8.00 270 days: 8.10 360 days: 8.25

Commercial paper, dealer Aaa, discount (7/25)
30 days: N.A. 60 days: N.A. 90 days: N.A.

Commercial paper, directly placed, discount (7/25)
5-14 days: 7.00-7.85 15-29 days: 7.00-7.85
30-59 days: 7.00-7.85 60-89 days: 7.00-7.85
90-179 days: 7.00-7.85 180-270 days: 7.00-7.85

Treasury-bill rates, secondary market, bid (7/25)
90 days: 6.76 180 days: 7.04 1 year: 7.23

Eurodollar deposits, London bid (7/25)
Overnight: 7¾ 7 days: 7¾ 1 month: 7 15/16
3 mos.: 8 3/16 6 mos.: 8 7/16 1 year: 8 11/16

NIBOR: 8½% **LIBOR:** 8 9/16%

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
July 23:	282.6	1988:	296.0	227.7	282.6
July 22:	288.2	1987:	401.7	212.0	234.6
July 21:	290.5	1986:	388.7	331.2	331.3
July 20:	281.2	1985:	344.2	242.7	344.2
July 19:	289.4	1984:	269.6	178.4	246.3

* Based on midday prices.

Auditing and Accounting Focus of Fall Conference

NEW YORK — Frost & Sullivan Inc., a New York firm that prepares international market research reports, is sponsoring its first institute on bank accounting and auditing on Sept. 26-27.

The conference will focus on sound internal auditing and control practices and their applications to the competitive banking environment.

Topics include accounting for income taxes under FASB Statement 96, accounting for securitization and Third World debt, and summary annual reports. Invited faculty members include bank executives, senior members of accounting and legal firms, and members of the academic community.

The conference will be held at the Garden City Hotel, Garden City, N.Y. For more information, write or call Cheryl Wright at Frost & Sullivan Inc., 106 Fulton St., New York, N.Y. 10038; phone 212-233-1080. ■

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Japanese Banks, with Biggest Assets, Rank Below Top 25 in Equity Capital

➸ Continued from Page 1

different story, however. Dai-Ichi Kangyo, with a meager equity-to-assets ratio of 2.19%, falls to 76th place worldwide.

One Estimate: $35 Billion

According to IBCA Banking Analysis Ltd., a London-based research firm, as of March 1988 Japanese banks needed to raise $35 billion to bring their equity capital to 4% of risk-adjusted assets. They have already taken significant steps toward that goal. In the year ended March 1988, major Japanese banks raised roughly $12 billion in new equity and announced plans to raise an additional $6 billion.

Although many Western bankers regard the guidelines as a welcome constraint on the Japanese banks, some say they will not find it too difficult to meet them.

"The equity position of Japanese banks is ridiculously understated," said Andreas Prindle, managing director at Nomura International Finance Ltd., the London-based banking subsidiary of Nomura Securities International Inc.

When the property and securities holdings of Japanese banks are included, Mr. Prindle said, their capital position looks much the same as that of Western banks. Under the new guidelines, 45% of those holdings can be counted as supplementary capital.

It is unlikely, however, that Japanese banks will liquidate much of those holdings to increase pure equity capital. The Japanese banks use these holdings to support the banks' own businesses and to cement relationships with customers. Also, wholesale liquidations of such holdings would depress the Tokyo stock market.

Thus, Mr. Prindle said, Japanese banks will have to turn to the market for much of their new capital. Still, he said, they will have an advantage over Western banks. Not only is the Tokyo market much more receptive to new bank issues than Western markets, but Japanese banks trade at much higher price-earnings multiples than European and U.S. banks, he said.

Swiss Strongest in Equity

Among Western banks, the Swiss emerge as the strongest in terms of equity, the *American Banker* survey showed. All three major Swiss banks placed within the top 10 in terms of equity to assets.

Also high in rankings were British and Italian banks. All four of Britain's major clearing banks placed in the top 25. Four of Italy's top seven banks ranked in the top 25. However, two of the Italian banks — Cassa di Risparmio delle Provincie Lombarde and Monte dei Paschi di Siena — are special cases because they are controlled by local governments and have no shareholders.

Among U.S. banks, only Citibank ranked in the top 25 in terms of assets. In terms of equity, four U.S. banking firms — J.P. Morgan & Co., Bankers Trust New York Corp., Wells Fargo & Co., and Security Pacific Corp. — placed in the top 25.

U.S. banks generally showed little asset growth during the year, and some — Bank of America, Morgan Guaranty Trust Company of New York, Manufacturers Hanover Trust Co., and Security Pacific — posted declines in assets. The largest decline was at Bank of America, where assets fell from $89 billion in 1986 to $79 billion at year end.

Because of the decline, Bank of America dropped from 29th largest in the world in 1986 to 49th largest at the end of last year.

Exchange rates had a major impact on the relative growth of assets for banks in different countries. The yen-dollar relationship had the greatest impact, with the yen appreciating 22% against the dollar between Sept. 30, 1986, and March 31, 1988. ■

Mellon . . .

➸ Continued from Page 3

composed primarily of equity and retained earnings.

Mellon said that $175 million of its $525 million of new equity will include a series of noncumulative preferred stock purchased principally by the Warburg Pincus group. Regulators recently permitted banks to count noncumulative preferred as core capital.

Warburg Pincus held no bank stock before the deal, said Thomas Daley, a spokesman. Lionel Pincus, head of the firm, has known Frank V. Cahouet, chairman and chief executive of Mellon Bank Corp., "for some 30 years and has great confidence in management's abilities," Mr. Daley added.

The Wall Street investment firm now holds between 15% and 20% of Mellon, exceeding Paul Mellon's 8.8% share at yearend, a bank spokesman said. He said Warburg Pincus' stake will be diluted as new equity is issued.

The equity package also includes the issuance of $100 million in cumulative convertible preferred stock placed by Drexel. Convertible preferred does not count as core capital.

The remaining $250 million of equity will be made in the form of a bridge loan that Drexel is raising from an unnamed group of institutional investors who have entered into firm equity purchase contracts with the bank. If Mellon can't raise the $350 million, it will exercise puts requiring the investors to purchase 12 million shares of Mellon stock at $22 a share. The institutional investors, in turn, have received five-year warrants, not exercisable for the first year, to purchase 3 million Mellon shares at $25 per share.

At noon on Monday, Mellon stock was trading at $31.25 a share, down $1.25 from the opening, on heavy volume.

Mellon said it anticipates no change in its quarterly common stock cash dividend as a result of these actions. The bank company also will distribute as a special dividend to its common shareholders the $30 million of common stock in its new "bad" bank. The shares will be traded in the over-the-counter market. ■

Rau Seeks Consistency at Exchange Bancorp

➸ Continued from Backpage

Indeed, Mr. Rau had a shot to become president of Exchange at age 29, when Mr. Kaufman and his group gained control. "They were looking for someone to run the place. Ira Kaufman said we really like you, but if the first thing we do is make a 29-year-old president, we'll look silly. I said I can't change my age."

"That's entirely correct," concurred Mr. Kaufman. Because of Mr. Rau's youth as well as strife with former management at the bank, "we didn't feel it was worth taking a chance," he said. "People would say he's just a young kid."

Instead, the investor group brought in as president Homer J. Holland, a former senior vice president at First National Bank of Chicago, who was looking for short-term employment before heading on to something more "entrepreneurial," Mr. Rau said.

Mr. Rau was placed in the "designated-hitter spot."

"Really, from that point on, I kind of knew," he said. "The attraction was [that] sometime within a reasonably defined period, this [job] would be mine."

Mr. Holland resigned to form his own management consulting firm, and in 1983, Mr. Rau became president of the bank and deputy chairman of the holding company in a team working relationship with Norman Bobbins. Mr. Bobbins, who was named president of the holding company and vice chairman and chief lending officer of the bank was the senior member of the team, at 40 years old.

A youthful management staff was "built from scratch" at Exchange. Mr. Rau estimates that only one or two of the top 30 managers now at the bank date back to the old regime. With an average age of 46, many managers were recruited from Chicago's largest banks.

"We tended to want to recruit from the bigger institutions. We felt we should 'overgun' management. We wanted to recruit people that would fit in if we grew to be $2 billion to $3 billion [in assets]," Mr. Rau said.

Mr. Rau terms his management staff "refugees from bureaucracies" who prefer doing deals to paperwork. "All of us are still involved in substantial business development . . . I mostly recruited people who like to do that.

"It's taken six or seven years, but now we're doing more doing than building," Mr. Rau said. "We're starting to see the numbers." ■

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TOP MORTGAGE ORIGINATORS
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Today

In a rare public hearing scheduled for today, proponents of limited-service banks are expected to ask the Federal Reserve Board to relax proposed restrictions on these institutions. ____ 2

Salomon Brothers Inc. launched a mortgage-backed issue equivalent to $233 million for the TSB Group PLC, winning a key battle in its fight to bring a mortgage-backed securities market to Britain. ____ 2

Coast Savings and Loan said a lowering of its operating costs helped to produce a 7% increase in second-quarter profits. ____ 2

The current high level of corporate debt could force an unprecedented number of the nation's largest companies into bankruptcy if there is a recession, according to two Princeton University economists. ____ 2

MasterCard president Russell E. Hogg has appointed Jack E. Robinson, a former Texas Air Corp. executive, to a key marketing post. ____ 3

Empire of America Federal Savings Bank will test market an affinity card with the American Foundation for AIDS Research. ____ 16

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COMMENT

Asset-back lenders have to be financial jacks-of-all-trades, writes Harold F. Stierhoff. The Signet Bank-/Virginia senior vice president supplies a shopping list of what to look for in candidates for this specialty. 4

THRIFTS & MORTGAGES

Analysts and thrift executives are watching the newly issued stock of Connecticut's Peoples Bank, but most say it is too soon to learn any lessons from the thrift about minority stock ownership. ____ 6

When Treasury Under Secretary of Finance George D. Gould appears before the Senate Banking Committee next week for a hearing on the ills of the FSLIC, he's going to offer pretty much the same advice he gave the committee two years ago. ____ 6

Lomas Mortgage USA and three other big-name mortgage companies have fallen from the ranks of the top 10 in originations, reflecting turbulence throughout the industry. __ 10

Illinois thrift regulators are putting the final touches on regulations allowing state savings and loans to convert to mutual holding companies. 10

Worth Repeating

They were always having mistakes before. I don't know who to attribute the improvement to, but it's really there.

William Cunningham, treasurer of Cunningham Enterprises Corp., on the performance of the back office at Continental Illinois Corp. [Page 1]

Financial Industry Rejects Banking Bill

Major Provisions Of the Legislation

By BARBARA A. REHM
Washington Bureau

The House Banking Committee, after more than 16 hours of debate, voted 31 to 20 early Thursday morning in favor of legislation that would expand bank involvement in the securities business but further restrict insurance and real estate activities. The bill also increases consumer protection requirements.

The major provisions follow.

Title I: Securities Provisions

Bank holding company subsidiaries may underwrite and deal in commercial paper, municipal revenue bonds, asset-backed securities, mutual funds, and corporate bonds. Convertible bonds may be underwritten as long as they carry a conversion premium of at least 15%.

Banks with less than $500 million in assets may underwrite municipal revenue bonds directly in the bank. All banks may sell mutual funds and conduct discount brokerage in the bank.

Mergers between the 15 largest commercial and investment banks are banned. International banks or securities firms with more than $30 billion in assets are also barred from acquiring these large U.S. institutions.

Before a bank holding company securities subsidiary may exercise any new powers, the holding company's bank must hold 8% capital, thereby meeting risk-based capital requirements. Half of that capital must consist of shareholder equity.

Title II: Firewall Provisions

Banks may not lend to, buy assets from, or issue guarantees to affiliated securities subsidiaries.

Major Provisions: Page 15 ➞

Consumer Clauses Deemed Onerous

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Major segments of the financial services industry withdrew support on Thursday for the House Banking Committee's broad industry-reform legislation, after a hard-fought battle ended in an early-morning compromise by panel members.

The American Bankers Association, the Securities Industry Association, the Independent Insurance Agents of America, and the Investment Company Institute said on Thursday that they will not support the committee's bill.

The legislation, sponsored by committee Chairman Fernand J. St Germain, D-R.I., generally would ease restrictions on banks entering the securities underwriting business while barring them from underwriting insurance or entering real estate development markets for two years. The bill also would reinforce firewalls between a bank and its holding company's securities subsidiary while requiring banks that want to exercise new powers to meet new capital requirements and stringent consumer regulations.

Securities: Page 15 ➞

TOM THEOBALD: THE FIRST YEAR

Continental Turns Aggressive

By LISABETH WEINER
Midwest Bureau

CHICAGO — In his one year at the helm of Continental Illinois Corp., Thomas C. Theobald has discarded the bank's consumer division and added expertise in trading, distribution, and merchant banking to narrow its focus to the business community.

Analysts say it is premature to measure the impact on the marketplace, but some corporate treasurers already have noticed key differences.

"The major change is in their approach to financing," says David T. Allen, chief financial officer of Dynascan Corp., Chicago. "In 1987, we had been a secured borrower; now we have an unsecured agreement."

Mr. Allen concedes there was some give-and-take in arranging the latest loan agreement. He had to scale down his credit requests and give in on some covenants. But when he told the bank what he wanted, they didn't shy away.

"I said, 'Here's what I want. If you can't deal with it, we understand. But I'm giving you the first shot at the deal. If you want our business, this is what I need.' And from there we negotiated."

Mr. Theobald arrived here last Aug. 1 and three months later announced a plan to turn Continental into one of the few commercial banks in the country focusing entirely on wholesale business. Its targets are national firms with annual sales of $200 million to $2 bil-

Companies: Page 5 ➞

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Broad Experience, Education Are Musts for Asset-Based Lenders

By **HAROLD F. STIERHOFF**

AS NARROWLY focused lenders, asset-based financial services organizations develop their lending officers for the most part from within their ranks or recruit them from competitors in the industry.

With asset-based lending now a big part of commercial banking, here's what one might look for in a competent asset-based lender.

There is no hard and fast rule for educational background, though the "school of hard knocks" probably accounts for the largest number of graduates in the business. It remains one of the premier requirements in the development of a fully qualified asset-based lender. No textbooks fully cover the variety of experiences encountered during a typical career in this field.

Asset-based lenders are expected to be able to understand and deal with such complex financial structures as leveraged buyouts, wade through the murky waters of the Bankruptcy Code, deal with litigation, determine what's going to work in the marketplace, understand the day-to-day changes in the value of collateral, and predict economic cycles.

They must also know how to unravel accounting complexities, account for tax law implications, be aware of industrial management techniques, have a sound foundation in commercial law, understand the banking system, judge the ability of managers, react to serious and complex issues on short notice — and manage his or her time with no idea of what tomorrow's schedule may be.

Seasoned asset-based lenders generally have encountered all of the above —on the same day. Obviously, this type of experience is not gained overnight. Even five years of lending might not provide the necessary depth of experience if the period covered a strong, prolonged economic cycle.

Although nothing supplants lessons learned in the "school of hard knocks," a sound general education and a business background speed up the learning process. A business degree emphasizing finance and accounting helps, as does experience in collecting accounts. Stints in the audit and workout departments of an asset-based lending operation provide broad exposure to the intricacies of the business. And let's not forget experience as a commercial lending officer.

Specialized training in secured lending is also available. The NCFA/-Wharton Institute of Asset-Based Lending, developed by the National Commercial Finance Association and Wharton School of the University of Pennsylvania, offers an intensive program. Participants must make a major commitment and effort to develop their business skills. At the Wharton campus, three sessions — totaling five weeks of classroom work — are given during the two-year program.

No formal educational requirements are needed for the institute's program. Applications are reviewed by an admissions committee, comprising both industry representatives and Wharton faculty, to make sure applicants have the background and ability to complete the program.

Many skills the asset-based lender needs that are derived from the legal, accounting, and banking professions can be gained from formal programs offered in these areas. The Uniform Commercial Code for example, is addressed in the curriculum of most business schools.

Yet, in order to gain an in-depth understanding of the pitfalls in Article 9 of the UCC — while recognizing the complexities and differences among states — practical on-the-job experience is required.

Although all asset-based lenders use in-house counsel and/or outside firms to assist in legal matters, the asset-based lender often makes decisions and takes action basis without the benefit of counsel. He or she does this for good reasons: to keep down costs and to react with dispatch.

To my knowledge there is no school or formal program dedicated to the continuing study of the Bankruptcy Code and implementation of bankruptcy proceedings. There are seminars, booklets, and various training sessions for lenders that deal with the various aspects of bankruptcy. However, a lender's training is not complete until he actually appears before a bankruptcy judge, serves on a creditor's committee and takes a superpriority lien in a Chapter 11 proceeding.

Collateral evaluation is a science and an art. The lender must do his best under existing circumstances, realizing full well that while an accurate assessment of collateral value may be valid today, that value can change quickly and dramatically.

A good asset-based lender is usually more qualified to judge the collateral value of accounts receivable than most corporate lending officers and is able to make sound judgments on inventory valuation. The asset lender also recognizes the value of bringing in outside experts for the evaluation of machinery, equipment, and real estate.

Sound collateral evaluation requires an understanding of how receivables pay out in various types of businesses and under such circumstances as economic cycles and changes in the weather. Over time the astute lender also develops relationships and shares experiences with reliable outside appraisers upon whom he or she can rely.

Qualifications required of an asset-based lender naturally will vary, depending on the size and structure of a financial institution. In some organizations the asset-based lender must also handle new-business development. This obviously requires skills beyond the lending process. ■

> 'There is no hard and fast rule for educational background, though the school of hard knocks probably accounts for the largest number of graduates in the business.'
>
> **— Harold F. Stierhoff**
> **Senior Vice President**
> **Signet Bank/Virginia**

Harold F. Stierhoff is senior vice president, Signet Bank/Virginia, Richmond, Va., and a director and executive committee member of the National Commercial Finance Association.

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LETTERS TO THE EDITOR

Predictions of Social Security Surplus Are Off Base

To the Editor:

Erich Heinemann's July 18 commentary on tax and budget issues ["Truth in Taxes: Taking the Measure of Election-Year Rhetoric, page 6] quotes Morgan Guaranty economists as saying that in 2015 the annual Social Security surplus will be almost $500 billion. As a result, he argues, these annual surpluses could be used to pay off the federal debt and cause a quantum increase in saving, investment, production, and exports.

There is only one problem with this argument. In no meaningful economic sense will there be an annual surplus in 2015. If one looks at projected Social Security income and outgo in 2015, using the most commonly accepted set of economic assumptions (the Social Security Administration's Assumption II-B), one will find a surplus of approximately $500 billion. However, roughly $385 billion of the surplus is simply interest on the projected $7 trillion in government bonds held in the retirement trust funds.

Since government bonds are IOUs to collect taxes in the future, all that is happening here is that interest in the form of further IOUs is accumulating on the existing IOUs. To say that the government will pay off the national debt with this $385 billion is like saying that I can get out of debt by paying off my mortgage with a Visa card.

That leaves around $115 billion in surplus. But the Morgan economists have conveniently left out Medicare. Indeed, the combined Social Security and Medicare cash flow in the year 2015 under Assumption II-B is expected to add up to roughly a $50 billion deficit. So much for the surplus.

One might add that many consider Assumption II-B to be less realistic than the more pessimistic Assumption III. Moreover, it is quite likely that the Social Security actuaries have made overly optimistic demographic estimates. And as the Morgan economists worry, politicians are still under pressure to spend more money. The catastrophic health bill, for example, will no doubt eventually fail to pay for itself, despite claims to the contrary. All of these factors tend to make the numbers worse.

Payroll taxes have become a larger and larger source of revenue for the government, and this trend is projected to continue. However, there is no magic "surplus" out there as a panacea for our current budget problems.

Fortunately, as is pointed out in the article, simply capping spending growth at 4% for the next four years would balance the budget without a tax increase. Indeed, Congressional Budget Office figures show that a spending freeze would create a budget surplus in three years. A spending freeze is a real solution to our budget problems, not a solution relying on imaginary surpluses.

Michael Becker
Director, Financial Services Policy
Citizens for a Sound Economy
Washington

Something to Say? We Want to Hear

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Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

4 Big Mortgage Lenders Drop from Top 10

Lomas Falls to 13th Place; Reshufflings Reflect Rocky Condition of Industry

By PHIL ROOSEVELT

NEW YORK

LOMAS Mortgage USA and three other big-name mortgage companies have fallen from the ranks of the top 10 in originations, reflecting turbulence throughout the home loan industry.

Lomas, an inveterate leader among mortgage companies, dropped from No. 6 to No. 13 during 1987, an *American Banker* survey reveals.

Also falling from the top 10 were BancBoston Mortgage Cos., Jacksonville, Fla.; Commonwealth Mortgage Corp. of America, Houston; and Fireman's Fund Mortgage Corp., Farmington Hills, Mich.

The reshuffling of the upper echelon came against a backdrop of extreme volatility in interest rates and consumer demand. Total originations by all types of lenders fell 22% from the first half of 1987 to the second half as rising interest rates abruptly halted a homeowner refinancing frenzy.

Dallas-based Lomas, formerly Lomas & Nettleton Co., saw its 1987 originations plunge 25% from 1986's level, to $2.4 billion. As a result, the firm has slashed its staff by 36% since last June to 2,300 employees and cut its branch network by nearly 60% to 33 offices.

Lomas president Paul Low denied industry speculation that the firm is abandoning the retail originations market, where it made its name over the past century. Instead, he said, Lomas plans to rebuild its retail capability through means other than traditional branch offices.

"We think we've got some good ideas, but I can't tell you any more about it," Mr. Low said. "It's sort of a sensitive matter."

Citicorp Mortgage Inc., St. Louis, also suffered a 25% volume decline, but the firm nonetheless remained No. 1 in the rankings, with $6.5 billion in originations. As previously reported, Citicorp Mortgage is also first in mortgage servicing, boasting a servicing portfolio of $44.4 billion.

Robert Horner, chairman of the Citicorp unit, said the drop in originations largely reflected declining contributions from the company's correspondent lenders. He said they mainly originate fixed-rate loans, but consumers in 1987 showed an ever greater appetite for adjustable-rate mortgages, which carry lower initial rates.

The shift in demand to adjustable loans hurt many other companies, too. Mortgage companies, which sell their originations, complained that they were unable to match the pricing of thrifts, which aggressively originated adjustables for their own portfolios.

"We did not try to participate in the ARM market," said Robert Richards, president of Fireman's Fund Mortgage. "We have not figured a way to make ARMs in a profitable manner."

As a result, the unit of Fireman's Fund Insurance Co. saw its loan volume fall by more than 40%, to $1.7 billion. The company, which has cut its production staff by more than 50%, dropped from No. 8 in the rankings to No. 19.

One leading company with a big gain in 1987 was Countrywide Funding Corp., Pasadena, Calif., which rose to fourth place. Its originations shot up about 25%, to $3.5 billion, thanks in part to especially aggressive pursuit of refinancings in the first few months of the year.

"We're opportunists," said Countrywide president Angelo Mozilo. "The feasts in this business are rare and you have to seize them, because the famines can last for a long time."

Margaretten & Co., Perth Amboy, N.J., and Weyerhaeuser Mortgage Co., Los Angeles, both posted big enough gains to move into the top 10 in 1987. Margaretten rose from No. 13 to No. 8, Weyerhaeuser from No. 11 to No. 6. ■

Top Mortgage Firms

1987 originations of residential mortgage loans (billions of dollars)

1. Citicorp Mortgage Inc.	$6.5
2. CityFed Mortgage Co.	4.7
3. Sears Mortgage Corp.	4.4
4. Countrywide Funding Corp.	3.5
5. Goldome Realty Credit Corp.	3.2

Source: American Banker

Illinois Readies Mutual Holding Company Law

By ANDREA BENNETT
Midwest Bureau

CHICAGO

THRIFT regulators in Illinois are putting the final touches on regulations that would allow state savings and loans to convert to mutual holding companies, and two thrifts are said to be on the verge of making the change.

Such a move would mark the first time thrifts insured by the Federal Savings and Loan Insurance Corp. have tried to form mutually owned holding companies, industry officials said. People's Bank, a Bridgeport, Conn.-based savings bank that is insured by the Federal Deposit Insurance Corp., earlier became the first savings bank to form a mutual holding company.

The Illinois law could also test federal thrift regulators' stance on whether the holding company can sell a minority stake in its subsidiaries. Illinois regulations permit a mutual holding company to sell up to 49% of any of its subsidiaries, including the savings and loans.

"That has caused havoc out in Washington," John E. Seymour, Illinois savings and loan commissioner, said in late June.

Illinois allowed the formation of thrift holding companies in a law that squeaked through the state legislature last year. A law specifically allowing the formation of mutual holding companies and implementing regulations about their operation got legislative approval this year and now awaits the signature of Illinois Gov. James Thompson, Mr. Seymour said.

He said that two thrifts, which he declined to identify, have indicated they intend to form mutual holding companies, and that applications to do so could be filed in the next 30 to 60 days.

The $1.6 billion-asset United Savings of America, Chicago, said it would be interested in forming a mutual holding company.

Federal savings and loans got permission to form mutual holding companies in the the Competitive Equality Banking Act of 1987, although federal regulators have yet to issue guidelines for their formation. The Federal Home Loan Bank Board is expected to issue a proposed regulation for comment or advance notice of such a regulation in August, said Robert Bartlett, senior vice president and director of technical services at the U.S. League of Savings Institutions.

A spokesman for the Federal Home Loan Bank Board declined to comment about mutual holding companies or whether it was about to come out with regulations.

But thrift officials say the law passed in Illinois could be more liberal than what the Bank Board is likely to allow.

"The big issue is whether the Federal Home Loan Bank is going to allow holding companies to sell stock similar to what People's did," Mr. Bartlett said. "My sense is they are not."

Mr. Seymour said he had a "productive" meeting with M. Danny Wall, Bank Board chairman, in early July to discuss the new Illinois law.

According to Mr. Seymour, Mr. Wall said he believes savings and loans ought to be able to sell a minority stake in its subsidiaries but acknowledged there were a variety of opinions within the Bank Board on the subject.

Thrift officials say federal regulators' objection to mutual holding companies is that they undermine the regulators' campaign to get institutions to bring in additional capital by converting to stock institutions.

But Mr. Seymour argued that allowing thrifts to sell a minority stake in a subsidiary is one step in that direction. He said 70% of Illinois thrifts remain mutually owned, with management resisting conversion because of the expense it entails or fears that they will lose control of the institution.

It would be a "lost opportunity," he said, if regulators don't allow mutual thrift holding companies to sell stock in their subsidiaries, which he predicts will "sell like gangbusters."

Opponents of the form also say it allows directors to retain control of thrifts, but without accountability to outside ownership. Executives at People's Bank, however, disputed that argument, saying they still have a fiduciary responsibility to investors. ■

NY Bank Buys Data Processor

RIVERHEAD, N.Y. — Suffolk Bancorp said it has acquired a 100% interest in Island Computer Corporation of New York, a data processing service bureau in Bohemia, N.Y. The terms of the acquisition were not disclosed. Suffolk Bancorp is the holding company for Suffolk County National Bank, Riverhead, N.Y., which has more than $300 million in assets. ■

Gould Reiterates Advice on FSLIC

➜ **Continued from Page 6**

Mr. Gould will be joined at the Aug. 2 Senate Banking Committee hearings by representatives of healthy thrift institutions: Gerald Levy, chairman and chief executive officer of Guaranty Savings, Milwaukee, and also a former U.S. League chairman; and Herbert Sandler, chairman and chief executive officer of World Savings and Loan Association, Oakland, Calif.

The following day the committee will hear from three former Bank Board chairmen: Edwin Gray, Richard Pratt, and Jay Janis.

The Mortgage Bankers Association of America is up in arms about a bill introduced by Rep. John J. LaFalce, D-N.Y., that would require a lender to obtain the permission of a borrower to sell the servicing on a mortgage to another institution.

Mr. LaFalce may have had a problem with his own servicing recently, according to Warren Lasko, the association's executive vice president.

An aide to the congressman said his boss does have a new house in Buffalo. But he said he didn't know if the bill was the result of Mr. LaFalce's own experiences with his mortgage company.

"He has gotten lots of letters from constituents who have had servicing problems," the aide said.

The mortgage bankers' trade group was so upset that it assigned its lobbyists to chase Mr. LaFalce around the Democratic national convention in Atlanta earlier this month to try to sway his opinion.

Mr. Lasko said the bill would devastate the secondary mortgage market and raise mortgage rates about 35%.

If the bill is really that bad, fat chance it will get anywhere. Mr. Lasko agrees, but isn't going to gamble with so much purported to be at stake. ■

Imperial Savings To Acquire Thrift

LOS ANGELES — Imperial Savings Association agreed to purchase Ontario Savings and Loan Association, a five-office state-chartered thrift in rapidly growing San Bernardino County.

Terms were not disclosed. San Diego-based Imperial said it expects to complete the transaction later this year, pending approval of regulators and Ontario's shareholders. Ontario's offices would become branches of Imperial.

Ontario reported assets of $124 million, deposits of $99 million, and net worth of $18 million as of June 30.

Imperial is a unit of Imperial Corporation of America, San Diego, which has assets of $12.1 billion. The holding company reported a 77% increase in profits in the second quarter compared to the same period last year. Imperial Corp. attributed much of the gain to increased earning assets, a diversification program, and cost-cutting efforts.

Operating expenses fell to $40.3 million in the quarter from $52.8 million a year earlier.

The primary reason for the decline in operating expenses was the sale of ICA Mortgage Corp. last December to First Nationwide Financial Corp., San Francisco.

Many California thrifts, in order to control costs, have begun to consolidate their loan origination networks, which they had expanded rapidly in recent years. ■

American Banker /Mortgage Company Originations

Top 100 Mortgage Companies in Loan Originations

Based on residential mortgage loans originated in 1987 and compared with 1986

Rank 12/31/87		Mortgage Loans Originated in 1987	Number of Loans	Average Loan Size	Mortgage Loans Originated in 1986	Rank 12/86	Gain in Rank	% Chg. in Originations	1987 Mortgages Serviced	1987 Servicing Rank
1	**Citicorp Mortgage, Inc., St. Louis**	$6,500,000,000	78,128	83,197	$8,700,000,000[1]	1		-25.29%	$44,400,000,000	1
2	**CityFed Mortgage Co., Bellevue, Wash.**	4,723,213,000	57,429	82,244	....	...		......	19,651,141,000	4
3	**Sears Mortgage Corp., Lincolnshire, Ill.**	4,361,700,000	51,600	84,529	4,100,000,000r	3‡		6.37	10,568,243,767	13
4	**Countrywide Funding Corp., Inc., Pasadena, Calif.**	3,505,380,000	45,281	77,414	2,814,356,000r	8‡	+4	24.55	7,951,963,000	20
5	**Goldome Realty Credit Corp., Buffalo, N.Y.**	3,161,161,000	39,131	80,784	3,792,863,000	3		-16.66	13,665,275,000	8
6	**Weyerhaeuser Mortgage Co., Los Angeles**	2,923,118,000	30,007	97,415	2,743,036,935	11	+4	6.57	10,888,113,914	11
7	**GMAC Mortgage Co., Elkins Park, Pa.**	2,873,000,000	32,539	88,294	3,315,985,000	5		-13.36	24,497,123,407	2
8	**Margaretten & Company, Inc., Perth Amboy, N.J.**	2,870,635,000	39,455	72,757	2,498,000,000	13	+5	14.92	2,395,000,000	79
9	**ICA Mortgage Corp., San Diego, Calif.**	2,700,000,000	23,561	114,596	4,300,000,000	2		-37.21	N.A.	...
10	**First Union Mortgage Corp., Charlotte, N.C.**	2,677,723,000	35,712	74,981	3,596,183,000	4		-25.54	10,801,000,000	12
11	**Fleet Mortgage Corp., Milwaukee**	2,595,571,000	43,412	59,789	2,689,457,286	12	+1	-3.49	14,617,594,124	6
12	**Commonwealth Mortgage Corp. of America, Houston**	2,556,890,000	35,714	71,593	2,914,000,000	7		-12.25	12,980,598,000	9
13	**Lomas & Nettleton Financial Corp., Dallas (a)**	2,403,611,889	31,520	76,257	3,210,875,671	6		-25.14	21,672,114,657	3
14	**BancBoston Mortgage Companies, Inc., Jacksonville, Fla.**	2,300,000,000	32,000	71,875	2,798,000,000	9		-17.80	12,380,000,000	10
15	**Travelers Mortgage Services, Inc., Cherry Hill, N.J.**	2,266,948,000	22,636	100,148	1,954,000,000	17	+2	16.02	4,227,522,000	41
16	**BancPlus Mortgage Corp., San Antonio, Tex.**	2,035,711,000	27,893	72,983	N.A.	...		... ...	8,083,119,000	18
17	**Glenfed Mortgage Corp., Irvine, Calif.**	1,958,857,653	14,724	133,038	1,197,000,000	29	+12	63.65	4,585,537,989	36
18	**Imco Realty Services Inc., Santa Rosa, Calif.**	1,811,865,000	17,199	105,347	2,184,581,000	15		-17.06	6,973,328,967	23
19	**Fireman's Fund Mortgage Corp., Farmington Hills, Mich.**	1,653,373,869	26,401	62,625	2,800,738,840	8		-40.97	17,912,142,270	5
20	**Knutson Mortgage Corp., Bloomington, Minn.**	1,455,196,218	19,815	73,439	1,553,630,839	21	+1	-6.34	7,952,599,634	19
21	**AmeriStar Financial Corp., San Diego, Calif.**	1,397,837,947	16,437	85,042	1,843,801,641	19		-24.19	N.A.	...
22	**Metmor Financial, Inc., Los Angeles**	1,374,873,160	14,660	93,784	1,366,000,000r	24‡	+2	0.65	13,818,110,325	7
23	**North American Mortgage Co., Houston**	1,265,406,611	17,350	72,934	1,068,374,360	34	+13	18.44	3,000,826,215	61
24	**First Interstate Mortgage Co., Pasadena, Calif.**	1,190,834,000	14,010	84,999	653,357,076	69	+45	82.26	8,861,000,000	16
25	**Norstar Mortgage Corp., Westbury, N.Y.**	1,175,568,335	11,502	102,206	1,264,000,000	25		-7.00	2,272,325,032	84
26	**Lincoln Service Corp., Owensboro, Ky.**	1,142,788,000	14,607	78,236	1,767,488,977	20		-35.34	4,259,644,000	40
27	**Residential Financial Corp., Wayne, N.J.**	1,102,699,559	15,526	71,023	1,502,777,000	23		-26.62	1,399,162,197	126
28	**Dominion Bankshares Mortgage Corp., Fairfax, Va.**	1,099,540,000	13,417	81,951	939,298,613	40		17.06	2,194,000,000	86
29	**CenTrust Mortgage Corp., Deerfield Beach, Fla.**	1,093,193,000	13,339	81,955	812,804,556	47	+18	34.50	2,140,397,302	90
30	**Cenlar Capital Corp., Princeton, N.J.**	1,085,449,910	11,302	96,041	843,043,831	44	+14	28.75	4,690,307,875	35
31	**Empire of America Realty Credit Corp., Buffalo, N.Y.**	1,085,400,000	12,655	85,768	1,049,000,000	35	+4	3.47	5,922,000,000	25
32	**Chase Home Mortgage Corp., Montvale, N.J.**	1,069,908,000	10,135	105,566	699,965,000	64	+32	52.85	7,745,360,000	21
33	**Shearson Lehman Mortgage Corp., Irvine, Calif.**	1,068,142,372	12,275	87,018	1,179,894,179	30		-9.47	9,653,079,257	15
34	**U.S. Bancorp Mortgage Co., Portland, Ore.**	1,051,541,489	13,918	75,553	690,000,000	65	+31	52.40	2,855,869,778	66
35	**Directors Mortgage Loan Corp., Riverside, Calif.**	1,031,508,000	12,103	85,227	1,095,923,551	33		-5.88	1,662,693,191	114
36	**CrossLand Mortgage Corp., Salt Lake City**	1,012,738,540	9,205	110,020	N.A.	...		... ...	2,952,648,395	64
37	**CalFed Mortgage Co., Los Angeles**	948,324,884	7,822	121,238	1,048,400,000	36		-9.55	2,347,736,000	81
38	**Old Stone Mortgage Corp., Seattle**	931,140,000	10,357	89,904	802,792,000	48	+10	15.99	2,672,161,000	72
39	**United Mortgage Corp., Minneapolis**	919,719,653	14,211	64,719	1,102,105,793	32		-16.55	2,701,035,931	70
40	**Commonwealth Mortgage Co., Wellesley Hills, Mass.**	865,940,000	9,038	95,811	1,200,000,000	28		-27.84	2,223,571,000	86†
41	**Numerica Financial Services, Inc., Clearwater, Fla.**	841,000,000	13,200	63,712	110,029,350	169	+128	664.34	1,979,000,000	97
42	**Sovran Mortgage Corp., Richmond**	808,959,000	11,012	73,462	1,525,457,000	22		-46.97	7,207,860,950	22
43	**Shawmut Mortgage Corp., Miamisburg, Ohio**	804,902,842	11,831	68,033	854,641,137	43		-5.82	2,815,788,659	67
44	**Troy & Nichols, Inc., Monroe, La.**	801,209,800	13,537	59,187	524,332,600	86	+42	52.81	4,157,947,700	44
45	**Midlantic Home Mortgage Corp., Melville, N.Y.**	733,408,963	8,468	86,609	632,527,000	70	+25	15.95	2,079,995,000	94
46	**Chemical Mortgage Corp., Columbus, Ohio**	724,867,000	10,989	65,963	169,000,000	150	+104	328.92	8,563,000,000	17
47	**NBD Mortgage Co., Troy, Mich.**	721,735,019	11,615	62,138	709,754,517	61	+14	1.69	2,632,042,000	75
48	**Meritor Mortgage Corp.-West, Orange, Calif.**	720,307,157	5,997	120,111	896,165,256	42		-19.62	3,353,287,000	55
49	**Guild Mortgage Co., San Diego, Calif.**	716,732,352	8,436	84,961	1,000,000,000	39		-28.33	2,100,085,243	92
50	**Citizens & Southern Commercial Corp., Tucker, Ga.**	696,010,553	8,862	78,539	751,515,364	54	+4	-7.39	2,234,706,965	85
51	**Talman Home Mortgage Corp., Chicago**	685,820,050	8,562	80,100	582,200,000	74	+23	17.80	4,952,828,000	31
52	**Embanque Capital Corp., Carle Place, N.Y.**	684,789,457	10,083	67,915	744,106,470	57	+5	-7.97	1,751,158,505	106
53	**Sunbelt National Mortgage Corp., Dallas**	676,678,993	7,566	89,437	782,000,000	49		-13.47	2,083,224,635	93
54	**Dominion Mortgage Center Inc., Falls Church, Va. (b)**	676,558,104	6,989	96,803	500,000,000	91	+37	35.31	2,083,224,635	93
55	**Meridian Mortgage Corp., St. Davids, Pa.**	655,387,707	8,560	76,564	614,000,000	71	+16	6.74	1,607,897,976	118
56	**Anchor Mortgage Services, Inc., Wayne, N.J.**	641,000,000	6,505	98,540	689,821,000	66	+10	-7.08	6,828,783,468	24
57	**ARCS Mortgage, Inc., Canoga Park, Calif.**	625,627,233	5,918	105,716	735,162,000	59	+2	-14.90	2,748,160,888	69
58	**Meritor Mortgage Corp.-East, Philadelphia**	621,887,000	7,641	81,388	770,977,927	51		-19.34	3,285,414,268	57
59	**GN Mortgage Co., Canoga Park, Calif.**	615,537,000	4,498	136,847	701,543,000	62	+3	-12.26	1,325,500,000	129
60	**Bright Mortgage Co., Dallas**	613,000,000	6,710	91,356	1,150,000,000	31		-46.70	5,879,000,000	26
61	**ICM Mortgage Corp., Englewood, Colo.**	608,916,000	7,547	80,683	1,009,750,000	37		-39.70	2,903,000,000	65
62	**Alliance Mortgage Co., Jacksonville, Fla.**	604,252,400	7,552	80,012	1,885,375,000	18		-67.95	5,777,669,000	28
63	**CitFed Mortgage Corp. of America, Dayton, Ohio**	593,708,000	7,112	83,480	572,337,000	78	+15	3.73	2,696,925,845	71
64	**Loan America Financial Corp., Miami Lakes, Fla.**	591,044,000	5,910	100,007	....	...		... ...	1,662,000,000	115
65	**Maryland National Mortgage Corp., Baltimore**	581,184,000	6,421	90,513	658,725,000	68	+3	-11.77	N.A.	...
66	**Collateral Mortgage, Ltd., Birmingham, Ala.**	566,447,809	9,055	62,556	685,827,292	67	+1	-17.41	1,027,446,989	156
67	**First California Mortgage Co., San Rafael, Calif.**	557,000,000	5,694	97,822	423,000,000	102	+35	31.68	1,746,000,000	107
68	**Latimer & Buck, Inc., Philadelphia (c)**	541,926,000	716	756,880	N.A.	...		... ...	2,161,514,000	88
69	**First Washington Mortgage Corp., McLean, Va.**	538,616,360	5,096	105,694	700,000,000	63		-23.05	N.A.	...
70	**Ryan Financial Services, Inc., Pittsburgh**	523,256,000	6,727	77,784	838,904,000	45		-37.63	2,564,179,669	77
71	**WestAmerica Mortgage Co., Denver**	522,210,000	7,909	66,027	781,800,000	50		-33.20	1,205,000,000	135
72	**Inland Mortgage Co. Inc., Indianapolis**	508,000,000	7,154	71,009	N.A.	...		... ...	919,906,105	165
73	**FBS Mortgage Corp., St. Paul, Minn.**	507,516,000	3,976	127,645	474,391,000	94	+21	6.98	2,145,742,000	89
74	**Mortgage & Trust, Inc., Houston**	506,333,000	7,678	65,946	399,707,720	106	+32	26.68	4,162,236,441	43
75	**First NH Mortgage Corp., Hooksett, N.H.**	499,494,000	6,075	82,221	N.A.	...		... ...	910,539,265	167
76	**Paine Webber Mortgage Finance, Inc., Columbia, Md.**	487,000,000	5,747	84,740	592,000,000	73		-17.74	4,175,000,000	42
77	**First Wachovia Mortgage Co., Winston-Salem, N.C.**	484,586,784	6,689	72,445	560,884,539	80	+3	-13.60	2,530,016,246	78
78	**Meritor Mortgage Corp.-Central, St. Paul, Minn.**	482,274,000	5,749	83,888	534,200,000	84	+6	-9.72	2,007,965,364	95
79	**CompuFund Network Funding Corp., Pleasanton, Calif.**	473,000,000	3,638	130,016	510,000,000	90	+11	-7.25	N.A.	...
80	**Carl I. Brown & Co., Overland Park, Kan.**	470,794,759	7,072	66,572	N.A.	...		... ...	776,376,127	180
81	**Firstier Mortgage Co., Omaha, Neb.**	467,874,120	8,167	57,288	1,001,502,025	38		-53.28	1,678,345,000	112
82	**Pacific First Mortgage Corp., Walnut Creek, Calif.**	457,764,000	4,735	96,677	578,356,000	75		-20.85	3,547,924,492	52
83	**Criterion Financial Corp., Dallas**	453,941,686	5,280	85,974	354,488,146	111	+28	28.06	1,413,202,000	123
84	**Hammond Co., Newport Beach, Calif.**	449,196,746	4,616	97,313	438,198,000	99	+15	2.51	633,423,096	0
85	**Lumbermen's Investment Corp., Austin, Tex.**	444,365,689	7,273	61,098	576,443,407	76		-22.91	3,261,064,462	58
86	**Barclays American/Mortgage Corp., Charlotte, N.C.**	440,827,000	6,944	63,483	364,572,000	109	+23	20.92	1,958,889,000	98
87	**Globe Mortgage Co., Hackensack, N.J.**	438,000,000	4,697	93,251	284,040,072	124	+37	54.20	1,423,000,000	122
88	**US Mortgage Corp., Cherry Hill, N.J.**	415,675,000	4,183	99,372	N.A.	...		... ...	942,009,000	163
89	**Gulf Coast Investment Corp., Houston**	409,227,000	5,946	68,824	216,257,000	140	+51	89.23	3,567,863,893	51
90	**Sibley Corp., Rochester, N.Y.**	406,160,000	7,292	55,699	415,426,000	103	+13	-2.23	1,124,898,000	145
91	**SunTrust Mortgage, Inc., Atlanta**	400,000,000	5,395	74,143	813,500,000	46		-50.83	3,400,100,000	54
92	**Foster Mortgage Corp., Fort Worth, Tex.**	397,815,000	4,674	85,112	747,758,595	55		-46.80	4,414,208,842	39
93	**U.S. Home Mortgage Corp., Clearwater, Fla.**	397,348,000	5,313	74,788	425,727,000	101	+8	-6.67	671,291,000	197
94	**Gulf States Mortgage Co., Inc., Atlanta**	395,797,000	5,367	73,746	N.A.	...		... ...	972,527,000	161
95	**Society Mortgage Corp., Wethersfield, Conn.**	388,311,000	3,702	104,892	N.A.	...		... ...	1,106,937,000	148
96	**Dale Funding Corp., Hempstead, N.Y.**	378,606,898	4,870	77,743	336,918,207	114	+18	12.37	848,697,148	172
97	**Crestar Mortgage Corp., Richmond**	373,770,302	4,631	80,710	429,187,000	100	+3	-12.91	1,874,304,860	100
98	**Firstbank Mortgage Co., Springfield, Ill.**	372,799,000	7,208	51,720	N.A.	...		... ...	659,492,484	200
99	**AmSouth Mortgage Co., Inc., Birmingham, Ala.**	366,511,290	5,458	67,151	519,451,089	87		-29.44	3,593,548,670	50
100	**Southeast Mortgage Co., Miami**	361,077,165	3,497	103,253	265,401,152	129	+29	36.05	4,823,580,000	32

Data Source: American Banker's survey of the top 200 mortgage companies in servicing and loan originations. **Mortgage loan originated in 1987:** permanent residential mortgages (1-to-4 family mortgages) originated for sale, or the intention to sell over the period Jan. 1, 1987 to Dec. 31, 1987. Included are loans closed by the mortgage company and loans where the mortgage company actually did most of the paperwork for closing. Both in-house production and purchased production— such as loans purchased from brokers and correspondents— are included. **Number of loans:** The number of mortgage loans originated in 1987. **Average Loan Size:** Mortgage loans originated in 1987 divided by the number of such loans. **Mortgage loan originated in 1986:** Residential originations over the period Jan. 1, 1986 to Dec. 31, 1986. **Percent change:** Originations in 1987 divided by originations in 1986 expressed as a percentage. **1987 Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors on Dec. 31, 1987. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **(1)**— Actual figure. Last year an estimated figure of $6 billion was used. **(a)**— Holding company for Lomas Mortgage USA. **(b)**— The 1987 origination figure is a combined figure for Dominion Mortgage Center and its parent, Dominion Federal Savings & Loan Assn. The 1986 origination figure was for Dominion Mortgage Funding Corp., a former subsidiary of Dominion Federal that was merged into the thrift. **(c)**— Residential mortgages for corporate customers of its parent, Fidelcor Inc. Philadelphia. On 2/29/88, Fidelcor was acquired by First Fidelity Bancorp., Newark. **(r)**— Company revised data. **(†)**— Rank company would have had if it were included in the servicing survey. **(‡)**— Rank company would have had, if the revised data had been used. **N.A.**— Not available.

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Today

NEWS MONDAY

Is the example of Mellon's 'bad bank' a dream come true for banks saddled with problem loans? Maybe not, writes Bart Fraust in his Perspective column. ______ 11

Lobbyists and regulators, journalists and congressional aides vied for seats in the hearing room last week to watch the action at the House Banking Committee's marathon session on industry-reform legislation. ______ 13

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INSIDE

The Federal Reserve Board was urged by executives of the parent companies of limited-service banks to set up a task force to revamp regulations governing the grandfathered nonbank banks. ______ 3

Hogan Systems Inc. suffered a bigger-than-expected loss in its June 30 quarter — $5.9 million — and it laid off about 100 employees during the three months, a fifth of its work force. ______ 8

Federal regulators have put Pathway Financial, a large, financially ailing Chicago thrift, on the block. Bids are due early this month. ______ 8

Valley Federal Savings and Loan Association, recently the object of a hostile takeover attempt by Citadel Holding Corp., lost $4.7 million in the second quarter. ______ 15

Despite the apparently glittering first-half profits turned in last week by the Big Four British banks, a minority of London bank analysts believe the engine that has been driving much of the banks' recent growth — domestic consumer banking — is slowly running out of steam. ______ 16

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COMMENT

While there is virtually no chance that the government will allow an agency that carries the name 'federal' — like the Federal Savings and Loan Insurance Corp. — to go under, keeping the FSLIC afloat will mean a major hit to the American taxpayer sooner or later, writes Dr. Paul S. Nadler. ______ 4

Worth Repeating

The bottom line is that for hundreds of credit unions and millions of their customers . . . share drafts will be treated as part of the local landscape.

Durant S. Abernethy 3d of the Credit Union National Association, on a ruling upholding the group's contention that a Federal Reserve regulation gives banks and thrifts an unfair advantage by treating credit union share drafts as nonlocal items when they are cleared through remote institutions. [Page 1]

AN AMERICAN BANKER SPECIAL REPORT

Top 25 Banks Eliminated 10% Of Third World Loans in a Year

By BART FRAUST

NEW YORK — The nation's 25 largest bank holding companies have slashed their Third World loan portfolios by about one-tenth since establishing massive reserves for these credits in June 1987, according to a survey by the *American Banker.*

But about $5 of every $100 in assets at these companies is Third World debt. And the amounts are expected to tick upward in the coming months as a new $5.2 billion loan package for Brazil nears completion and as Argentina, Venezuela, and other countries seek new loans.

The 10 biggest banking companies, those holding the bulk of Third World loans, have cut their debt by an average of 7.8% since June 30, 1987. The banks ranked 11 through 25, mostly

Special Report: Page 2 ➽

Third World Debt

Top 25 bank companies
(comparisons on June 30)

Percent of assets	1988	1987
Total	4.9%	5.7%
Numbers 1-10	6.3	7.0
Numbers 11-25	2.4	3.2
Multiple to common shareholders' equity		
Total	1.1	1.4
Numbers 1-10	1.5	2.0
Numbers 11-25	0.5	0.6
Multiple to total reserves		
Total	2.0	2.3
Numbers 1-10	2.5	2.6
Numbers 11-25	1.1	1.6

Home Loan Banks Spurn FSLIC Notes

By JIM McTAGUE
Washington Bureau

WASHINGTON — Eleven of the nation's 12 Federal Home Loan banks are resisting pressure to make cash advances on uncollateralized notes issued by the insolvent Federal Savings and Loan Insurance Corp., industry and regulatory sources say.

M. Danny Wall, chairman of the Federal Home Loan Bank Board, pitched the notes at a meeting last week in Baltimore, some attendees reported.

Mr. Wall said Friday that the reports are wrong. "I haven't made a pitch and there isn't any resistance," he said.

The FSLIC is guaranteeing full repayment of the notes. They have been used by the cash-strapped agency to assist investors buying insolvent thrifts, especially in Texas.

So far, only the Federal Home Loan Bank of Dallas has accepted the guarantees. As a result, it has yet to receive an opinion from its auditor for 1987.

In 1986, auditors of the Dallas bank gave it a qualified opinion because they were concerned about the credit quality of the notes. The FSLIC was forced to redeem the notes with cash.

The auditor — Deloitte, Haskins &

Home Loan: Page 15 ➽

Credit Unions Win Court Fight On Check Holds

New Fed Regulations Found Discriminatory

By YVETTE D. KANTROW

NEW YORK — A federal court has ruled that Federal Reserve Board regulations on check processing discriminate against credit unions. The decision effectively requires banks to treat local credit union share drafts as local checks, even if the draft is drawn on an out-of-town bank.

The ruling is a victory for the Credit Union National Association, which sued the Fed in May over a portion of Regulation CC, the new rules that limit the holds banks place on checks. In a decision filed late Thursday, the U.S. District Court for the District of Columbia upheld the association's contention that the Fed gives banks and thrifts an unfair advantage by treating credit union share drafts as nonlocal items when they are cleared through remote institutions.

The court also held that the regulation violates the "clear and unambiguous" language of the law that mandates it.

The credit union group lauded the court's decision. "The bottom line is that for hundreds of credit unions and millions of their customers . . . share drafts will be treated as part of the local landscape," said Durant S. Abernethy 3d, senior vice president and general counsel for the Credit Union National Association.

The Fed adopted Regulation CC in May to implement the Expedited Funds Availability Act, which Congress passed in 1987. The act requires

Credit Unions: Page 6 ➽

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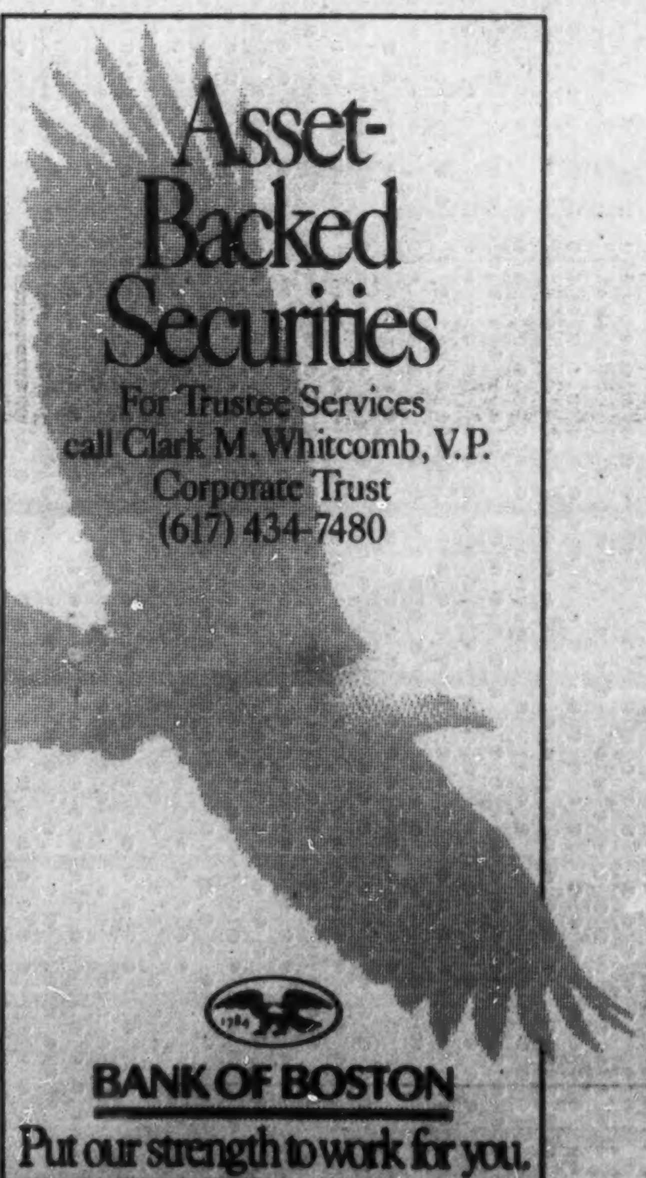

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Top 25 Bank Companies Sharply Reduce Exposure to Third World

➼ Continued from Page 1

superregionals, have pared their Third World loans by 24%, about triple the rate of the top 10.

No bank among the top 25 increased its Third World debt during the period.

"This confirms the across-the-board decision by U.S. banks to exit from their exposures," said Paul Sachs, president of Multinational Strategies Inc., a New York-based consulting firm.

Besides declining in terms of total dollars, Third World debt declined in relation to total assets, common equity, and loan-loss reserves, the survey found. But Third World debt continues to be greater than either common stockholders' equity or total loan-loss reserves.

James J. McDermott, executive vice president of Keefe, Bruyette & Woods Inc., said the decisions last year to establish special reserves were intended to give banks flexibility in dealing with Third World debt. "The reductions in exposure show the process is well under way," he said.

The cutbacks come at a time of increased optimism about Third World debt in general, mainly sparked by an improved outlook for Brazil. The world's largest bank debtor has ended its debt moratorium and resumed interest payments. The country recently signed a preliminary agreement with its major lenders to reschedule $61 billion in existing debt and to obtain $5.2 billion in new loans.

"This has been a good year, with no major adverse events," Mr. Sachs said.

Political Problems Lurk

The debt crisis, which began in 1982, may heat up again next year. Argentine President Raul Alfonsin, in anticipation of upcoming presidential elections and Peronist pressure to declare a debt moratorium, has taken a more belligerent position in seeking renegotiation of its loans. Mexico's new administration may take a less conciliatory stand on its bank debt. And Venezuela, Latin America's most reliable debtor nation, has been battered by weak oil prices and is seeking renegotiation of its loan terms.

The nation's 25 largest banking companies now hold about $65 billion in loans to Third World countries, down 10.8% from June 30, 1987. The 10 largest banking companies hold 80% of this debt.

The data for the survey was obtained directly from the banking companies in most cases. For banks that declined to disclose their Third World exposures, data were obtained from the most recent quarterly financial statements filed with the Securities and Exchange Commission.

Third World debt specialists said the banks have reduced the debt through a variety of techniques, including exchanging the loans for equity positions in companies in the Third World, paying down the principal on the loans, and charging off credits.

In addition, banks are finding it easier to sell their debt into the secondary market. Mr. Sachs said market volume may go as high as $20 billion this year, about double the 1987 pace.

For example, Security Pacific Corp. sold $500 million of its Third World debt into the secondary market in the first half of 1988, according to its second-quarter earnings report. Continental Illinois Corp. said it reduced its Third World debt by $250 million through debt sales and swaps.

Citicorp, which led the move to create special reserves last year, has been the most aggressive of the top 25 in getting rid of Third World debt. According to its second-quarter earnings report, the corporation has sliced $2 billion off its Third World debt since last June. It now totals $12.6 billion, compared with $14.6 billion at year-end. Citicorp has said that 80% of the cutback came from full repayment of loans or from loan sales at relatively thin discounts of 10% to 30% of the credits' face values.

Bank of Boston Corp., with an $846 million reduction, had the second biggest dollar drop. "Our policy is to put the LDC debt problem behind us," said Alan L. McKinnon, executive vice president and treasurer of Bank of Boston.

J.P. Morgan & Co. reduced its Third World debt by $600 million. About $200 million of the cutback resulted from the Mexican bond program that Morgan championed. Under the plan, banks exchanged Mexican loans at a discount for Mexican bonds, the principal of which is collateralized by zero coupon U.S. Treasury bonds.

Wells Fargo & Co., with a 31.6% drop in exposure, had the biggest percentage decline among the top 10.

First Union Sheds All LDC Debt

Among the top 25 banks, First Union Corp. had the sharpest percentage decline, completely eliminating its $59 million of Third World debt. NCNB cut $239 million, resulting in a Third World loan portfolio of a mere $8 million. Other big drops were shown by the Fleet/Norstar Financial Group and SunTrust Banks Inc.

Despite the reductions, Third World debt continues to represent a sizable portion of bank assets.

On average, Third World debt comprised 4.9% of assets for the 25 largest bank companies, compared with 5.7% at June 30, 1987. The 10 largest banking companies cut their exposures to 6.3% of assets from 7% last year. Banks in the second tier reduced their position to 2.4% of assets from 3.2%.

Manufacturers Hanover Corp. and BankAmerica Corp. continue to have the greatest Third World exposure in relation to assets. At each corporation, about $10 of every $100 of assets consists of Third World debt. Citicorp cut its exposure to 6.1% from 7.5%, Morgan to 5.9% from 7.2%, Security Pacific to 1.9% from 3%, and Wells Fargo to 2.8% from 4.3%.

Analysts cautioned that the asset ratio could increase over the next few years if banks continue to shrink assets without making corresponding decreases in Third World debt.

Decline Relative to Equity

The banks have also cut their exposures relative to common equity. For the top 25, loans to lesser-developed countries were 1.1 times average common equity, compared with 1.4 times equity last year. For the 10 largest banks, Third World debt dropped to 1.5 times equity from twice equity last year. For the second tier, the multiple dropped to 50% of equity from 61%.

This multiple is expected to improve greatly over the next few years, as banks increase equity in anticipation of new international capital guidelines scheduled to take effect in 1992.

Manufacturers Hanover, at 3.4, and BankAmerica, at 2.5, again showed the weakest multiples. But both companies have been aggressively raising equity in recent months, and both showed substantial improvement from a year ago. At that time, Manufacturers' multiple was 4.5, and BankAmerica's was 3.1.

Third World debt at the 25 largest bank companies fell to twice total reserves from 2.3 times reserves last year. For the 10 largest, the multiple fell to 2.5 times reserves from 2.6 in June 1987. For banks ranked 11 through 25, it fell to 1.1 from 1.6.

Over the last year, however, banks have allocated a portion of their reserves specifically to cover potential losses on Third World debt, and these special reserves have been rising sharply at many banks. For example, Mr. McKinnon of Bank of Boston said three-quarters of his company's Third World loans are now covered by reserves. ■

Banks Cut Third World Loans

Loans on June 30, unless otherwise indicated[1] (dollar amounts in millions)

		1988	1987	% Chg.
1	**Citicorp, New York**	$12,600	$14,600	-13.7%
2	**Chase Manhattan Corp., New York**[2]	6,400	6,400	0
3	**BankAmerica Corp., New York**	9,100	9,200	-1.1
4	**J.P. Morgan & Co., New York**	4,800	5,400	-11.1
5	**Chemical Banking Corp., New York**	5,900	5,900	0
6	**Security Pacific Corp., Los Angeles**	1,400	2,200	-36.4
7	**Manufacturers Hanover Corp., New York**[2]	7,500	7,600	-1.3
8	**First Interstate Bancorp, Los Angeles**	1,240	1,606	-22.8
9	**Bankers Trust New York Corp.**[2]	4,000	4,000	0
10	**Wells Fargo & Co., San Francisco**	1,300	1,900	-31.6
11	**First Chicago Corp.**	2,500	3,000	-16.7
12	**PNC Financial Corp., Pittsburgh**	352	504	-30.2
13	**Bank of Boston Corp.**	760	1,606	-52.7
14	**Continental Illinois Corp., Chicago**	1,700	2,400	-29.2
15	**Mellon Bank Corp., Pittsburgh**	1,310	1,600	-18.1
16	**First Fidelity Bancorp., Newark/Philadelphia**	181	250	-27.4
17	**Bank of New England Corp., Boston**	296	302	-2.0
18	**NCNB Corp., Charlotte, N.C.**	8	247	-96.8
19	**First Union Corp., Charlotte, N.C.**	0	59	-100.0
20	**SunTrust Banks Inc., Atlanta**	49	131	-62.6
21	**Shawmut National Corp., Hartford, Conn.**	270	288	-6.3
22	**Marine Midland Banks Inc., New York**[2]	1,700	1,700	0
23	**First RepublicBank Corp., Dallas**[2]	1,300	1,400	-7.1
24	**First Bank System Inc., Minneapolis**	284	510	-44.3
25	**Fleet/Norstar Financial Group, Providence, R.I.**	52	145	-64.2
	Top 25 Banks	**65,000**	**72,900**	**-10.8**
	Top 10 Banks	**54,200**	**58,800**	**-7.8**
	Banks 11-25	**10,800**	**14,100**	**-23.8**

[1] This survey sought out total loan exposure to Third World countries as reported by the bank holding companies to the Securities and Exchange Commission. In most cases, the numbers were provided by the bank holding companies. For others, SEC documents were used. Bank reporting practices differ greatly. Chase Manhattan, for example, in the past has disclosed exposure to Brazil, Mexico, Argentina, Venezuela, and Chile. Others report exposure to 31 countries that have sought to refinance their bank loans in the past few years. Still others do not break out Third World loans in their SEC reports.

[2] Declined to provide June 30, 1988, data before release of quarterly financial reports. Data for 1988 are as of March 31 and were obtained from first-quarter reports on file with SEC. 1987 data are from June 30 and public SEC filings.

1988 Chargeoffs for Third World Debt

First six months (dollar amounts in millions)

		Net Chargeoffs	% of Exposure
1	**Citicorp, New York**	$155	1.2%
2	**Chase Manhattan Corp., New York**	178	2.8
3	**BankAmerica Corp., New York**	N.A.	N.A.
4	**J.P. Morgan & Co., New York**[1]	204	4.3
5	**Chemical Banking Corp., New York**	31	0.5
6	**Security Pacific Corp., Los Angeles**	348	25.0
7	**Manufacturers Hanover Corp., New York**	69	0.9
8	**First Interstate Bancorp, Los Angeles**[2]	132	10.6
9	**Bankers Trust New York Corp.**	N.A.	N.A.
10	**Wells Fargo & Co., San Francisco**	102	7.9
11	**First Chicago Corp.**	182	7.3
12	**PNC Financial Corp., Pittsburgh**	36	10.2
13	**Bank of Boston Corp.**	35	4.6
14	**Continental Illinois Corp., Chicago**	25	1.5
15	**Mellon Bank Corp., Pittsburgh**	11	0.8
16	**First Fidelity Bancorp., Newark/Philadelphia**	N.A.	N.A.
17	**Bank of New England Corp., Boston**	N.A.	N.A.
18	**NCNB Corp., Charlotte, N.C.**	48	600.0
19	**First Union Corp., Charlotte, N.C.**[3]	29	N.A.
20	**SunTrust Banks Inc., Atlanta**	29	53.2
21	**Shawmut National Corp., Hartford, Conn.**	7	2.6
22	**Marine Midland Banks Inc., New York**	N.A.	N.A.
23	**First RepublicBank Corp., Dallas**	N.A.	N.A.
24	**First Bank System Inc., Minneapolis**	27	9.5
25	**Fleet/Norstar Financial Group, Providence, R.I.**	N.A.	N.A.
	Top 25 Banks	**1,647**	**3.3**
	Top 10 Banks	**1,219**	**2.9**
	Banks 11-25	**428**	**5.0**

[1] Morgan's figures includes approximately $200 million in charge-downs related to its participation in the Mexican program in which it and other banks exchanged Mexican loans at a discount for bonds.

[2] First Interstate's figures include all foreign chargeoffs.

[3] First Union has no Third World exposure.

What Do All These Thrift Failures Mean, Anyway?

By DR. PAUL S. NADLER

"YOU talked about all the savings and loans in trouble. Does this mean we are going to have a giant series of bank failures like in the early 1930s?"

Hearing this question raised by an acute student after my Tuesday night class last month, I started to think and ask about what S&Ls' problems mean to various groups in our nation. I thought some of the answers that developed might be worth sharing.

First, there is the question of what the problems of thrifts in difficulty mean to top officials of thrifts that are not in trouble. The answer: precious little.

As a board member of a billion-dollar savings and loan put it to me:

"The only way it affects us is when the FSLIC raises our assessments. Otherwise, our depositors look only at the safety of FSLIC insurance, and they remain happy."

One could question, however, whether this confidence in the Federal Savings and Loan Insurance Corp. may be shaken in time.

Certainly most observers of the banking scene, including myself, feel that even though the FSLIC has far too few resources to cover the estimated $50 billion to $80 billion that might be needed to bail out the nation's ailing thrifts, Congress will allow the Treasury to borrow enough money to do the job. In fact, we have already had resolutions stating that the federal government will cover FSLIC's obligations.

Nadler Says:

The legacy of the thrift morass is a huge shortfall that may result in higher taxes, greater inflation, or both.

And if we know anything at all about finance, it is that the Federal Reserve has the power to create unlimited money if it is needed, and the Treasury must borrow by selling securities to the Fed.

While many observers feel this Treasury borrowing could proceed and depositors in ailing thrifts could be duly paid off, there are others who are not so sanguine.

Avoiding Tie-Ups in Weak S&Ls

Donoghue's Money Letter, for example, suggests in its July issue that people with money in weak savings and loans move it now into solid money market mutual funds. The newsletter holds that there is no assurance that the money will be made available to FSLIC just when it needs it, so a serious liquidity problem could arise when people with money in weak S&Ls find it impossible to get their funds out without a long delay.

The Donoghue newsletter reminded its readers that some people with money in weaker Maryland savings institutions that had state insurance instead of federal protection still have not received their money, more than three years after the first of the thrifts collapsed. It asks: "Why take a chance? Why not get your money out of weaker institutions now?"

(As for determining which are the weak ones, it will sell you an evaluation of those that interest you for a modest fee.)

But at least in my opinion, Bill Donoghue is too pessimistic this time around. There is virtually no chance that the government will allow an organization that carries the name "federal" to go under — or even delay payment and leave the public empty-handed for a short time. If FSLIC needs $50 billion, it will get it. If it needs $80 billion, it will get it. And immediately. The depositors will not be hurt.

But where will this money come from? Will it come from higher taxes? Raising $80 billion through taxes would require levying the equivalent of a $900 tax on every household in the nation. With an election campaign in which neither side has been willing to talk about tax increases to solve the present deficits, much less to raise $80 billion to bail out weak thrifts, it would seem impossible to create the new money without triggering major inflation.

Inflation helps avoid serious collapse in property values, and a serious collapse in property values helps avoid inflation. We don't get the worst in both.

But be this as it may, borrowing $50 billion to $80 billion just means that taxpayers pay the bill later rather than sooner. It still involves a major hit to the American taxpayer.

Where Did the Money Go?

What did we get for our potential tax of $900 per household? After all, the money has to have gone somewhere. It did not just disappear.

Some of it, unfortunately, is lining the pockets of entrepreneurs who used their savings and loans as private lending organizations for their own projects. Brokered deposits have provided ample resources to lend to themselves, and laws have been moderated to allow investment in a vast array of projects that have little to do with the traditional thrift role of financing America's homes. Little wonder these entrepreneurs looked at the thrifts they ran as geese that laid golden eggs.

Their motto was, "Heads I win, tails the FSLIC and the taxpayers lose." They have obtained a lot of the billions we are talking about.

Most of the rest went into financing projects that should never have been financed, judging by their inability to earn a decent return for the thrifts that lent to them. When Houston has more empty office space than Boston has total office space, one can question where the money for this surplus space came from. If you want an answer, you will be reminded every April 15, when you send your love letter to the Internal Revenue Service.

In essence, it is like the Real Estate Investment Trust era. When the REITs thrived, money was made so readily available to them that they made loans that should not have been made, just to use the money.

It is also like the petrodollar era. The oil exporters put so much money in U.S. banks that these banks made unsound Third World loans just to use the deposits they had on hand.

And now, the thrifts have gotten money so easily and painlessly that they have financed projects that America won't need for years, if ever. The only difference is that when the REITs got into trouble, it was their shareholders who paid. When the banks got into trouble, it was their shareholders who paid. But with today's thrift problem, it looks as if the entire American economy will have to pay — either through higher taxes or more inflation, or both.

It is hard to think that any new administration will be able to look at the consequences of thrift deregulation without pushing for new legislation. Unfortunately this new legislation may affect the freedom of all financial institutions — both those that were involved in these difficulties and those that were innocent bystanders. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

H. Erich Heinemann is on vacation. His column, Overview, will resume on Aug. 15.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 6.

1. By any standard measure of profitability, this $4.3 billion-asset company is by far the most profitable bank in England, if not in the industrialized world. In 1987, it posted a 39% return on shareholders equity and a 4% return on assets. At year-end 1987, it had a ratio of capital to risk-weighted assets of 13% and no exposure to Third World debt. The bank's biggest problem — most U.S. banks would love to have such problems — is finding suitable ways to use its accumulated capital, since it generates far more in deposits than it can possibly lend out. Identify this institution.

UNITED KINGDOM

2. In the *American Banker*'s 1987 ranking of top banks, ..., the world's 612th largest company, earned the dubious distinction of suffering the greatest decline in assets — 64.8%. Coincidentally, the reason given for this decline was the 64.8% fall in the value of the British pound relative to the dollar.

3. Indecorp, parent of the $106 million-asset Independence Bank of Chicago, signed a definitive agreement to acquire Drexel Holding Co., parent of the $113 million-asset Drexel National Bank. The merger will almost double Indecorp's assets to $230 million, creating the largest ..... bank in the nation.

4. A task force of the Electronic Funds Transfer Association found that one factor stunting the growth of point-of-sale payment systems is a lack of information about technical standards. On the consumer side, what other factor did the task force find working against promotions that use the term "debit card"?

5. In the first steps toward enacting comprehensive banking legislation, the House Banking Committee sat in marathon session until 2:30 a.m. Thursday — hammering out a series of amendments that generally expand the securities powers of commercial banks. A provision that took industry observers by surprise, however, was the amendment by Rep. Stephen L. Neal, D-N.C. How does this amendment affect the top 15 U.S. banks and the top 15 securities firms, along with any foreign financial firm with assets greater than $30 billion?

6. Empire of America Federal Savings Bank, Buffalo, will soon begin test-marketing a Visa affinity credit card in the Los Angeles area. Individuals targeted in the test program by Empire's California thrift division include theater patrons and residents of selected neighborhoods with high disposable incomes such as Beverly Hills, Brentwood, and West Hollywood. What national research foundation will receive $5 of every $25 membership fee and one-fourth cent of every dollar charged to this affinity account?

Credit Cards

— Robert Paul Molay

8/3/88

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American Banker

The Daily Financial Services New

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VOL. CLIII NO. 150

Wednesday, August 3, 1988

Today

The merger pace in the Midwest slowed in the first quarter as only 19 bank combinations were recorded. But the average size of banking acquisitions in the region has grown. ___ 2

Government and banking officials are working to discourage a trend they call "free riding," in which banks refuse to participate in new Third World lending agreements while they benefit from such accords by collecting the interest payments from previous LDC loans. ___ 2

Chase Manhattan is preparing a master agreement to reduce the heavy paper flow believed to be slowing the secondary market for lesser-developed-country debt. ___ 2

Empire of America lost nearly $20 million in the second quarter after tripling its loan-loss provision. The nation's 13th largest thrift, based in Buffalo, said it will sell one branch and consolidate 13 into other offices. ___ 3

Credit Agricole, the French cooperative banking group, plans to increase its outstanding commercial paper in the United States from $1 billion to $3 billion. ___ 11

General Electric Capital Corp. said it has launched a program to originate consumer loans — on items such as pleasure boats and recreational vehicles — for banks and thrifts, which will have the option of servicing the credits. ___ 12

Executive Changes ___ 12
In the News ___ 3

COMMENT

Updating a resume can help a job-hunter identify new goals or directions and speed his return to a payroll, writes consultant Georgia Hickey. 4

TECHNOLOGY

American Savings Bank has installed an advanced branch automation system from Unisys Corp. in its telephone service area. If the system works well — and thrift officials are already raving about it — then American Savings will likely expand the Unisys contract to include its 35 offices in the New York area. ___ 6

Inference Corp. soon will introduce an IBM version of its software used to write expert systems, the programs that perform tasks that need expert judgment. The product line, called ART-IM, clearly was written with banks and other financial institutions in mind. ___ 6

IBM upgraded its 3090 computers, its most powerful series, announcing 10 models based on the new Enterprise Systems Architecture/370. ___ 9

Worth Repeating

We are in a big, black, bottomless pit that is getting bigger every day.

Herbert M. Sandler, chairman of World Savings and Loan Association, Oakland, Calif., who estimates the FSLIC may be short as much as $80 billion to handle troubled thrifts. [Page 1]

FROM THE REGIONS:
NEW ENGLAND

Building Boom Fuels Stock S&L Growth

By MICHAEL WEINSTEIN
New England Bureau

BOSTON — Loan growth at New England's newly converted thrift institutions has exploded in the past year and a half, spurred on in some cases by big increases in construction lending.

Rapid loan growth often raises red flags for analysts. They worry that overly fast growth may outpace a bank's ability to keep proper tabs on its loans, resulting in bad loans.

But thrifts that converted to stock form in the past year or two have been under pressure to leverage their newly acquired capital. And the New England economy has been strong, so loan portfolios have ballooned.

Parts of New England have been through a building boom. So a few thrifts have plunged into construction lending, which is riskier than traditional home mortgage lending.

Construction loans have already gotten two thrifts into trouble. But in general, asset quality at New England thrifts has remained good, especially compared with the problems at southwestern thrifts.

Also, capital ratios at New England thrifts remain way above average.

Loans at the nation's thrifts grew by about 10% during 1987 and have been expanding at an annual rate of 3% or 4% so far this year, estimated Joe Ziomek. He is managing director at MCS Associates, a thrift consulting firm in Newport Beach, Calif.

In New England, loan portfolios at thrifts that converted in 1986 have generally swelled by at least 30% since the end of that year. In some cases, loan growth has been substantially higher.

Analysts said the riskiness of such fast growth depends on a variety of factors, such as the strength of the local economy, where the loans are made, and the quality of lending officers.

"If somebody's growing 20% or 30%

From the Regions: Page 14 ➸

Proxmire to Congress: Act Now on Thrift Woes

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Senate Banking Committee Chairman William Proxmire said Tuesday he hopes to prod Congress into enacting legislation this year to restrict deposit growth of insolvent thrifts and limit the use of exotic powers that some states have authorized for savings and loans.

After another round of hearings on the condition of the Federal Savings and Loan Insurance Corp., Mr. Proxmire warned angrily that Congress should not wait until next year to take some action to shore up the insolvent thrift-industry fund.

The Democratic senator from Wisconsin stopped short of calling for a taxpayer bailout of the insurance fund, as several witnesses before his committee urged on Tuesday. But he said Congress should act on more limited measures before its scheduled adjournment in October.

While acknowledging that time has almost run out in the 100th Congress, Mr. Proxmire said that the committee staff has begun drafting legislation and that he is hopeful the panel can agree on a package.

A resolution already introduced by Mr. Proxmire would not have the force of law. But it would put Congress on record as opposing deposit growth of insolvent thrifts and would urge the Federal Home Loan Bank Board to take steps to implement the resolution.

Sen. Jake Garn, R-Utah, endorsed the idea of limiting the ability of states to authorize broad powers for federally insured institutions even though, he said, it would violate states' rights — a principle he usually defends.

"Federal deregulation has not been a problem," said Mr. Garn, who sponsored legislation in 1982 that expanded thrift powers. "What California and Texas and some of the other states have done is a problem."

Several staff members said they believe it is possible Mr. Proxmire can move legislation this year. Limiting deposit growth of insolvent institutions may prove easier than re-

Proxmire: Page 14 ➸

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Take Stock of Accomplishments While Polishing Your Resume

By GEORGIA HICKEY

Third of Four Articles

DRAFT a resume but do not mail it. A resume should be both a process and the end result of that process; it is probably the least understood and most often mishandled step in any job search.

Ideally, I believe people should go through the resume process annually, or at least biannually. It should be the personal knowledge, career assessment, and planning equivalent of your financial net-worth statement.

It has been many years since most people facing a job search have taken an inventory of their marketable skills or a long, hard look at their balance sheet of accomplishments. For this reason, preparing a resume will be an exhausting project requiring extensive research and many rewrites.

The process will uncover many misplaced and forgotten details of past successes, mistakes and milestones. It should help to clarify strengths and weaknesses, areas of competence and preference.

It can provide insights that may lead to new goals or directions. As an adjunct, dates and facts will be filed and cross-indexed in the memory, providing more ready responses to the questions that will be posed in later interviews.

Ms. Hickey, a certified personnel consultant, is managing principal of the Quest Group, financial management search consultants based in Hartford, Conn.

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An individual who does a thorough and careful job of assembling data for a resume is astonished to find how much has been accomplished. It is a confidence builder, a positive reinforcement of your professional knowledge and value, and can be of great comfort when your self-esteem is flagging.

Unfortunately, many job seekers miss these benefits because they relinquish the responsibility. They give the project only minimal time, thought, and research before turning it over to a resume service or their assigned outplacement agency. The result is usually a slick, sometimes glitzy, and always typeset production that can be spotted a mile away as a mass-marketing tool.

Seek Advice from Those Who Know

Avoid how-to guides written by college professors, advertising, or marketing people. Most have never hired anyone, nor have they read resumes for a living.

The best resume guides are written by executive recruiters or, as a second choice, corporate employment managers. Volumes and volumes are available with sample formats and suggested writing techniques, and you should read several before you form any hard-and-fast opinions about what is best for your own application. In the end, you will probably combine the advice of several. As an executive recruiter, I have formed my own opinions about resumes:

- Prepare for the Individual Recipient. Resumes sent anywhere except a contingency placement agency should be individually and specifically prepared for the recipient. They should be typed by a letter-quality printer on quality stationery with a straightforward, commonly used business typeface.

Fancy fonts, colored paper, gimmicks, or elaborate presentation folders red flag your resume as one coming off the assembly line. People receiving it suspect they may be one of hundreds on your purchased mailing list, and they will treat it accordingly.

- Omit an Objective Statement. If you are too specific, you risk excluding yourself from attractive positions that may not fit your stated objectives. If you are too general, it is a meaningless waste of a paragraph. If you've had a long, varied, or particularly successful career, you may substitute a summary instead — but it should be concise and compelling.

- Emphasize Work History. Education should not precede your work experience or become the focal point of your resume, no matter how reverently your alma mater may be regarded. Your Ivy League MBA should not look like the pinnacle of your career.

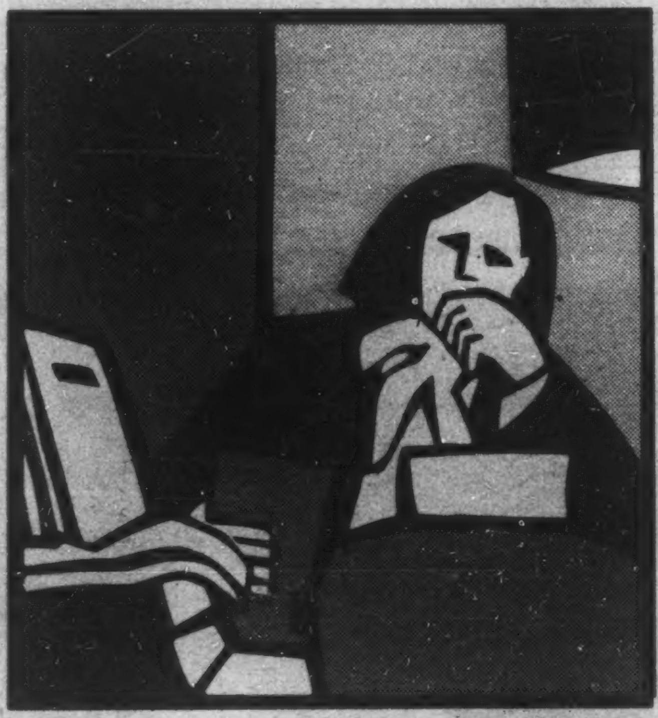
College Isn't Forever

If you're a midlevel or senior officer, the time for promising potential has passed. Now prospective employers will want to know what you've done lately. Even in the East, the traditional bastion of educational prejudice, demonstrated ability, bottom-line contributions, and hard-core accomplishments will make them want to talk with you more often than where you went to school. This is good news for the many top performers from lesser-known schools.

- Resumes should not be mass mailed. Resumes should be held in reserve and sent in response to a request for more information, or as precursor to an interview. A resume should be used once the door has been opened. It should be carefully drafted, carefully crafted, individually typed (or word processed), and directed.

- I'm from the Joe Friday school of resumes: "Just the facts, ma'am." Avoid glowing generalities, canned banalities, photos, third-party testimonials and contrivances.

Delete every trite adjective; give me the facts and let me decide just how "unique" or "exceptional" you are. Don't tell me the entire story of your life (save some mystery for the interview!), but give me enough to make a decision in your favor. I don't like one-page resumes and, as a rule, I won't read anything longer than two.


Nancy Doniger

- Quantify. Three important guidelines to remember when writing, rewriting, and re-rewriting a resume: quantify, quantify, quantify. Don't say you had responsibility for a loan portfolio. Tell me how big it was, what percentage was self-developed, the customer mix, how many new customers you added or relationships you expanded, what your lending authority was, how many officers you supervised or trained, and whether they contributed anything measurable.

You may wish to seek qualified, professional advice about the format of your resume, or to help you proofread and polish your phrasing. But never turn over the research and writing to someone else. If you do, you will lose the value of the self-knowledge and awareness gained during the drafting process, and you will risk looking (on paper) like everyone else.

- Expand Your Database. If you're like most people, you have concentrated so much on the pressing problems and projects of your job and former employer that you're out of touch with what everyone else is doing.

Make Publications Work for You

While being well-informed is always important, it is now vital for you to set aside time each day to read publications that tell you about trends, pending mergers and acquisitions, new technology, vendors, or other information relevant to your search. If you read both the *American Banker* and *The Wall Street Journal*, you will have access to volumes of valuable data.

A note of caution: Avoid using large blocks of your prime time to read. Those who fall into this trap often justify time spent as necessary for information gathering, but it is really an avoidance tactic for the contact work they find fearful or distasteful.

As you become better informed, you will begin to identify new and often broader prospects for employment or self-employment. Perhaps there is a bank with a progressive approach to retail banking that particularly interests you, or a consulting firm that specializes in sophisticated software development.

You may discover a vendor involved in marketing or developing a product where your background and skills could be particularly useful. Where is the growth going to be in the next 5 to 10 years, and how can you be a part of it?

All of this information should be factored into your decisions about your job search. Your new knowledge will allow you to target more effectively where and for whom you want to work, and how best to approach them. Being well-informed will also make you more interesting and knowledgeable in an interview.

- Target Your Market. There are many ways to target a market. For some, it will be by geographical selection (all of Connecticut or New England). Others will use a specialty (all commercial banks; all mortgage banking entities). Some use size (only thrifts of $2 billion and over).

Of course, most criteria are blended and overlapping. The point is, you must think about who will find your talents and abilities an asset, and where or how you want to use the productive years ahead.

Research Will Improve Your Odds

Do not panic and try to blanket the entire marketplace. On the other hand, do not constrict your search so tightly that you give yourself little chance of success. The rate of response is typically very low, but you can improve your odds by identifying and targeting your market; the key is research.

Make your first-round selections based on your reading, or use geography, a specialty, or a combination. Then use every tool available to do some research on your target banks or companies — their recent history, financials, market share, and organizational structure.

Get well acquainted with your library's business section. Use Polk's "Bank Directory," Standard & Poor's "Register of Corporations, Directors and Executives," and the many other directories available to you.

You will discover there is even a published guide to research that will help you plan a search for information and tell you where to look. Electronic data bases can provide vast reservoirs of up-to-the-minute information, but the cost mounts quickly. If you use them at all, try to confine their use to preinterview research.

After you have made your first-round selections and done your research (some of your selections may change after you've researched them), draft a succinct letter telling the company or bank why you are interested in working for them. Include a brief summary of your most important accomplishments, or better yet, the your skills or talents that may directly fit their needs.

Your finished product must be tightly constructed. It should be one page or, at most, a page and a half. It must be obvious to the person on the receiving end that your correspondence is more than a form letter or a preprinted resume, so it should contain enough individualization to show you've done your homework.

If your letter is both well-planned and well-presented, it will set you apart. It will demonstrate initiative and a genuine interest in the bank or company, often an irresistible combination.

The key ingredient is the person you address. You must be certain your letter reaches the person who is most like-

Take Stock: Page 15 ➜

Chase Preparing Master Agreement

Continued from Page 2

its busiest days ever. The day's run-up in volume was primarily due to major trading desks attempting to profit on the unusually wide spread between prices of Brazilian and Mexican debt. As a result, agents were buying and selling heavily for their own accounts rather than for clients.

"I don't think agents could handle a whole week of that kind of volume," said Peter Geraghty, head of capital markets at Nederlandsche Middenstandsbank NV. "We've already seen the system get creaky in times of high volume." Likening the problem to the early days of the interest rate and currency swap markets, Mr. Geraghty said "we're hoping for standardized documentation" to help reduce the paperwork that must be repeated for each transaction.

Not all market participants believe the paperwork is overwhelming. "I'm not really sure why a standardized document is needed," said Kenneth Hoffman, a trader on the loan transactions desk at Shearson Lehman Hutton Inc. "Once I do a deal with someone, I have a standard agreement with them — in a sense the market has created its own standardized documenation." He said he believed standardization would help only with first-time business contacts.

But according to Chase's Ms. Galbraith, much of the red tape has resulted from the fact that "everyone is using their own [different] boilerplate." She added that, with a master document, only pricing and terms specific to the latest deal would have to be recorded on paper. ■

Bank Call Notice

Charter number 13295
National Bank Region Number 2
REPORT OF CONDITION

STERLING NATIONAL BANK
& TRUST COMPANY OF NEW YORK

in the State of New York, at the close of business on June 30, 1988, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161.

ASSETS		Dollar Amounts in Thousands
Cash and balances due from depository institutions		
Noninterest-bearing balances and currency and coin		$ 20,875
Interest-bearing balances		5,932
Securities		720,961
Loans and lease financing receivables:		
Loans, net of unearned income	$333,040	
LESS: Allowance for loan losses	4,970	
Loans, net of unearned income, allowance, and reserve		328,070
Premises and fixed assets (including capitalized leases)		2,751
Other real estate owned		153
Customers' liability to this bank on acceptances outstanding		456
Other assets		16,214
TOTAL ASSETS		$1,095,412
LIABILITIES		
Deposits:		
In domestic offices		$386,013
Noninterest-bearing	$126,829	
Interest-bearing	259,184	
In foreign offices, Edge and Agreements subsidiaries interest-bearing		5,932
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and its Edge and Agreement subsidiaries		607,031
Demand notes issued to the U.S.Treasury		7,636
Banks liability on acceptances executed and outstanding		456
Other liabilities		12,949
TOTAL LIABILITIES		$1,020,017
EQUITY CAPITAL		
Common stock		$ 17,926
Surplus		18,414
Undivided profits and capital reserves		39,055
TOTAL EQUITY CAPITAL		$ 75,395
TOTAL LIABILITIES AND EQUITY CAPITAL		$1,095,412

I, Joseph M. Freeman, Vice President/Finance, of the above named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

JOSEPH M. FREEMAN
July 27, 1988

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

THEODORE H. SILBERT
EZRA J. DENERSTEIN
JOHN C. MILLMAN
Directors

The Class of '86

New England thrifts with more than $500 million in assets that converted to stock form in 1986, ranked by rate of loan growth (dollar amounts in millions)

	Total Loans		Construction Loans As % of Total Loans		Nonperforming Loans As % of Total Loans*	
	6/30/88	Chg. Since 12/31/86	6/30/88	12/31/86	6/30/88	12/31/86
First Service Bank for Savings, Leominster, Mass.[1]	$635.0	102%	28.7%	13.6%	1.90%	1.00%
Heritage/NIS Bank for Savings, Northampton, Mass.[2]	1,326.2	58	1.5	2.7	0.15	0.46
NESB Corp., New London, Conn.[3]	1,110.3	57	12.3	5.7	0.74	1.03
Framingham Savings Bank, Framingham, Mass.	498.8	48	26.4	14.7	1.18	0.19
Somerset Savings Bank Somerville, Mass.	492.0	45	12.3	17.0	1.80	0.74
Norwich Savings Society, Norwich, Conn.	542.2	44	5.3	3.7	0.77	1.40
Peoples Heritage Bank, Portland, Maine	1,423.6	44	11.4	7.8	0.79	0.84
Excel Bancorp, Quincy, Mass.	423.3	42	27.3	15.0	1.03	0.21
First American Bank, Boston	654.3	39	26.4	14.7	4.81	0.50
BankWorcester Corp., Worcester, Mass.	870.4	37	2.4	3.0	0.41	0.72
First Constitution Financial Corp., New Haven, Conn.[4]	1,610.9	33	9.5	4.1	0.69	NA
Webster Financial Corp., Waterbury, Conn.	499.6	32	1.1	1.7	0.08	0.08
NewMil Bancorp, New Milford, Conn.[5]	162.9	32	11.7	3.3	1.80	NA
Centerbank, Waterbury, Conn.	1,486.2	32	5.0	2.5	1.43	1.86
Andover Bancorp, Andover, Mass.	457.6	13	11.5	13.3	1.29	1.00

*Nonperforming loans are loans on nonaccrual and other loans at least 90 days past due.

[1] First Service Bank for Savings' total loans are as of April 30, 1988. The percent change excludes the effect of branch acquisitions in 1987. Latest construction loan and nonperforming loan ratios are as of 12/31/87.

[2] Heritage/NIS Bank for Savings' percent change in total loans excludes the effect of the Community Savings Bank acquisition in June 1988.

[3] NESB Corp.'s percent change in total loans excludes the effect of the Omnibank of Connecticut Inc. acquisition in June 1988.

[4] First Constitution Financial Corp.'s latest nonperforming loan ratio is as of March 31, 1988.

[5] NewMil Bancorp's year-ago construction loan ratio is as of June 30, 1987.

Source: Sheshunoff & Co., Austin, Tex., and thrifts

FROM THE REGIONS:

NEW ENGLAND

Building Boom Fuels Growth at Converted Thrifts

Continued from Page 1

a year and has got the same capital contribution, I'm not too concerned about it," Mr. Ziomek said. Capital ratios at New England thrifts that converted in 1986 range from 7% to 22%.

"When you see a rapid rate of growth in one component of the portfolio, that's cause for concern," cautioned Bert Ely, a consultant in Alexandria, Va. "The red lights start flashing."

The two thrifts that have run into problems with their construction loans are both in the Boston vicinity.

First Service Bank for Savings in Leominster, Mass., said significant writeoffs are expected after regulators uncovered dubious real estate development loans from around New England in the thrift's portfolio. Construction loans at the $884 million-asset thrift jumped from 14% of total loans at yearend 1986 to 29% a year later.

First Service, which earned $5.9 million in 1987, said it may write off $10 million to $15 million worth of loans, which would cause a loss for the year.

At First American Bank, Boston, troubled loans to condominium developments in metropolitan Boston have pushed the bank's nonperforming loans to almost 5% of total loans. First American's construction loan portfolio grew from 15% of total loans at yearend 1986 to 26% at June 30, 1988.

The $723 million-asset First American reported a drop in second-quarter earnings in part because of the nonperforming loans. First American, which earned $15.7 million last year, said it may have to make a loan-loss provision as high as $15 million in the third quarter, causing a loss for the quarter.

Framingham Savings Bank in Framingham, Mass., has shown a big increase in its construction loan portfolio — from 15% of total loans at yearend 1986 to 26% of total loans at the end of June.

"We do recognize that the real estate market has leveled off, as we expected," said Walter H. Braillard, senior vice president and treasurer at Framingham Savings, with about $580 million in assets.

Framingham Savings has concentrated its lending within a 30-mile to 40-mile radius of Framingham, he added.

Industry consultants said a loan portfolio is usually safer if it is focused near the lender's home turf.

Excel Bancorp, a $650 million-asset thrift based in Quincy, Mass., has boosted its construction loan portfolio from 15% of loans at yearend 1986 to 27% at the end of June.

"We stay very, very close to home," said John A. Fanciullo, executive vice president. He said most of Excel's construction lending is on the South Shore, a suburban area that extends about 40 miles southeast of Boston.

Two commercial real estate loans account for about $3 million of Excel's $4 million or so in nonperforming loans, Mr. Fanciullo said. One credit is an

From the Regions: Page 15

Proxmire to Congress: Act Now on Thrift Woes

Continued from Page 1

stricting the use of state powers, said one Republican staff aide.

"It's difficult but not impossible to do something this year," added Sen. Donald Riegle, D-Mich., a senior member of the committee.

During an unusually emotional hearing, thrift industry executives traded charges with committee members and and Treasury Department representatives over the origin and size of the financial problems confronting the FSLIC.

"We are in a big, black, bottomless pit that is getting bigger every day," said Herbert M. Sandler, chairman of World Savings and Loan Association, Oakland, Calif. Mr. Sandler estimated that the FSLIC is short as much as $80 billion of the funds it needs to handle troubled institutions. He said Congress should consider allocating up to $60 billion to the agency immediately or face needs of up to $110 billion in 1990.

Treasury Under Secretary George D. Gould said the only action Congress should take this year is to authorize a commission to study the FSLIC and make recommendations to the next President and Congress.

"Let's not build public policy on quick statements that we need $60 billion or $70 billion," he said. "We really don't know that." Mr. Gould said the Bank Board has calculated that the FSLIC will have $19 billion at its disposal over the next three years.

"They say, and I agree, that that is about as much as they can spend. They are on a path to resolving two cases a week, and that is quite a lot," he added.

Mr. Sandler and two other industry representatives told the Senate panel that much of the blame for the FSLIC's condition lies with regulators, who failed to manage problems, state legislatures that granted exotic new powers, and Congress, which deregulated deposit products without lifting ceilings on loan rates.

Mr. Garn, who was chairman of the banking committee during the years of deregulation, said those claims are outrageous. Without congressional action to deregulate interest rates at a time when money market mutual funds were draining deposits from banks and thrifts, he said, "the industry would have gone to hell in a handbasket."

Joining Mr. Sandler were Gerald M. Levy, chairman of Guaranty Savings and Loan Association, Milwaukee, and Donald B. Shackelford, chairman of State Savings Bank, Columbus, Ohio. Mr. Levy was chairman of the U.S. League of Savings Institutions when Congress was considering a rescue package for the FSLIC.

Mr. Garn and Mr. Gould both took note of the U.S. League's opposition to the $15 billion recapitalization proposed by the administration in 1986 and pursued throughout the following year.

"There is a big difference in your testimony today than when you were representing the U.S. League," Mr. Garn said to Mr. Levy, after quoting league testimony from 1986 in which the trade group argued that "media attention [to the FSLIC] was out of proportion to any realistic assessment of the problem."

"In 1986, we thought the problem was under control," Mr. Levy responded, adding that regulators had failed to detect or disclose the extent of the problems at some institutions.

"But how could we know, for example, that under the management consignment program, a thrift could be operated in Dallas with $1.2 billion in embedded losses that were never recognized." ■

Training Videos Help Staff Learn Check-Hold Law

Continued from Backpage

as a staff member, is also offering an Expedited Funds Availability Act training video. The 18-minute production focuses on the extent to which provisions of the act will affect a particular institution and its employees.

Narrated by institute chairman Joseph T. Wells and featuring Federal Reserve System official Gayle Thompson, the video comes with a recall exam and 50 handouts highlighting the program's main points. Deposit availability, endorsement standards, automated teller machine deposits, and hold notices are covered.

For those looking for an interactive computer-based training program for Reg CC, Bankers Training and Consulting Co., St. Louis, is selling the Compliance Instructor. Two hours of self-instruction, the Compliance Instructor covers the basics of check processing, details of new availability schedules, and advice on how to handle customer disclosures. The program runs on IBM personal computers and compatibles and, for larger banks, is available on mainframes.

With banks under pressure to make funds available for cashier's checks, teller's checks, and certified checks on the first business day after deposit, Rand McNally & Co., Skokie, Ill., is publishing a directory of telephone numbers that bankers can call for help in distinguishing authentic items from bogus ones.

The volume — an idea that arose from a proposal by the American Bankers Association's return-item task force — will contain telephone numbers, including direct extensions, of contacts at every domestic depository institution that issues official checks. Rand McNally plans to publish the directory in early September.

ChexSystems, a subsidiary of Deluxe Corp., St. Paul, wants to help banks protect themselves against risky customers before they open an account. More than 39,000 banks nationwide now subscribe to ChexSystems, a verification network that identifies consumers with a history of closed bank accounts due to repeated overdrafts.

When member institutions open an account for a new customer, they call ChexSystems to check the customer's bank account history. In less than a minute, ChexSystems can notify a bank if the applicant is one of 4.5 million consumers on file with a history of account closure for cause. The network will also alert the calling institution to customers who have attempted to open several accounts within a short period — a common setup for a check-kiting scheme.

According to ChexSystems, 7 out of 100 inquiries fielded by the company come up as a hit — a customer with a history on file. In urban areas, that number can reach 15 to 20 hits per 100 inquiries. ChexSystems also says that many professional con artists are aware that the network exists and will avoid institutions that display a ChexSystems sign on the new-account desk. ■

From the Regions

Continued from Page 14

$800,000 local loan that was brought current July 1, and the other is a $2.2 million loan participation in California.

Traditional residential mortgage lending has generally produced high-quality portfolios, in which nonperforming loans amount to about 0.15% to 0.20% of total loans, according to industry consultants.

But as thrifts diversify into construction and business lending, nonperforming ratios are expected to increase, observed Fred Schluter, manager at Golembe Associates Inc., Boston. ■

Regulators Stall Comerica Purchase of Texas Firm

By ERIC STARKMAN

DETROIT — Michigan's banking commissioner ruled on Friday that Comerica Inc. cannot buy Grand Bancshares Inc. of Dallas until it improves its lending practices in Detroit.

Eugene W. Kuthy said Comerica has not done an "adequate job" of serving the credit needs of Detroit residents and businesses. Mr. Kuthy ordered the Detroit-based bank company to work with community groups and city officials to develop a two-year plan to make more mortgage, consumer, and commercial loans in the city.

He said the plan must contain defined targets that meet with his agency's approval. "While Comerica recently has announced its intentions to improve its community reinvestment record, I feel it is necessary to try to ensure that these efforts produce tangible results," Mr. Kuthy said.

"It is imperative that Comerica's plans be developed with community input and that my agency and the public monitor the bank's performance. Comerica's performance will weigh heavily in my decision to approve any future interstate acquisitions by the holding company." Mr. Kuthy said he conditionally approved Comerica's application to buy Grand Bancshares because he's not convinced that a lengthy delay in the approval process is necessary to force Comerica to improve its CRA performance. But, he added, "much remains for [Comerica] to do."

Comerica spokesman Randy Boileau said the bank company plans to be "fully responsive" to the conditions outlined in Mr. Kuthy's order. He said officials at the bank met with community leaders on Friday morning and hope to have a new community reinvestment plan drawn up as soon as possible.

"We're certainly moving ahead to get this thing done," Mr. Boileau said.

The Federal Reserve also must approve Comerica's application, he said. Community organizations in Detroit and across the country applauded Mr. Kuthy's decision. Debby Goldberg, an official with the Center for Community Change, a New York-based group that provides technical assistance to community groups in low-income and minority neighborhoods nationwide, said Mr. Kuthy's decision was "a great victory."

"I wish federal regulators would take this as a good example and follow [Michigan's] lead," she said.

50,000 Applications Filed

Ms. Goldberg said there have been more than 50,000 applications filed with federal banking agencies since the Community Reinvestment Act was passed more than 10 years ago. Only eight applications, however, have been denied on CRA grounds, she said.

The reinvestment act, enacted in 1977 as part of of the Housing and Community Development Act, requires that banks be rated periodically to determine whether they are doing all they can to meet their area's credit needs. Regulators are supposed to consider a bank's CRA rating when reviewing acquisitions or expansion applications.

Mr. Kuthy held a hearing last month in Detroit to review a protest from a local community group opposed to Comerica's March application to buy Grand Bancshares for $55 million.

In May, Mr. Kuthy's agency inadvertently made public that the Federal Reserve gave Comerica received a "less than satisfactory" CRA rating late last year.

A bank's CRA rating is confidential and made available only to regulatory agencies.

In his 18-page order, Mr. Kuthy said he is not convinced that Comerica "has been fully committed to the principles of CRA." He noted that Michigan's second largest bank company already operates a loan office in the Dallas area and cited a newspaper article reporting that Comerica planned to use its Michigan deposits to fund some of its Texas bank loans.

Comerica Chairman Donald Mandich said he would do this because the bank's cost of funds in Michigan is about two-thirds less than for Texas banks. "Before a bank embarks upon a program of out-of-area lending, it should ensure that the credit needs of its local community are met," Mr. Kuthy said.

Participation 'Less Than Aggressive'

Mr. Kuthy said that the participation of Comerica's lead bank, Comerica Bank Detroit, in its home city's commercial real estate projects "appears to be less than aggressive." He said he finds it disappointing that in the 10-year period ended in 1987, Comerica could list its involvement in only five commercial real estate projects.

He noted that the involvement was limited to the issuance of standby letters of credit backing tax-exempt bond issues. Mr. Kuthy said none of the letters of credit were ever exercised.

Also on Friday, a group of Detroit community, religious, and labor leaders agreed to form a coalition to force all Detroit-area banks to improve their lending practices in the city. The group, the Ad Hoc Community Coalition for Fair Banking Practices in Detroit, was organized by the Detroit branch of the National Association for the Advancement of Colored People in response to a series of newspaper articles documenting discriminatory lending practices by area banks.

Detroit banks denied that their lending practices are discriminatory. ■

Take Stock . . .

Continued from Page 4

ly to recognize your potential value, or all your careful preparation and effort may be wasted.

The first part of this series, "Losing Your Job: How It Feels and What You Can Do About It," appeared July 15, followed July 20 by "Recovering from Job Loss? Draft Your Plan of Action." Next week, the series ends with tips to enhance your chances of getting an interview — and a job offer — by targeting the person in a bank or corporation most likely to recognize your potential.

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Today

CHICAGO: FINANCIAL CENTER

Continental Illinois' transfer of retail accounts to rival First Chicago is under way with little fanfare, but nearby financial institutions are campaigning to lure disgruntled customers. ______ 8

The proposed merger of black-owned Indecorp with white-owned Drexel Holding Co. will create the largest black-owned bank holding company in the country. ______ 9

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Foreign banks in New York have roughly doubled performance-linked bonuses but they lag behind U.S. banks in long-term incentives. ______ 2

The prime lending rate at the nation's largest banks was raised to 10% from 9½%. ______ 3

Three new 'home-grown' banks in the Puget Sound area are attracting investors, employees, and customers since the oldtime banks have been swallowed up by outsiders. ______ 16

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COMMENT

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THRIFTS & MORTGAGES

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Quaker Financial Corp. has come up with another way of adding revenues in residential real estate — packaging short-term and home equity loans. ______ 6

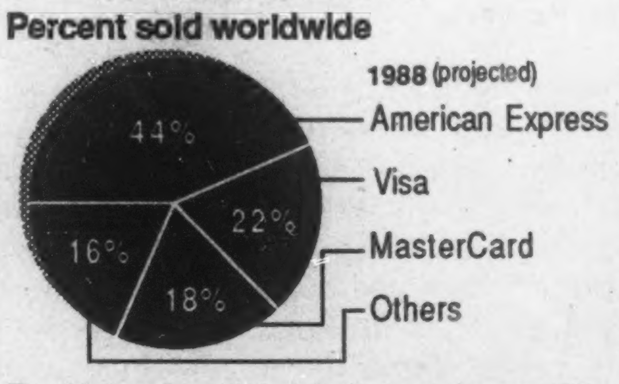
Depository institutions are moving into the ranks of the top mortgage originators, writes Stuart A. Feldstein in the Thrift Observer. ______ 4

Worth Repeating

After all, the U.S. taxpayer is really on the hook here whether we want to admit it or not. I think at a minimum we owe the public accurate information.

Sen. Donald W. Riegle Jr., D-Mich., calling for an independent assessment of the size of FSLIC losses. [Page 1]

Market Shares Of Travelers Checks
Percent sold worldwide



The global travelers check market is expected to grow 10% this year, to $49 billion

Source: American Banker estimates based on issuers' disclosures

Travelers Checks Are Battleground For War of Words

By JEFFREY KUTLER

NEW YORK — American Express Co. has launched a campaign to refute assertions by Visa International that its member banks are cutting into American Express' dominant share of the travelers check business.

The claims and counterclaims portend a resurgence of the travelers check marketing war, which has gone through several phases since the early 1980s. Bankers have been sniping at American Express throughout, with moderate success.

Although the New York-based financial services conglomerate may have lost a few points off its market share, which was once above 50%, no one challenger has come close enough to give it a real scare. Visa wants to put itself in that position.

Visa said earlier this week that its global travelers check sales increased 22% during the first half of 1988, almost three times the 8% rate for the American Express product.

Visa also predicted that by next year it will be selling more travelers checks

American Express: Page 14 ➺

Internal Memo Reveals How FDIC Chose NCNB

By BARBARA A. REHM
Washington Bureau

WASHINGTON — An internal Federal Deposit Insurance Corp. analysis of five takeover bids for First RepublicBank Corp. shows that Wells Fargo & Co. offered to pump $1 billion into the capital-starved banking firm — five times more than was pledged by the ultimate acquirer, NCNB Corp.

But the analysis concluded that the Wells offer probably would have ended up costing the agency significantly more than NCNB's proposal to recapitalize the insolvent Dallas-based bank holding company.

Under the Wells offer, the FDIC expected to pay $2.5 billion to $3.5 billion, while its cost under the NCNB plan was estimated at $1.4 billion to $2.6 billion.

The FDIC is required by law to select the least costly option when it props up an insured bank. The agency is often criticized for not explaining how it concludes which offer is the least costly.

The details of the bids were contained in an analysis prepared by Dillon, Read & Co., the FDIC's invest-

How Bids Were Evaluated — Page 12

FDIC Memo: Page 12 ➺

Riegle Asks FDIC 'Fix' on S&L Mess

By BARBARA A. REHM
Washington Bureau

WASHINGTON — Tired of the wildly divergent estimates on "the FSLIC problem," Sen. Donald Riegle said on Thursday that Federal Deposit Insurance Corp. liquidators should pinpoint how much it will cost to close or merge the hundreds of insolvent thrifts insured by the Federal Savings and Loan Insurance Corp.

Estimates of the cost of bailing out the FSLIC range from a low of $30 billion to as much as $100 billion. While there is general agreement that something has to be done to shore up the FSLIC, there is little agreement on how or when to do it.

Latest figures indicate that insolvent thrifts are losing close to $1 billion a month.

At a hearing of the Senate Banking Committee, which Mr. Riegle is expected to chair in the next session of Congress, the Michigan Democrat asked FDIC Chairman L. William Seidman how large he thought FSLIC losses might be.

"I don't know what the losses are in the S&L industry," Mr. Seidman said. "I don't know how anybody can, until you send people in to the 500 and some insolvent institutions and make an estimate."

Mr. Riegle agreed, saying the FDIC should deliver an "independent fix on the size of this problem."

"It seems to me that an arm's-length assessment done over a short period of time — so we know precisely where we are — is the thing to do," he said.

Riegle: Page 15 ➺

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August 12, 1988, American Banker

Crime Doesn't Pay – Except Where Certain Bankers Are Concerned

By IRVINE SPRAGUE

WASHINGTON

QUICK now. Name 20 bank chairmen or presidents who went to jail in the past 20 years. I'm talking about top managers who defrauded the stockholders and customers who had trusted them with their money — not tellers or bookkeepers or bank robbers.

The question is unfair. There aren't 20. At least I could not come up with that many after consulting my memories, augmented with library file searches by Len Samowitz of the Federal Deposit Insurance Corp. and Lou Leventhal of the *American Banker*.

Another question: How many convicted bankers served their full sentence? The answer, of course, is none. We all know that. Time off for good behavior and a change of heart by the sentencing judge almost always reduce the sentence.

Two flagrant examples. A prominent banker who stole millions was sentenced to five years in prison but stayed out on appeal for more than 10 years and finally served only eight months in a cushy outdoor job at a country club prison. A banker's son, given a 20-year sentence for securities fraud in 1982, already is out on the street.

The odds are that if you mismanage a megabank into the ground you won't go to jail and you won't pay for restitution. The stockholders take care of that for you. For it is the stockholders who pay for the directors' and officers' liability policies, which in turn pay for the mismanagement liabilities that often run into millions of dollars.

(Space is much too limited to go into the proliferation of savings and loan crooks who have had a wonderful time during these carefree deregulation years.)

Bad Management and Fraud

Comptroller Robert L. Clarke recently released a study showing that inept management has been the primary cause of bank failures, and that fraud often was a tool used by bad managers. FDIC Chairman L. William Seidman has testified that fraud was involved in at least one-third of all bank failures in 1986, 1987 and 1988.

With hundreds of bank failures in the past two decades and fraud a major cause, why the shortage of jail sentences? I guess the answer is threefold:

1. The Justice Department is asleep, or inept, or underfinanced. (The *American Banker* on July 28 reported an epidemic of bank fraud in the central district of California at the same time the major fraud division staffing there was cut more than 30%. Blame Ronald Reagan, Edwin Meese, James C. Miller.)

With hundreds of bank failures in the past two decades and fraud a major cause, why the shortage of jail sentences?

— Irvine Sprague
Former Chairman and Director
Federal Deposit Insurance Corp.

2. Bank fraud is one of the most difficult crimes to prove to the satisfaction of a jury.

3. White collar crime pays.

This treatise was prompted by the guilty pleas of William Patterson of Penn Square Bank and John Lytle of Continental Illinois National Bank and Trust Company of Chicago, representatives of the two most flamboyant bank failures in history. Mr. Patterson and Mr. Lytle are to be sentenced Aug. 30. (I count Continental Illinois as a bank failure because it was. The FDIC annual report for 1987 continues the myth that it was not a failure by omitting it from the list of the 10 largest failures in history.)

The Patterson and Lytle cases are classic examples of how not to provide quick retribution and prompt justice. The guilty pleas came six years to the day after Penn Square failed.

The surfacing of the story after six years brought back memories of that Fourth of July weekend as we spent three long days in Paul A. Volcker's cramped office deciding what to do about Penn Square.

Recent accounts attempt to rewrite the history of that weekend. I guess I should set the record straight. Comptroller Todd Conover was concerned, correctly, that if he closed Penn Square and we paid it off there would be multiple, unknown fallout, probably including fatal damage to Seattle-First National Bank, Continental Illinois, and

Comment: Page 13 ➵

Mr. Sprague served as chairman or director of the Federal Deposit Insurance Corp. for more than 11 years, during which time he handled 374 bank failures. He is the author of the 1986 book, "Bailout: An Insider's Account of Bank Failures and Rescues."

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THRIFT OBSERVER

Banks, Thrifts Gain Ground in Mortgage Business

By STUART A. FELDSTEIN

THE roster of top players in U.S. mortgage origination is changing very quickly. And many of the changes favor banks and thrifts versus their mortgage banking competitors.

It's now clear that 1987 was the year that the depository institutions gained ground in the mortgage business. And 1988 will be the year that some of the bigger banks and thrifts try to solidify or expand their market share gains in first mortgage origination.

Stuart A. Feldstein

In "Giants of the Mortgage Industry: 1988," just published by SMR Research, we found that the top 25 U.S. mortgage loan originators in 1987 included 12 depository institutions, 10 mortgage bankers, and 4 companies that split their originations fairly evenly between bank and thrift or mortgage banking distribution methods.

Of the 12 big depository institution mortgage lenders, all but three showed significant gains in their 1987 originations over 1986. Of the 10 biggest mortgage banking originators in 1987, only three showed gains: Countrywide Credit, Weyerhaeuser Mortgage, and Primerica (parent of Margaretten & Co.).

In 1986, the top 25 originators were configured in exactly the opposite way. They included 12 mortgage bankers, 10 depository institutions, and, again, 4 of the multiform kinds of companies.

Three companies that do business mainly as mortgage bankers and that had made the top 25 list in 1986 fell off that list in 1987. They were First Union Corp. (which owns First Union Mortgage), Lomas & Nettleton, and Fireman's Fund. At the same time, Shawmut Corp., the Boston-based bank, and Home Federal Savings & Loan of California made the list for the first time.

Acquisitions Add to Mortgage Lending Growth

One reason for the new mortgage lending power of the banks and thrifts is that they continue to make acquisitions. Shawmut, for example, made the list because of its recent acquisition of Hartford National. Big California thrifts such as H.F. Ahmanson and Great Western continue to make acquisitions, too.

In addition, the banks and thrifts are taking advantage of their ability to sell adjustable rate mortgages, or ARMs, in a rising interest rate environment. Mortgage bankers have a harder time doing so.

Mortgage bankers sell all their loans, and secondary markets for ARMs are not as well developed as for fixed-rate mortgages. Also, since most ARMs currently have "teaser" period rate discounts, mortgage bankers find they have to hold these loans for uncomfortably long periods before they can be sold at a good price.

In 1988, many of the largest banks and thrifts have their sights set on continued penetration of the mortgage market.

We think that Ahmanson, the San Francisco-based parent of Home Savings of America, may rise to challenge Citicorp as the largest retail originator of mortgages. Not far behind will be two other thrifts: Great Western and First Nationwide, the Ford Motor Co. subsidiary.

If anything, commercial banks are showing even greater interest in growth. In New York, almost all of Citicorp's main rivals are working on their own versions of Mortgage Power, the system in which Citicorp obtains loan referrals from realty and mortgage brokers. Mortgage originations by some of these rivals, such as Chase Manhattan, already are rising quickly.

Money Centers Move Aggressively

On the West Coast, Security Pacific has formed a new mortgage company and has been aggressively pricing ARMs. Wells Fargo's 1987 originations were up an astonishing 64% from 1986. BankAmerica has revamped and revitalized its mortgage lending efforts and has introduced a commissioned mortgage sales force. And in the Midwest, First Chicago has made an acquisition that doubles its origination capability, even though it still will be only a medium-size player.

How long the money center banks will pursue growth strategies in mortgage lending is an open question. They also are under pressure to build capital, and that may require divestitures of nonbank subsidiaries. Commercial banks in this decade have sometimes shown a tendency to build up a mortgage operation, sell it, and build another.

Nevertheless, at least for the time being, the banks and thrifts are making major inroads among the top tier of mortgage players. If the bigger depository institutions continue to make acquisitions — which certainly seems likely — they may permanently take more of the top spots among the mortgage industry's origination leaders. ■

Mr. Feldstein is president of SMR Research, Budd Lake, N.J.

THRIFTS & MORTGAGES

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

When times are terrific, people step up to the plate to pay more money.

— Erwin I. Katz, president and chief executive of Williams Securities Group, on thrift mergers and acquisitions.

Newswatch

2 Mortgage Firms Cut Staff

Two more mortgage companies are cutting back their staffs and branches as consumer demand continues to sag.

Chase Home Mortgage Corp., Tampa, Fla., is planning to lay off up to 70 employees, or 7% of its staff, by Oct. 15, said president Fred Koons. He added that an additional 70 people will be shifted to other units of parent Chase Manhattan Corp.

Meanwhile, Shearson Lehman Hutton Mortgage Corp., Irvine, Calif., has closed five branches in the past two weeks and laid off 40 people, or 6% of the staff, said senior executive vice president Graham Williams.

Mr. Williams also acknowledged that the firm's executive vice president in charge of loan production, Michael Fernandez, had resigned. He said, however, that the resignation was unrelated to the branch closings.

Shearson and Chase are but the latest in a series of mortgage companies to retrench in the face of dwindling consumer demand. Market analysts say originations by all lenders this year will fall at least $100 billion from the near-record $450 billion posted in 1987.

Borrower demand has been hurt by rising interest rates — and the July 9 half-point hike in the discount rate is likely to make matters worse.

"It portends at least a one-quarter-point rise in mortgage rates over the next 30 days," said Thomas LaMalfa, mortgage market analyst at North American Mortgage Co., Houston. "Branch closings are to be expected through the balance of the year," Mr. LaMalfa added.

Shearson's Mr. Williams said the five branches his company closed recently were in California, South Carolina, and Oregon.

At Chase Home Mortgage, formerly based in Montvale, N.J., a total of 13 branches in Florida and the Midwest will be closed or merged with other Chase operations, Mr. Koons said.

He added, however, that the company is markedly boosting its wholesale origination of mortgages. And a spokesman for Chase Manhattan said the corporation's total originations this year should still exceed the $3.5 billion of last year.

Pacific First Targets Air Force

Pacific First Mortgage Company, Walnut Creek, Calif., has teamed up with RE/MAX International, the Denver-based realty concern, in a bid to win relocation business from members of the U.S. Air Force. The push apparently marks the first time a mortgage lender has targeted the armed services, and it underscores industrywide efforts to identify new sources of originations.

Developed with Air Force officials, the unusual program will extend reduced mortgage and realty fees to Air Force members on the move. Pacific First, a unit of Tacoma, Wash.-based Pacific First Federal Savings Bank, sees the plan as a focused way to enter the relocation market, said vice president Michael Rosser.

Wye Tries New Twist on ARM

Wye Mortgage Co., Lutherville, Md., has begun originating a new type of adjustable-rate mortgage that adjusts annually for the first five years, then at only five-year intervals.

The so-called 1/5 ARM is meant to offer borrowers the stability of an intermediate-term ARM with the low initial interest rate of a one-year instrument. A Wye official said the firm already has lined up one buyer in the secondary market and is looking for more.

— Phil Roosevelt

Thrift Mergers Increase in Number

But Average Price Has Fallen, Survey Finds

By LINDA ELLIS

NEW YORK

THE volume of thrift acquisition deals is growing, but the size of the deals is not, according to a study of thrift mergers and acquisitions between January 1983 and June 1988.

SNL Securities, Hoboken, N.J., a bank and thrift consulting and research firm, studied 52 acquisitions of publicly traded thrifts by looking at regulatory and company data. Among their findings:

- Only three of the 41 deals completed in the last three years have been in excess of $150 million in total value.
- Merrill Lynch & Co. leads the pack of investment advisers on the thrift deals.
- There are limited sources of new capital, with little evidence of increased entry of nonfinancial firms into the thrift industry.
- Consolidation is occurring primarily intrastate. Less than 25% of all acquisitions in the past three years have been interstate.
- The median time between the announcement of a pending merger and the closing of the deal has grown from 171 days in 1985 to 255 days in July 1988. The major delay is the regulatory process.
- The merger and acquisition focus has shifted from Florida to New England.
- Cash has become the most common form of deal currency.

One reason the average deal price has fallen, said the SNL researchers, is that many small institutions have converted over the past few years, shrinking the average size of publicly traded thrifts. In addition, there is a dearth of buyers large enough to digest institutions with more than $1 billion in assets. The largest deal done in 1986 had a market capitalization of $422 million; the largest in 1988 to date was $137 million.

Another finding, SNL researchers said, could be called "Waiting for Godot: Closing a Thrift Acquisition." While the 255-day median waiting period includes the time it takes the thrifts to prepare regulatory applications, most of the time is taken up with regulatory processing.

In the past, potential acquirers of troubled thrifts have complained about the length of time it takes for regulators to evaluate and act on their proposals.

"There are a number of tax and accounting aspects to these transactions that take time and make them particularly complicated," said John Adams, a First Boston Co. vice president in charge of thrift mergers and acquisitions. "Eight to nine months sounds about right, but other regulated businesses face the same thing."

The Federal Home Loan Bank of San Francisco said it is trying to speed up the mergers and acquisitions process under powers delegated by the Federal Home Loan Bank Board. Michael Patriarca, director of the agency group at the Home Loan bank, said one thrift, Stanford Savings and Loan Association, Palo Alto,

Thrift Mergers: Page 10 ➸

Biggest Dealmakers In Thrift Mergers

Number of merger deals for publicly held thrifts, January 1983-June 1988

Investment Adviser to Acquired Thrift	
Merrill Lynch[1]	10
First Boston[3]	6
Shearson Lehman Hutton[2]	6
Williams Securities	4
Goldman Sachs	3
Paine Webber	3
Investment Adviser to Acquirer	
Shearson Lehman Hutton[2]	6
Drexel Burnham	4
First Boston[3]	3
Merrill Lynch[1]	3
Salomon Brothers	3
Total	
Merrill Lynch[1]	13
Shearson Lehman Hutton[2]	12
First Boston[3]	9
Drexel Burnham Lambert	6
Paine Webber	5

[1] Includes deals by Warburg Paribus Becker

[2] Includes deals by E.F. Hutton, Robinson-Humphrey, and Lehman Brothers

[3] Includes deals by Kaplan Smith

Note: Information for this table was compiled from the merger proxies of acquired companies. This list does not include merger conversions or private deals. Information was also sent to investment banking firms for verification.

Source: SNL Securities Thrift Datasource

Cashing In on Home Buyers' Special Needs

By A. JOSEPH NEWMAN JR.

PHILADELPHIA

IF you are in real estate brokerage today, you are being squeezed by the rising cost of doing business and the erosion of commission income that stems from flat fees and the need to give a bigger share of commissions to salespeople.

So you may be looking for new and different ways to make money, such as offering your home buyer customers the more traditional title and property insurance and mortgage-banking services through third-party providers.

Quaker Financial Corp., headed by Harold H. Kline, a former Philadelphia banker, has come up with another way of adding revenues in residential real estate — packaging short-term and home equity loans.

Quaker Financial, Paoli, Pa., is an affiliate of Hoopes Inc., also of Paoli, a member of the Better Homes & Gardens network. It has 15 offices and more than 500 salespeople in upscale Philadelphia suburbs. Mr. Kline was president and chief operating officer of Liberty Savings Bank here before it was acquired last year by Equimark Corp., Pittsburgh.

Quaker Financial is marketing Homebuyers' Helper loans for Hoopes customers who might have trouble raising quick cash — for mortgage application and rate lock-up fees or for the down payment on the purchase price of a house within 10 days after an offer is accepted. Hoopes prospects may also need immediate cash to paint, paper, and otherwise spruce up houses before putting them on the market.

Homebuyers' Helper loans, according to Mr. Kline of Quaker Financial, are averaging around $45,000, with a range of $25,000 to $150,000.

Buyers may also need swing, or bridge, loans until their own home is sold. Quaker's financial service people can help on that too, and home equity credit can also be arranged via Quaker.

Quaker's financial service people are "in residence" at all Hoopes offices. Mr. Kline likes to have prospective home buyers visit with them "early on" so Quaker, working with real estate agents, can spell out how much cash they might need and how soon.

Since so many of them are two-worker families, would-be home

Quaker: Page 10 ➸

Jim McTague's Washington Briefing in the Thrifts & Mortgages section will resume next week. Mr. McTague is on vacation.

DAILY FINANCIALS

Thursday August 11, 1988

Money Market

Federal funds range-Domestic 7¹¹/₁₆-7¹³/₁₆%
Prime rate (8/11/88)..9.50-10.00%
Discount rate FRB of New York (8/9/88).........6.50%

Call loans on securities, to brokers on stock exchange collateral (8/11/88)..............................9⅛%

Bankers acceptances offering rate, discount (8/11)
30 days: 8.00 60 days: 8.10 90 days: 8.20
120 days: 8.23 150 days: 8.35 180 days: 8.32

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (8/11)
14 days: 7.45 30 days: 7.80 60 days: 8.00
90 days: 8.05 120 days: 8.15 150 days: 8.35
180 days: 8.40 270 days: 8.45 360 days: 8.60

Commercial paper, dealer Aaa, discount (8/11)
30 days: N.A. 60 days: N.A. 90 days: N.A.

Commercial paper, directly placed, discount (8/11)
5-14 days: 7.50-8.00 15-29 days: 7.50-8.05
30-59 days: 7.50-8.10 60-89 days: 7.50-8.05
90-179 days: 7.50-8.10 180-270 days: 7.50-8.05

Treasury-bill rates, secondary market, bid (8/11)
90 days: 7.03 180 days: 7.44 1 year: 7.65

Eurodollar deposits, London bid (8/11)
Overnight: 8.00 7 days: 8¹/₁₆ 1 month: 8¼
3 mos.: 8⁹/₁₆ 6 mos.: 8⅞ 1 year: 9¹/₁₆

NIBOR: 9.00 **LIBOR:** 9.00

The Bond Buyer Municipal Bond Index

	8/11/88	8/10/88	8/4/88
Index	88.18	89.10	89.26
Yield to Par Call	8.28	8.17	8.10
Yield to Maturity	8.13	8.05	8.00

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Sept.'88	92.69	92.65	92.69	- 2	7.31
Dec. '88	92.37	92.33	92.23	- 7	7.66
Mar. '89	92.33	92.30	92.31	- 6	7.69
Jun. '89	92.27	92.24	92.25	- 5	7.75
Sept.'89	92.18	92.17	92.17	- 5	7.83
Dec. '89	.....	.....	92.08	- 5	7.92
Mar. '90	.....	.....	92.02	- 5	7.98
Jun. '90	.....	.....	91.98	- 5	8.02

As of the previous day's close; Total no. of contracts traded: 9,996 total open interest: 22,529 and change in open interest: —501

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Aug. 11:	289.1	1988:	301.1	227.7	289.1
Aug. 10:	294.5	1987:	401.7	212.0	234.6
Aug. 9:	295.1	1986:	388.7	331.2	331.3
Aug. 8:	301.1	1985:	344.2	242.7	344.2
Aug. 5:	299.7	1984:	269.6	178.4	246.3

* Based on midday prices.

Thrift Mergers Rise in Number but Not Price

➸ Continued from Page 6

Calif., was sold to America First Financial Corp. in about two months.

The difficulties gripping the Federal Savings and Loan Insurance Corp. probably have some overall dampening effect on companies that are at the margin about acquiring a thrift, said Erwin I. Katz, president and chief executive of William Securities Group, Tampa, Fla., a regional investment banking firm that does a lot of thrift mergers and acquisitions work.

"Potential acquirers of thrifts, because of their concern over what the industry may have to do to help solve the FSLIC's problems, may in fact look a lot closer at what they are considering acquiring," Mr. Katz said. "They will look at asset quality, at management, and be tougher on the negotiating price. Sure, FSLIC has an effect, because when times are terrific, people step up to the plate to pay more money."

Cash, said SNL, is king in merger and acquisition deals. Except in 1987, when cash was a currency in 54% of the transactions, cash has been used in two-thirds or more of all transactions occurring annually since 1983.

While Florida and other southeastern states used to be the center of merger activity, lofty prices and tough competition in the overbanked regions have discouraged potential buyers, SNL found. The focus has shifted to New England and, to a lesser extent, the Pacific Northwest. The activity in New England is due to the excess capital levels of many thrifts in the region. The average capital ratio among all publicly traded thrifts is 8.05%; in New England, it is 9.85%, attributable to their generally healthy condition and the high levels of capital raised during conversions.

The trend toward intrastate mergers and acquisitions may change over time, SNL researchers said, as more states adopt less stringent interstate banking legislation.

Most of the acquisitions in the study were moves to consolidate operations, improve efficiency, and gain market share.

Declining deal prices are partly a function of the stock market crash last October, the researchers state, but they are also a reflection of the declining perception of the value of a thrift institution's franchise.

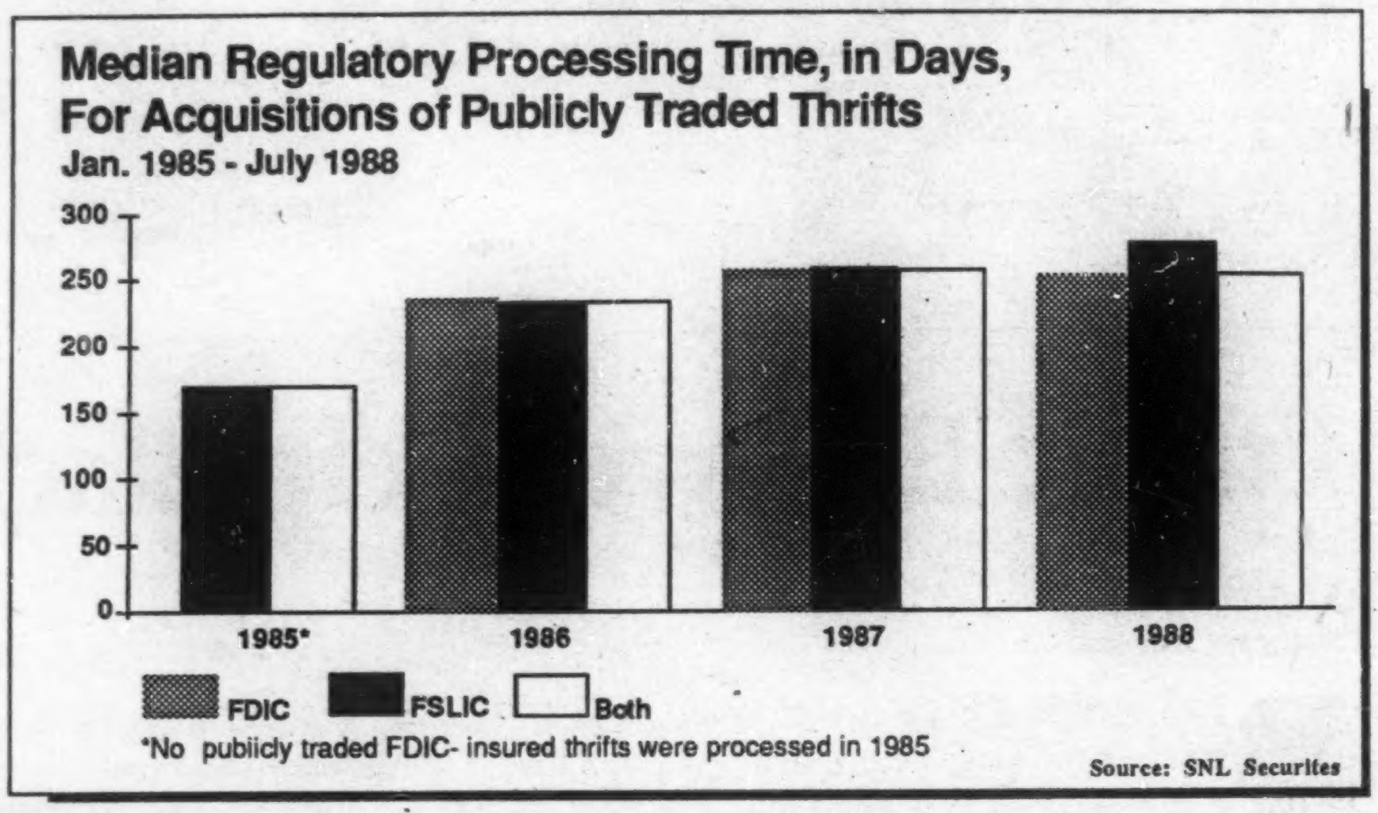
While the survey found that outside capital has not poured into the thrift industry since January 1983, Paul Haklisch, a managing director of Merrill Lynch Capital Markets, said he expects the mergers and acquisitions market for thrifts to broaden in the future.

"There will continue to be significant activity in the thrift sector," the head of Merrill's financial institutions M&A group said. "Industrial companies and commercial banks in particular would be expected to be active acquirers of thrifts.

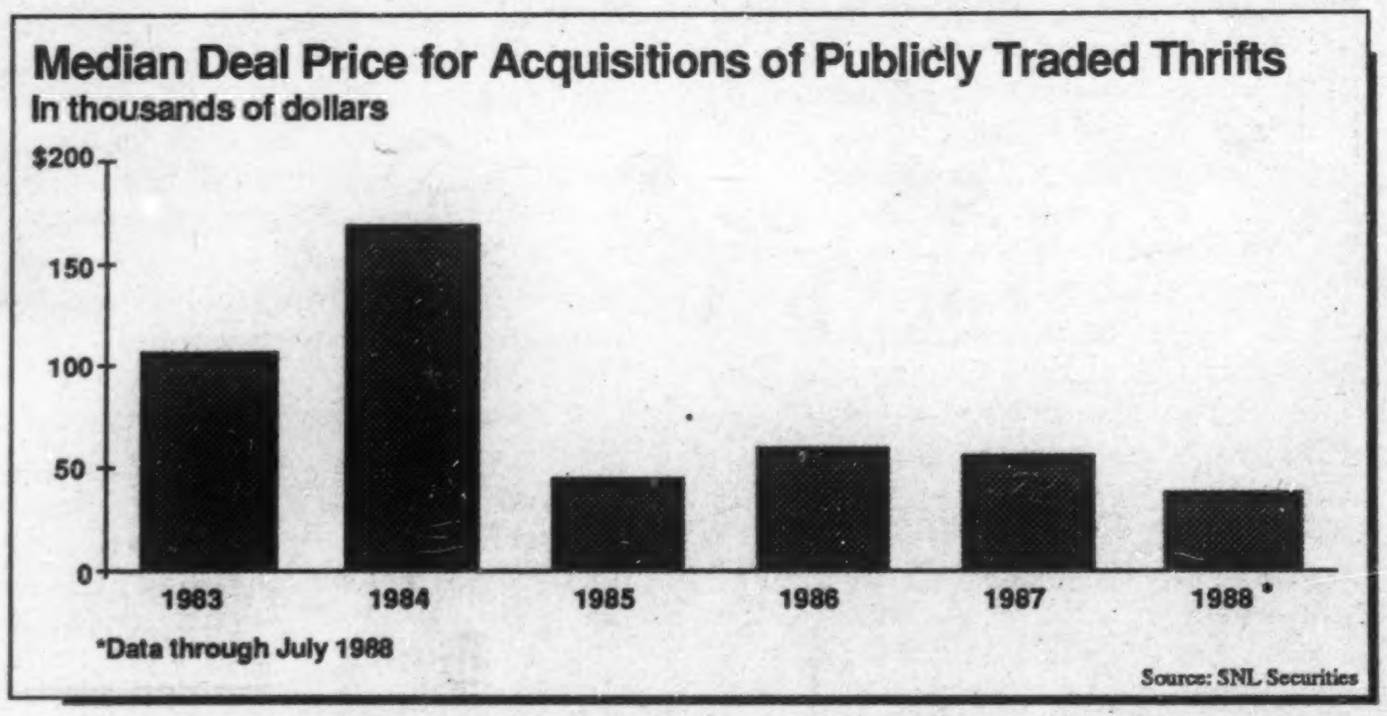
"For certain commercial banks, thrifts provide a cost-effective means of expanding," Mr. Haklisch said. "A bank can capture the customer base and branch network of a thrift and incorporate its own product lines, ending up with an expanded franchise at a price below that which it would otherwise have to pay for a commercial bank branch network."

Chris Foskett of Goldman, Sachs & Co., said thrift mergers will grow "especially as outsiders come into the thrift industry and view it as undervalued."

"And as regulatory barriers fall," said Mr. Foskett, who handles mortgage banking and thrift-related mergers, "commercial banks and thrifts will consolidate on an increasing basis." ■


Median Regulatory Processing Time, in Days, For Acquisitions of Publicly Traded Thrifts
Jan. 1985 - July 1988

*No publicly traded FDIC- insured thrifts were processed in 1985
Source: SNL Securites


Median Deal Price for Acquisitions of Publicly Traded Thrifts
In thousands of dollars

*Data through July 1988
Source: SNL Securities

Quaker Financial Taps Home Buying Market

➸ Continued from Page 6

buyers are often as short of time as they are of liquidity, he said. At Hoopes' real estate offices, they can apply for credit — if they need it — right on the premises.

People "want the convenience of one-stop shopping for houses and for financial services," Mr. Kline said. "They don't need more hassle at what can be a stressful time anyhow."

The third-party provider of Quaker's packaged short-term and home equity loans is the $1.1 billion-asset Home Unity Savings Bank in Lafayette Hill, Pa., a Philadelphia suburb.

For Home Unity, the year-old deal with Quaker means additional assets and deposits — loans are accessed via Home Unity checks dispensed by Quaker Financial — without costly marketing and other acquisition expenses. The thrift may also wind up with new first mortgages, although Hoopes brokers continue to do business with other lenders.

Quaker Financial shares Home Unity's loan origination fees.

CLS Corp., Blue Bell, Pa., also has a piece of the action. CLS — for consumer loan service — provides banks and thrifts with a full-service back office to handle consumer lending from application to collection, and the accounting paperwork in between.

In this case, CLS earns fees from Home Unity for processing, evaluating, and tracking the loan applications collected at Hoopes offices by Quaker Financial. Home Unity has the final say on loans.

CLS is headed by Norman R. Bitterman, a former senior vice president of the PSFS unit of Meritor Financial Group. He and other principals own a third of CLS. Advanta Corp., Horsham, Pa., parent of Colonial National Bank, Wilmington, Del., owns a third, and private investors own a third. ■

Union Planters to Acquire Bank

MEMPHIS — Officials of Union Planters National Bank, Memphis, announced that a definitive agreement had been reached to acquire the Pickett County Bank and Trust, Byrdstown, Tenn. Founded in 1904, Pickett County has approximately $28 million in assets and shareholders' equity of $2.5 million. Union Planters will purchase 100% of Pickett County's privately held stock. ■

Irving Trust Named ADR Agent

NEW YORK — Irving Trust Co. said it has been appointed depositary bank for Paragon Resources' American depositary receipts, or ADRs, which are traded in the over-the-counter market.

Paragon Resources NL, based in Perth, Australia, develops and operates gold mines and conducts exploration ventures in Australia and abroad.

American depositary receipts represent shares of a foreign company's stock held by a depositary bank. ■

July 15, 1988

Atlas Capital Corporation

has been acquired by

New Atlas, Inc.
(newly formed by a private investor group)

We initiated this transaction and acted as
financial advisor to Atlas Capital Corporation.

PaineWebber Incorporated

8/26/88 CO175-1 A

American Banker

The Daily Financial Services Newsp

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Today

The recently enacted trade bill puts Japan on notice to open its government securities markets to U.S. institutions or lose similar privileges here. ____2

Comerica Bank, under pressure from the Michigan banking commissioner, has revised its Community Reinvestment Act plan to commit more than $280 million to commercial, residential, and consumer loans. ____2

Another prime rate increase is not imminent, several economists said, despite Thursday's rapid increase in interest rates worldwide and bad news on inflation. ____2

Efforts by U.S. banks to gain access to the European market may be complicated by the Fed's decision to treat the Italian government agency that owns 59% of Banca Commerciale Italiana as a bank holding company. ____3

The investor group led by former Treasury Secretary William E. Simon has struck a deal to acquire all the stock of First Interstate of Hawaii. 8

G. Robert Truex Jr., former chairman of Rainier Bancorp. and Rainier National Bank, died in Seattle. ____8

Commerce Bancshares Inc., which appears to control its own destiny because of the Kemper family's 13.6% ownership, has adopted an anti-takeover measure. ____8

Workers/Workplace: American managers considering employment with Japanese firms should explore various differences in the two cultures. 13

Bank operations divisions can also benefit from marketing efforts; the last of four articles on cost-cutting. 16

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COMMENT

The mutual holding company structure can help thrifts attain strategic goals while providing reasonable return for investors, writes Robert Chaut in the Observer column. ____4

THRIFTS & MORTGAGES

The British mortgage unit of Salomon Brothers is facing a distinctly more competitive environment. ____2

Great Lakes Bancorp, Ann Arbor, Mich., has mapped out a strategy to become a "banklike thrift" by diversifying its services and establishing an interstate network. ____6

The FSLIC's move to release $2.4 billion in Texas assets last week for $48 million — about 2 cents on the dollar — baffled the industry. ____6

Worth Repeating

When you have headline after headline about the foibles of banks, confidence becomes a very important issue.

John Lyons, analyst for Lyons, Zomback & Ostrowski, New York. [Page 1]

FDIC Tactics In Big Failure Face Scrutiny

By STEVE KLINKERMAN
Southwest Bureau

DALLAS — Debtholders of bankrupt First RepublicBank Corp. are gearing up for a court fight challenging the means by which the Federal Deposit Insurance Corp. seized First Republic's 40 Texas member banks.

The upcoming battle centers on the March 17 transaction in which the FDIC lent $1 billion to First RepublicBank Dallas to halt a run on deposits. As surety on the loan to the lead bank, each of First Republic's member banks issued guarantees equal to its primary capital.

When the FDIC called the $1 billion note on July 29, all of the First Republic member banks in Texas failed and were taken from the parent company and placed in a federally chartered bridge bank.

Debtholders contend that the transaction was fraudulent. They say many of First Republic's member banks were solvent, valuable institutions that should have remained as property of the holding company.

"The FDIC took for itself all the assets of First Republic's good banks to defray the costs of insuring deposits at First Republic's bad banks," said Martin Bienenstock, a partner in the New York-based law firm of Weil, Gotshal & Manges.

Mr. Bienenstock represents the unsecured creditors' committee of IFRB Corp., the First Republic unit managing the claims and liabilities of InterFirst Corp., one of the two banks that merged in early 1987 to form First RepublicBank Corp.

IFRB's unsecured creditors asked First Republic's bankruptcy judge on Tuesday for authority to begin litiga-

Please see FIRST REPUBLIC: Page 15 ▸

AN AMERICAN BANKER SURVEY

33% of Execs Less Confident In Banks Than 2 Years Ago

By PHILIP T. SUDO
First in a Series

Business executives say they are confident in the nation's banking system — but less so than in recent years, according to an *American Banker* survey of corporate financial decision makers.

Nearly 46% of those surveyed expressed a great deal of confidence in the nation's banking and financial system. Another 46% said they have some confidence. Only 7% said they had very little or no confidence in the system.

But when asked how their level of confidence had changed over the past two years, 33% of the respondents said they felt less confident in the system.

"Anyone who can hear thunder and see lightning has to be a little shaken," said John Lyons, analyst for Lyons, Zomback & Ostrowski, New York. "When you have headline after headline about the foibles of banks, confidence becomes a very important issue."

The first *American Banker* Corporate America Survey was based on telephone interviews with executives of 413 randomly selected companies, none of which are financial services firms. The interviews were conducted in March and April with the executives responsible for choosing the financial services and institutions their companies use.

The survey was divided into two groups: a middle-market sample of 205 companies with revenues between $10 million and $250 million, and a large-corporation sample of 208 companies with annual revenues of $250 million or more.

Of those whose confidence in the banking system had eroded, 68.1% attributed the change to the recent wave of bank failures. Twenty-two percent cited current economic conditions, 16% pointed to the Third World loan problem, and 5% mentioned the poor quality of bank management.

"It's not surprising in light of the events that have marked the decade," said James McDermott, analyst for Keefe, Bruyette & Woods Inc., New York. He noted that Keefe's index of

Please see SURVEY: Page 14 ▸

Corporate
America
Speaks

American Banker today begins a series on how corporate America perceives the banking industry. Executives were surveyed last spring on a variety of topics. The results will be reported over the next few weeks. A special magazine containing the survey findings will be mailed free to subscribers in September.

Bank managers spend less than 25% of their time looking for new business.

Unisys branch automation puts information, selling prompts, forms, spreadsheets and complete customer profiles on-line at each terminal. So everyone gets more time to do what you need them to do most—sell.
BETTER INFORMATION.
BETTER DECISIONS.

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THE OBSERVER/COMMENTARY

Having it Both Ways: Pros and Cons of Mutual Holding Company

By ROBERT CHAUT

THE mutual holding company or MHC structure is a little known and less understood concept. It allows well-capitalized mutual thrifts to convert to stock form, sell shares to the public, but continue to maintain mutual control.

Properly construed, an MHC format can offer thrifts a vehicle for achieving their strategic goals while providing a reasonable return for investors. Legislation authorizing MHCs has been enacted in several states, principally in the Northeast.

Similar legislation is part of the Competitive Equality Banking Act, passed by Congress last year. It is applicable to federally chartered thrifts anywhere in the country and to state-chartered institutions domiciled in states having no MHC legislation.

Notwithstanding these moves by lawmakers to permit this new type of corporate structure, there has been no great rush by mutuals to take advantage of the legislation. In fact, the Federal Home Loan Bank Board has not yet drafted the various regulations that will have to be in place before conversion to this corporate form can occur via federal law.

The People's Conversion

A Connecticut-chartered savings institution has become the first MHC conversion, under state law. People's Bank, Bridgeport — the largest savings bank headquartered in New England, with total assets approaching $6 billion — completed its conversion in early July.

The MHC process permits a thrift to transfer virtually all of its assets and liabilities to a newly chartered stock savings bank, receiving in return shares of the "new" bank. The "old" bank then becomes a nonoperating mutual holding company, whose sole business is to own a majority interest in the shares of the new stock institution.

People's, for example, provided that its MHC receive approximately 78% of the outstanding shares of the subsidiary bank. The other 22% was sold — as in an ordinary conversion plan — first to depositors, then employees, the community and, finally, to the public.

Here, of course, is one major difference between the MHC type of conversion and the ordinary mutual-to-stock conversion that has occurred with great frequency in recent years. In a mutual-to-stock conversion, regulations require 100% of the shares to be sold for cash. In an MHC conversion under Connecticut law, the institution may limit the sale of shares to avoid creating an excessively high capital position.

Federal law is vague on this important point. Some attorneys suggest that no minority shares at all can be sold. Others believe that the Federal Home Loan Bank Board's regulations — still to be issued — will permit sale of minority shares. It is to be hoped that the latter will be the case.

Connecticut law grants priority subscription rights to depositors in the original offering of shares, as is the case in all conversions. It is, of course, possible that all the shares offered might be acquired by the depositors if a large number chose to subscribe. In the People's case, eligible depositors and Connecticut residents subscribed for about 71% of the shares offered.

> 'The mutual holding company process permits a thrift to transfer its assets and liabilities to a newly chartered stock savings bank. The 'old' bank then becomes a nonoperating mutual holding company, whose sole business is to own a majority interest in the shares of the new stock institution.'

Connecticut law provides both an absolute ceiling and a meaningful floor concerning the sale of shares. The ceiling is fixed: No more than 49% of the shares can be sold to investors, so that a majority must be held by the MHC.

The floor is voluntary. But the state law provides that if, at the time of conversion, at least 20% of the shares are sold for cash, no further subscription rights need be offered to depositors if additional shares are issued in the future.

Obviously, if newly issued shares always had to be offered to depositors before being used for such purposes as acquisitions or stock options, the technical complications of issuing additional stock would probably undermine important reasons for converting in the first place. Under such rules, it must be assumed that thrifts converting to MHC format will immediately sell at least 20% of their shares.

Management's ability to limit the sale of shares in the conversion process to between 20% and 49% is surely a positive factor for the well-capitalized thrift, which could not efficiently use all the capital a regular conversion plan would generate.

As already noted, the 1987 federal legislation is not clear on the question of selling minority shares. It does not address a 20%-to-49% sliding scale that would permit management to judge its need for new capital, or whether subscription rights would accrue to depositors after the first sale.

It is to be hoped that the Bank Board regulations will permit shares to be issued after the original conversion, with no major impediments attached. If not, the mutual holding company trend — at least via federal legislation — may stop before it gets started.

The stockholderless mutual holding company will have directors who are elected, under Connecticut law, by incorporators who are themselves directors. This will permit self-perpetuation of the directors of the MHC; they will hold a majority interest in the subsidiary savings institution, with public shareholders in the minority.

In Connecticut, the MHC cannot reduce its ownership of the subsidiary bank below 51%. While this legal requirement is rare, perhaps unique, in corporate law, the concentration of

Please see OBSERVER: Page 13 ►

Mr. Chaut is senior vice president and director of the financial institutions group at Morgen-Walke Associates Inc., a New York investor relations firm. He has followed the thrift industry for more than 25 years, primarily as a securities analyst.

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LETTERS TO THE EDITOR

FDIC Says It Considered Managing 1st Republic

To the Editor:

In criticizing the Federal Deposit Insurance Corp.'s resolution of the First RepublicBank Corp. crisis [Aug. 16, page 1], Sanford Rose relies on an assumption that isn't supported by the facts. His assumption is set forth in the following passage:

"The evidence suggests that the FDIC ruled out the option of running First Republic on its own. In other words, the agency solicited bids from private parties after having decided that it either could not or would not operate the institution as a fully nationalized entity.

"By circumscribing the range of choices, the agency handicapped itself. It is conceivable that if private bidders knew that the FDIC was still weighing the option of running the institution by itself, they might have been disposed to raise their bids."

Mr. Rose does not describe the "evidence" he cites. So far as we can determine, he did not contact anyone at the FDIC to ask if the agency at the outset had, in fact, ruled out operating First Republic's banks.

As it happens, Mr. Rose's assumption is incorrect. In discussions with bidders, FDIC Chairman L. William Seidman made it clear that the agency was considering as a serious alternative installing management and operating First Republic for an indeterminate period. Indeed, the "stand-alone" option was among the proposals considered, first by the FDIC staff and finally by the FDIC Board of Directors, right up until July 29, the day the final decision was made and announced.

While Mr. Rose may think the FDIC acted with "unseemly haste" in resolving the First Republic situation, the Texas public and its banking industry probably wouldn't agree. First Republic was the largest banking operation in the state, and the months-long uncertainty about its future contributed to a general perception of instability in the state's banks and in its economy.

Mr. Rose is correct in stating that the FDIC prefers not to operate banks. As a bank regulator, we think that is a sound position, especially when it involves the largest bank in a market.

A final point of clarification relates to Mr. Rose's reference to "the $210 million or so bid by NCNB." That's somewhat misleading. NCNB did not bid $210 million for First Republic; it bid that amount for 20% of the entity, plus the right to purchase the FDIC's 80% share at a future price which is estimated to be in excess of $1 billion.

Alan J. Whitney
Director
Corporate Communications
Federal Deposit Insurance Corp.

Sanford Rose's reply:

Mr. Whitney asserts that as far as he can determine, I did not contact anyone at the FDIC to ask if the agency had ruled out operating First Republic's banks. But of course I did, and a well-informed source with an understandable craving for anonymity described the events in some detail.

He pointed out that the FDIC performed an analysis of the relative economics of government operation vs. sale. I am grateful to Mr. Whitney for calling attention to the imprecision of my statement about the $210 million. But that does not change the point — to wit, the FDIC's analysis revealed that the discounted value of the net revenues to be earned if the institution remained in government hands exceeded what could be realized by selling it to NCNB. On paper at least, it was more profitable to hold than to sell.

Despite this analysis, the FDIC had no intention of holding, and this must have been clear to the private bidders, whatever Mr. Seidman may have told them. FDIC personnel made no secret of their lack of enthusiasm for running failed banks. Many suggested that government ownership of Continental Illinois was a key factor delaying the recovery of that institution.

And others apparently felt quite sincerely that Texans would boycott a fully nationalized bank, making it impossible to realize the projected revenues. Is it conceivable that these attitudes were not known to the bidders?

Indeed, another bit of evidence suggests that the bidders should have divined the FDIC's intentions. Agency insiders were avowedly concerned that had the FDIC not accepted what was offered, the local marketplace would have said in effect: "This bank is so bad that no one in the private sector wants it."

This, in the opinion of some at the FDIC, would have led to further deposit outflows and further damage to the business potential of the institution. Is it possible that canny private negotiators could not detect the smell of fear? A key representative of one of the negotiating groups insists that he, for one, could catch the scent.

AN AMERICAN BANKER SURVEY

Executives Still Have Faith in Banking, but It's Shaky

▸ Continued from Page 1

money center and regional bank stocks — a measure of investor expectations — declined 20% from March 1986 to March 1988. Similarly, the *American Banker* index of money center stocks declined 36% during the period. In contrast, the Standard & Poor's 500 Composite index rose 8.6% in the period.

Only the NASDAQ index of small bank stocks improved over the two years, by 11%.

A Measure of Faith

Beyond its effect on stock prices, confidence is important because it measures the corporate world's faith in banking relationships, Mr. Lyons said. Borrowers, for example, invest as much time as lenders do in trying to build a solid, enduring relationship, and they do not like to see that effort undermined by problems in the system.

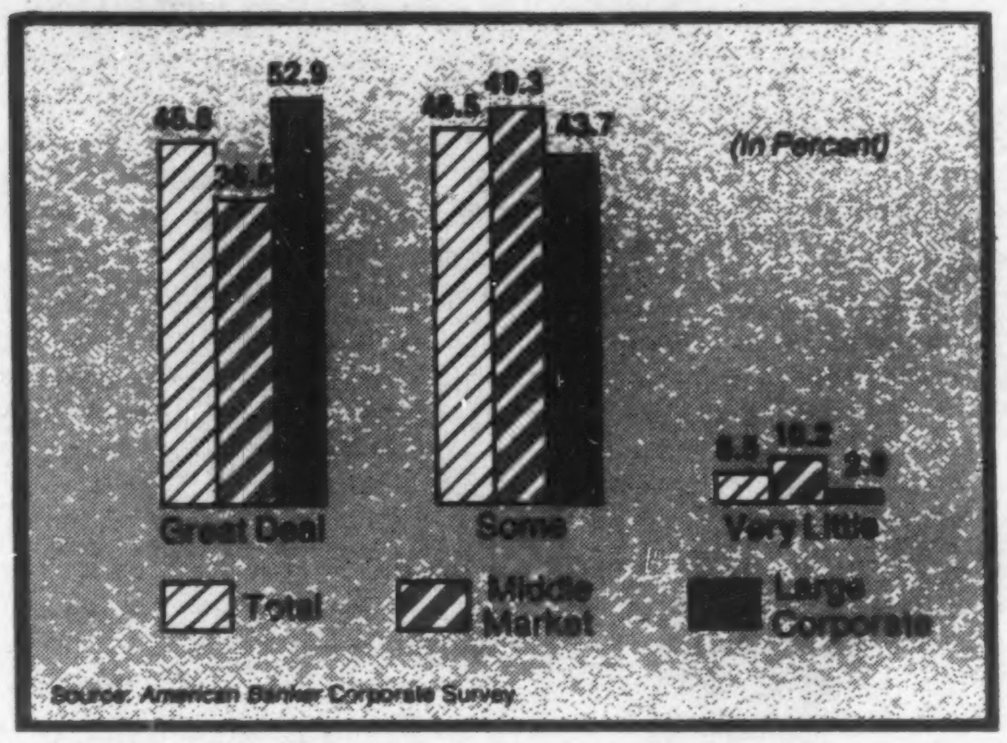
And from a depositor's standpoint, "confidence is everything, because corporate deposits are the uninsured deposits," Mr. Lyons said. Most large and middle-market companies have balances that exceed $100,000, which puts them outside the Federal Deposit Insurance Corp.'s protection. "In that sense, the corporate depositor becomes like an investor in the bank."

Fifty-four percent of the respondents said they were as confident in the banking system as two years ago. An additional 12% were more confident in system.

Significantly, though, the level of confidence varied by the size of the company. Large corporations expressed more confidence in the banking system than did middle-market companies.

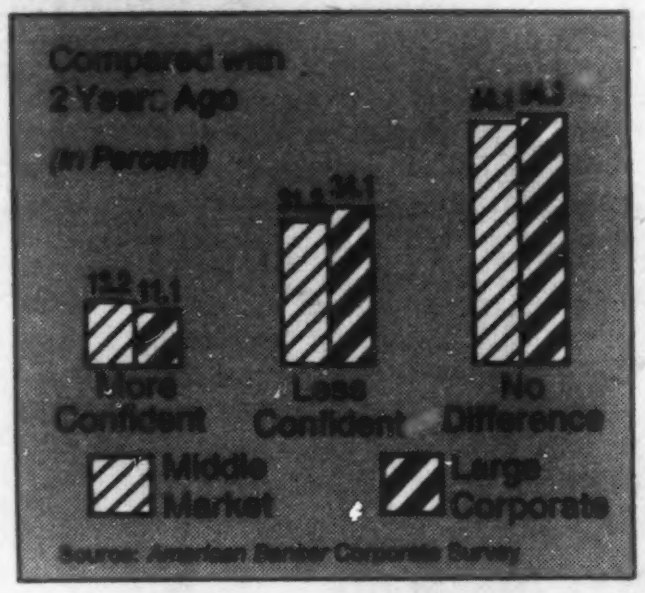
Nearly 53% of the large firms said they had a great deal of confidence in the banking system, with only 2.9% indicating very little confidence. Among middle-market respondents, 38.5% reported a great deal of confidence and 10.2% said they felt very little confidence.

Confidence Remains in the Banking System...



Source: American Banker Corporate Survey

...But Confidence Is Falling



Source: American Banker Corporate Survey

"The middle market is of greater concern to me than the large corporation," Mr. Lyons said. "The large corporations don't borrow from banks anymore, so they don't care as much. But the middle-market borrower has a life and death relationship with banks — they're hand in glove with the bank, and they're saying, 'I'm scared.' "

As one Atlanta-based executive put it, "I still have confidence in the system — but not as much confidence in the banks."

The slip in confidence has led many respondents to change the way they conduct their banking business.

'One Key Bank'

"We've consolidated our banking with one key bank," said the chief financial officer for a Michigan-based health service who expressed only some confidence in the system. Conversely, the controller of a Texas-based chemical company who felt very little confidence in the industry said, "We're separating our accounts and putting them in different banks to handle."

Another executive in Texas, whose banks have suffered through a spate of bad energy loans, said, "We don't keep accounts in excess of $100,000 because [the banks] are going down right and left. They're not doing their homework, and it's going to hurt our business."

Some indicated they are willing to look for financial services at institutions outside of banking.

"Because of the high failure rate in the banking system, we've put less and less reliance on banks and more on other financial institutions," said a California firm president who felt less confident in the industry.

Despite these problems, the banking system is still better equipped to handle problems today than it was 15 years ago, Mr. McDermott said.

"I remember when Herstatt created a crisis of confidence," he said, referring to the German firm Bankhaus I.D. Herstatt KGaA, whose failure in 1974 sent shock waves through the world financial system. "It used to be that a single event like that would set off all kinds of alarms.

"Here in the last year, we've gone through the stock market crash and a whole series of crises, and they've been managed through," he said. "So if you look at it, it suggests a fungibility of the banking system. For the industry to have gone through as many crises as it has and still be in good shape is a sign of inherent strength."

Next: Consolidation in the banking industry has created benefits and problems for corporate America.

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The sample has a margin of error of plus or minus five percentage points with a 90% confidence level. That means if 60% of the companies give a response, there is a 90% probability that the actual percentage is between 55% and 65%. This margin of error applies to the total sample. Subgroups with smaller sample sizes have greater margins of error. ■

Bank Board Unfazed by ARM Rate Risk

By PHIL ROOSEVELT

NEW YORK — An official at the Federal Home Loan Bank Board downplayed concerns that thrifts are offering adjustable-rate mortgages at rates so low as to invite losses.

"We don't have any concrete evidence that there's widespread mispricing," said James R. Barth, chief economist for the thrift regulator. "There may be some individual cases."

That view contradicts findings by the Federal Home Loan Mortgage Corp., or Freddie Mac. The secondary market agency maintains that up to half of all new adjustable-rate mortgages will result in economic losses for the lenders.

And earlier this week, Robert D. Horner, chairman of Citicorp Mortgage Inc., called the underpricing of adjustable loans "the No. 1 issue facing mortgage lenders."

Last week, lenders were offering the most popular type of adjustable loan at an average rate of 8.07%, or 20 basis points below the weekly average for one-year Treasury securities. In February, the average initial rate for that type of loan was nearly 100 basis points above the Treasuries, and two years ago it was nearly 250 basis points above the Treasuries. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our Corporate America Survey meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

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(2.) What do you like **best** about the survey?

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(3.) What do you like **least** about it?

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(4.) How do you use the survey in your work?

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Today

NEWS MONDAY

The final outcome of the year-old takeover battle between the Bank of New York and Irving Bank Corp. remains uncertain, but one thing is clear: Irving and its advisers have shown how to keep an unwanted suitor at bay. And they have done so despite adverse rulings from the Federal Reserve Board and the courts, writes Bart Fraust in the Perspective column. ______ 7

Sen. Dan Quayle's military record makes front-page news, but few suggestions if any are forthcoming from either presidential candidate on solving the savings and loan crisis. ______ 8

John Patrick LaWare, the newest Fed governor, has wasted no time in transforming himself into a regulator after spending over 35 years as a banker. ______ 9

Politickle ______ 8

INSIDE

The Louvre Accord of February 1987, in which the Group of Seven industrial nations agreed to maintain the dollar within certain unspecified ranges, appears to be unraveling. Analysts say that current variances in growth, inflation, and trade among the G7 countries have strained monetary cooperation to the point of invalidating the pact. ______ 3

Deloitte, Haskins & Sells, the outside accounting firm of the Federal Home Loan Bank System, cautioned against the practice of making uncollateralized advances to sick thrifts on the basis of guarantees by the insolvent FSLIC. ______ 3

Mobil Oil Corp. will now accept Mac cards at its 4,200 service stations equipped for electronic payment. Mobil, which has the country's largest retail debit card network, is being sponsored by Mellon Bank. The move brings the number of debit cardholders able to make purchases at Mobil stations to about 45 million. 16

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COMMENT

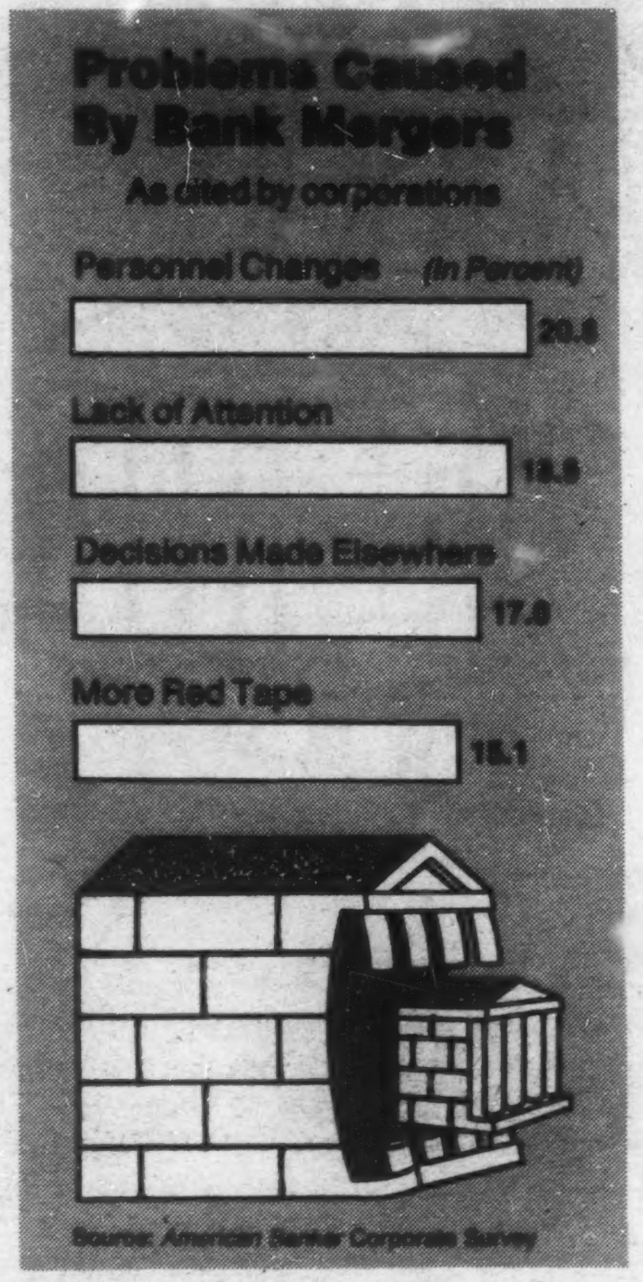
Summer camp toothpaste scams and Canadian border guards offer material for some financial reflections in the hazy days of August, says Dr. Paul S. Nadler. ______ 4

Democrats should be focusing public attention on the breakdown of the federal budget process, not the background of Republican vice presidential candidate Sen. Dan Quayle, writes H. Erich Heinemann. ______ 4

Worth Repeating

The notes were of some concern to all.

Emile J. Plaisance, a Dallas Home Loan Bank director, on the FSLIG's uncollateralized advances to sick thrifts. [Page 3]



Source: American Banker Corporate Survey

AN AMERICAN BANKER SURVEY

Clients Say Relationships Unhurt by Bank Mergers

By GORDON MATTHEWS
Second in a Series

Mergers and acquisitions generally have not hurt the relationship between banks and business, but the banking industry's consolidation does not automatically mean better banking for corporate clients.

Companies responding to the *American Banker's* Corporate America Survey cited both benefits and problems associated with bank mergers. Respondents said the biggest pluses were improved and flexible services and the availability of additional capital. Significant problems ranged from personnel changes to excessive paperwork in dealing with newly merged banks.

More than 70% of the 413 firms surveyed said they had dealt with a merged bank. And an impressive three-fifths of the respondents — 61% — said their relationship with the merged banks remained the same as before consolidation.

On the other hand, a sizable minority, 37% of responding companies, said their bank relationship had changed. And, more important, the firms in this group were almost equally divided on the effects of the mergers. Of the total sample, 18.8% said their banking relationship was stronger, while 18.2% sensed a weaker bond.

There was a striking disparity between smaller and larger firms on this key issue.

Among middle-market companies, with annual sales of $10 million to $250 million, 40% said they believe their banking connection was differ-

Please see SURVEY: Page 2 ▸

Dingell Wants Foreign Loss Data To Aid His New Powers Decision

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — Rep. John D. Dingell, chairman of the House Energy and Commerce Committee, has demanded information about the London-based securities units of five U.S. banks, a move that signals his intention to play a major role in writing new banking legislation.

In a letter released last week, the Michigan Democrat cited Citicorp in particular, saying the big New York banking company's Dublin office lost $50 million during the October stock market crash "through violations of internal trading procedures."

A Citicorp spokeswoman declined comment, saying she has been unable to determine whether the bank received the Aug. 11 letter.

The letter was also sent to Bank of America, Bankers Trust Co., Chemical Bank, and Manufacturers Hanover Trust Co.

Mr. Dingell, a longtime opponent of new bank powers, linked the issue firmly to the debate over revision of the Glass-Steagall Act. He charged that the experience of the London units re-

Please see DINGELL: Page 14 ▸

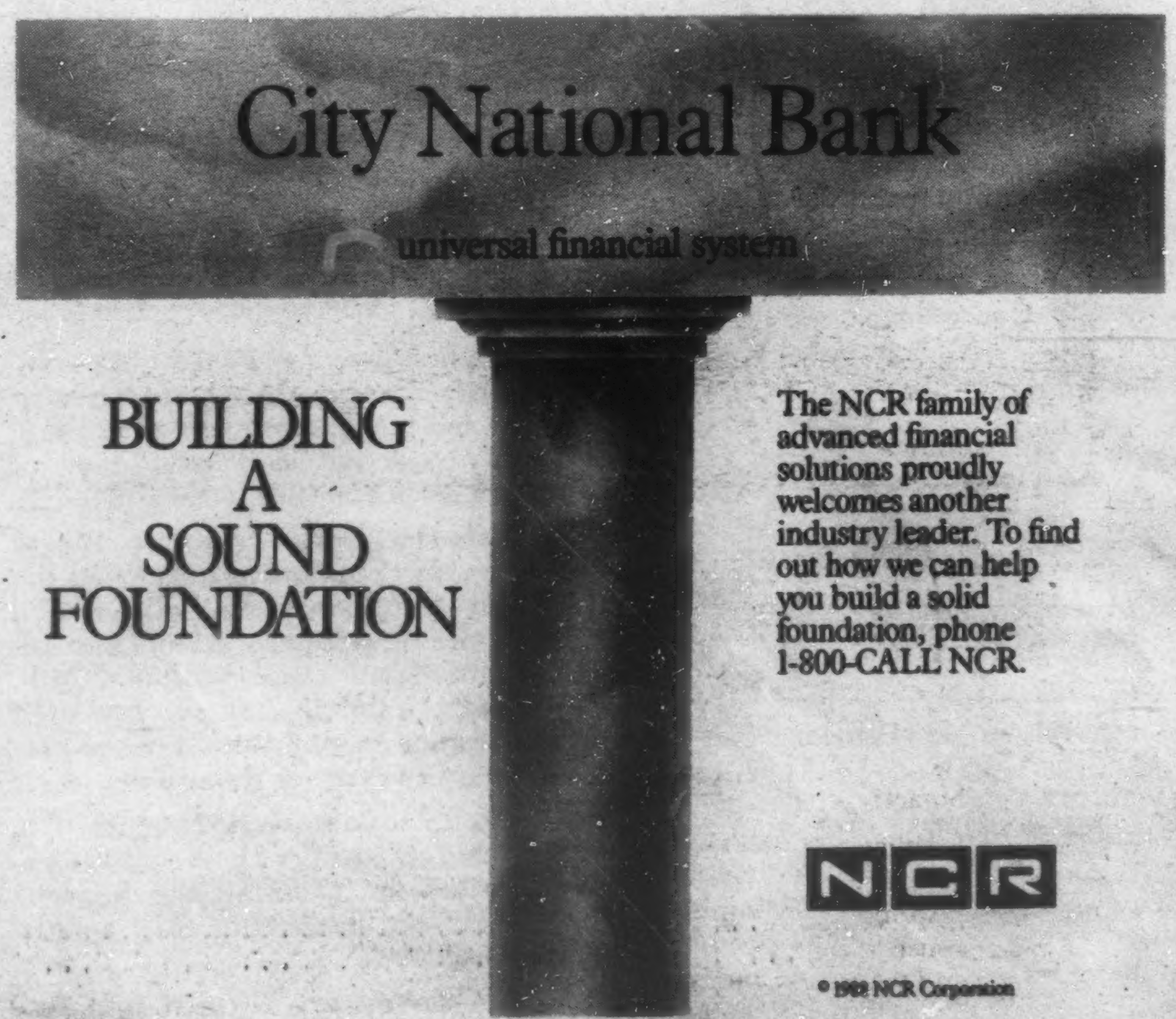
FDIC Revises Auction Terms

By LISABETH WEINER
Midwest Bureau

CHICAGO — In the wake of criticism, the Federal Deposit Insurance Corp. has made minor changes in the terms set for the sale of First RepublicBank Corp.'s credit card bank. But some potential bidders are complaining that the changes only make matters worse.

At issue is whether NCNB Corp., which is temporarily managing the $600 million credit card portfolio for the FDIC, would be able to solicit the credit card customers if it lost out in

Please see FDIC: Page 15 ▸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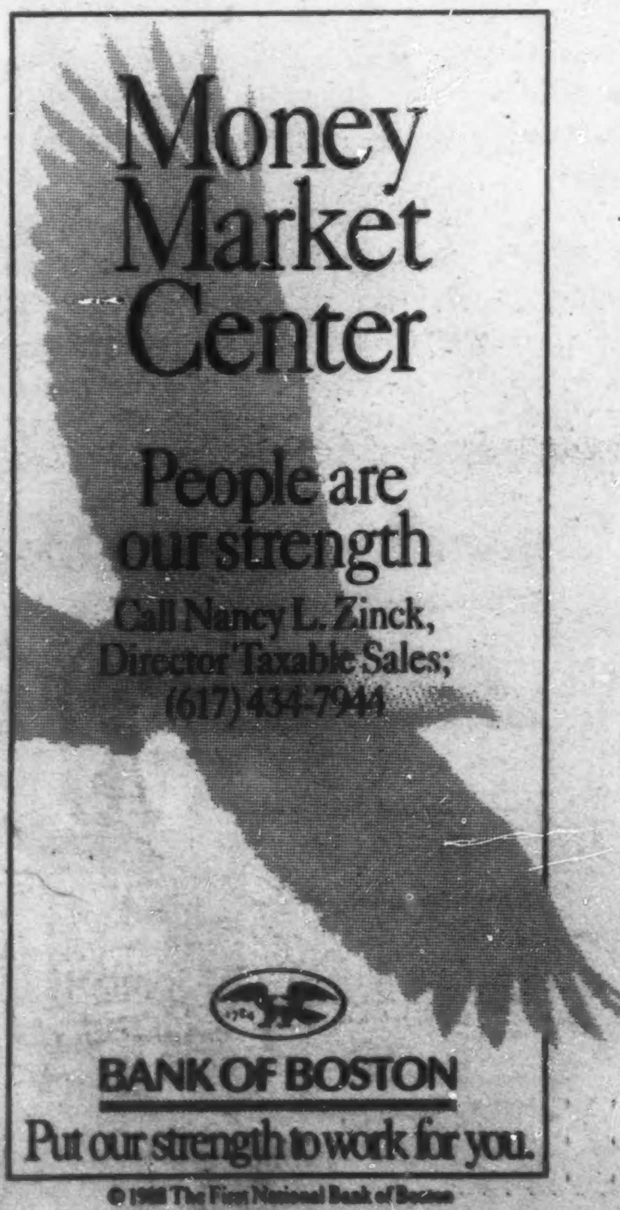
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AN AMERICAN BANKER SURVEY

Customers Say Relationships Survive Mergers

▸ Continued from Page 1

ent, and well over half of the smaller companies termed it weaker.

Among large corporate customers, with annual sales over $250 million, a slightly smaller 35% said their basic banking tie was now different. Three-fifths of these firms, or 20.9% of the total, said it was stronger than before the merger.

The first *American Banker* Corporate America Survey was conducted by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper. It is based on telephone interviews with executives of 413 randomly selected companies, none of which are financial services firms. The interviews were conducted in March and April with the executives responsible for choosing the financial services and institutions their companies use.

The survey was divided into two samples: 205 middle-market companies with revenues between $10 million and $250 million, and 208 large corporations with annual revenues of $250 million or more.

The data suggest that after a merger, banks focus on large customers they presumably deem more important to retain. And the data indicates that many smaller firms, sensing change at their traditional banks, need reassurance or they might be inclined to change banks.

Corporate
America
Speaks

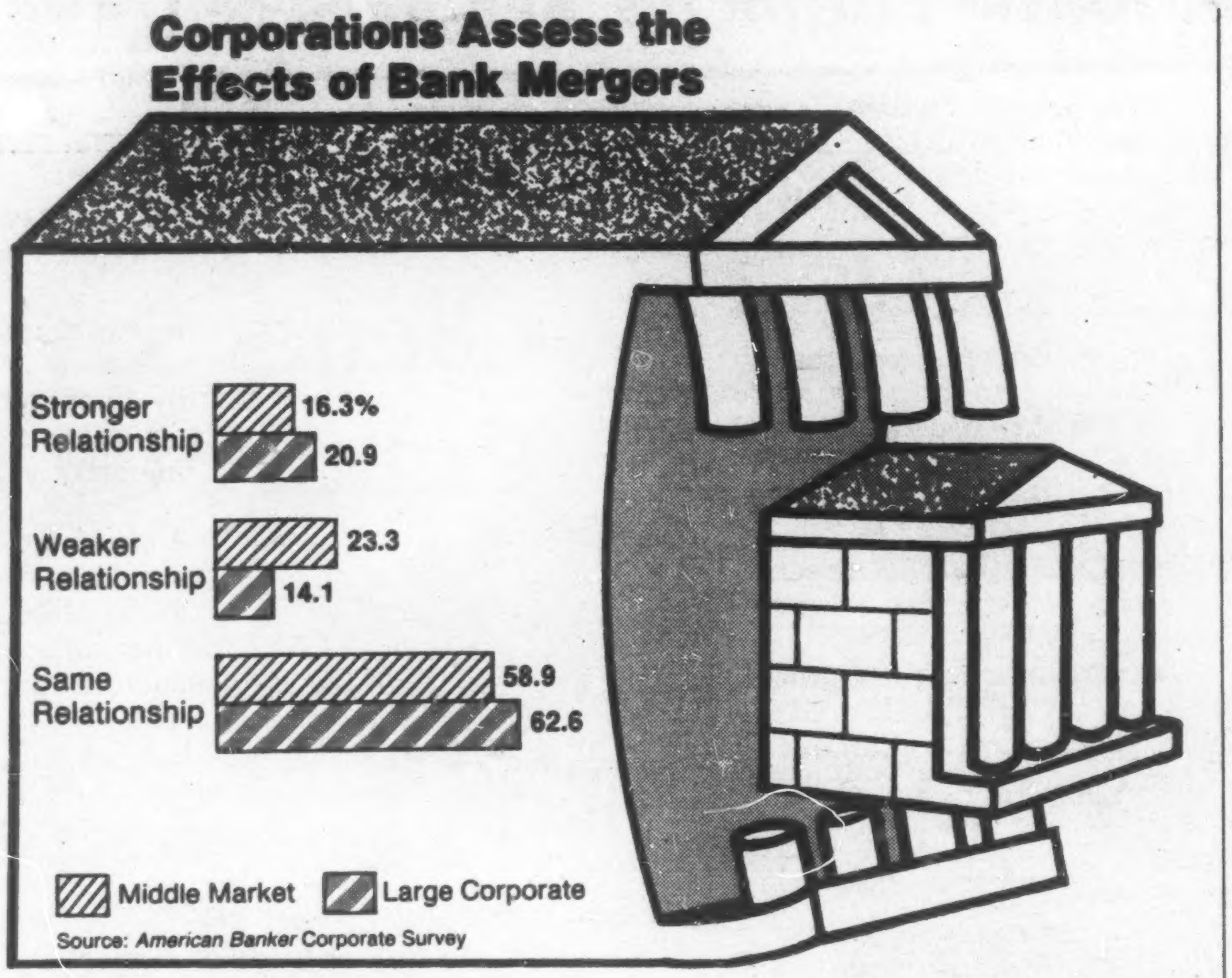
"Everybody has a routine, and business borrowers are very sensitive to the routine of borrowing money. With some, it's their lifeblood, and any possible complication in their relationship with their lender is very uncomfortable," noted John J. Lyons, a New York consultant who advises financial institutions on mergers.

"Mergers represent change, which is unsettling," said Virginia A. Adair, vice president of Merrill Lynch Capital Markets and a banking industry analyst. "Important efforts have to be made to avoid disruption and minimize the loss of corporate clients that are always possible in such a situation."

New or Better Services

The most frequently cited reason for an improved relationship with banks was new or better financial services — reported by nearly 40% of those companies reporting a change after a merger. "Our bank was able to add additional services with the merged institution," said an executive of a manufacturing firm in Washington State with nearly $500 million in sales yearly.

"Our bank merged with a large money center bank, so now we have a wide range of services available to us," a New York firm said. "It [a merger] gave us a much wider variety of services," echoed an Illinois firm with $1.3 billion in sales.


Corporations Assess the Effects of Bank Mergers

Source: *American Banker* Corporate Survey

The next most frequently mentioned reason for a stronger relationship in this situation, cited by about a third of the companies, was the broadened financial base of the bank that creates opportunities for obtaining more credit. "They used to have a lending cap; now they can lend us what we need," said a Virginia company with yearly sales of $34 million.

"The merger provided them with more money," said an official of a smaller Pennsylvania firm. "Now they're highly capitalized and able to lend more money."

An official from a Kansas firm with $2.9 billion in annual sales said, "The merged institution has more credit business with this company."

The increased size of a merged bank and the perception of greater stability were also noted, particularly by two Texas companies. "The bank is more solidly established now," said a company with $12 million in sales.

"It increased the ratings of the bank; it was a positive merger," said a larger firm, with sales of $273 million.

Turnover Is One Problem Cited

But corporate customers also noted some problems stemming from banking combinations — particularly personnel-related quality concerns — that bank managers may want to examine.

Turnover among account officers, especially, and other bank personnel was the biggest headache that firms said they encountered after their banks underwent a merger. Personnel problems were cited by 20% of the firms surveyed, and nearly as many companies complained about lack of personalized attention by banks.

These feelings parallel answers to other survey questions and emphasize the importance that corporate customers attach to their links with their banks.

"[The merger] made the smaller bank operate under the bigger bank's guidelines. We became a number instead of a client," said a Mississippi firm with $18 million in sales.

Personal attention is a key concern. "It seems that they don't pay as much attention to the wants and needs of the customer" after a merger, said one Texas business services company with sales of $263 million.

The lack of local decision-making was another problem arising from bank mergers that respondents mentioned. "They have no interest in a small community," was the plaintive remark of a Washington State firm posting sales of $17 million.

Red tape and confusion were other merger-related maladies. "We're getting statements from both banks. Delay in getting accessible money went from four days to 10," said a Colorado firm.

"Our accounts were shuffled, and the result was a great deal of confusion with bank personnel," said a California company.

"There's a lot more red tape. It's hard to get a question answered," lamented a North Carolina firm.

And an Oregon firm, which lists sales of $500 million, hit on a problem that frequently surfaces in the wake of mergers: "The calling officers are too preoccupied with internal developments."

Problems of the Little Guys

Part of the reason for greater concern among smaller companies is that "their relationship with banks is much stronger to begin with," said Mr. Lyons, a managing principal in the firm of Lyons, Zomback & Ostrowski.

"They need the banks more. The larger companies have financial options that smaller companies don't have — the capacity for shutting off valves and opening up others when they need to, so to speak."

The middle-market customers' concerns about mergers deserve attention from banks, "because it's a situation where the guys most upset are basically the guys who are paying the freight," Mr. Lyons said. "Rather than the big companies, it's the smaller firms that are paying the prime, and prime-plus credits."

The experience of most companies with bank mergers, as identified in the survey, coincides with the spread of interstate banking since mid-1985. At that time, the U.S. Supreme Court upheld the establishment of regional banking zones.

Since then, southeastern states and the northeastern region — in particular the New England states — have experienced the largest number of interstate mergers. The West and Southwest have experienced relatively fewer consolidations. The Midwest has lagged behind, although it is now beginning to catch up.

Following that pattern exactly, the study found that businesses in the South had encountered the most mergers, and firms in the Midwest had the least exposure to banking combinations.

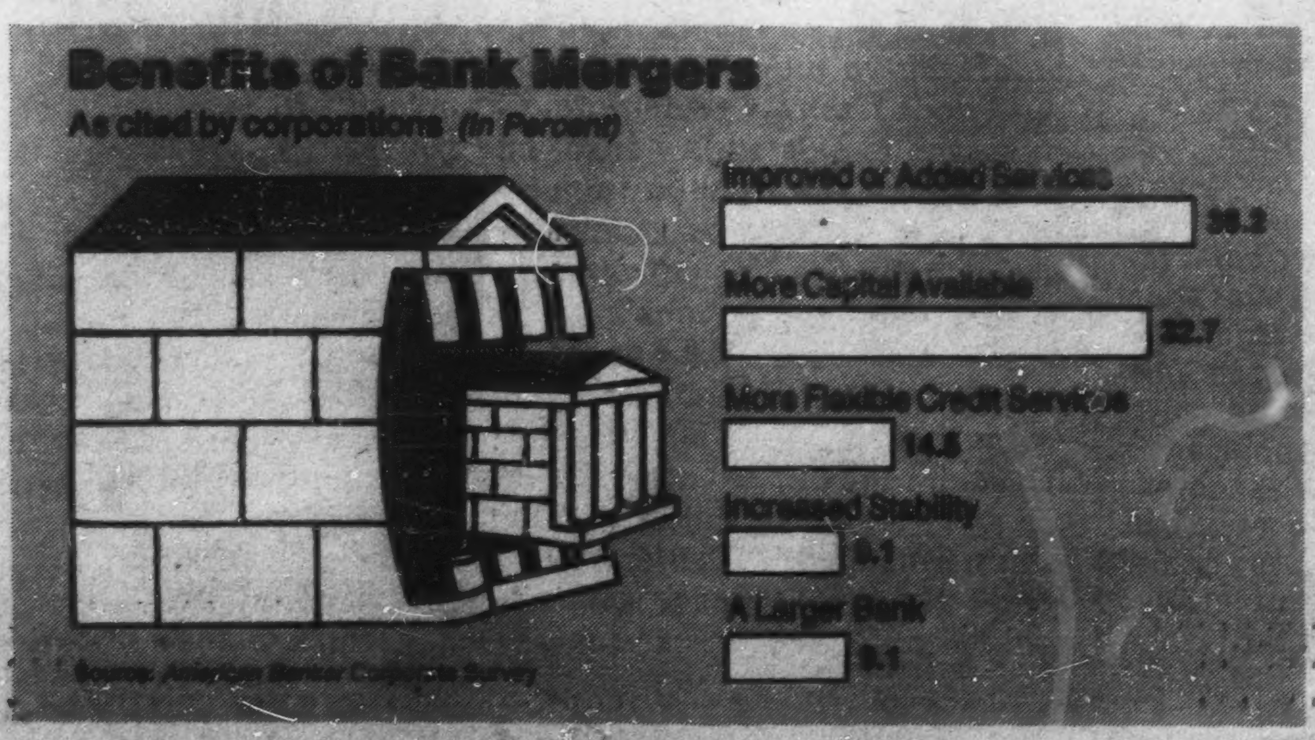
Of the southern companies surveyed, 75.7% said they had encountered mergers, followed by 73.5% of northeastern companies and 71.4% of companies in the West. By comparison, only slightly under two-thirds of midwestern companies had dealt with merged banks.

There was also a variation in the types of companies that have been and are clients of merged banks. Nearly three-quarters of firms in the manufacturing sector had dealt with merged banks, while just under two-thirds of companies in the business services category had done so.

The manufacturers' businesses included food, textiles, furniture and fixtures, fabricated metal products, transportation equipment, printing and publishing, and similar industries. The business-services category includes hotels, amusement and recreation services, auto repair, heath care, and legal and social services companies.

It was business-service companies that most often felt a merger had strengthened their banking relationship. Twenty percent of business services companies offered this as-

Please see SURVEY: Page 15 ▸


Benefits of Bank Mergers

As cited by corporations *(In Percent)*

Source: *American Banker* Corporate Survey

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BANKING TRENDS /COMMENTARY

The Toothpaste Tube, Canadian Customs, and Other Stories

By PAUL S. NADLER

WHEN you write a weekly column on banking, you are always looking for ways to relate what happens in the course of your days to banking and to your readers.

It is like the garment district operator who has a chance to go to Rome and meet the pope.

"What was he like, this fellow the pope?" his partner asks on his return.

"He's a 46 Regular."

Here are a couple of short ideas, none of which is worth an entire column, but all may have some value to a reader in the lingering days of summer.

The Toothpaste Tube

I visited my son, Saul, at camp — a ritual for American parents who send their kids away in the summer to have fun and learn how to play cards, tell dirty jokes, and otherwise get along in the real world.

I learned that this was a special camp. The owner really cared about what the parents thought and what

Nadler Says

'Why not have an annex for employee parking? It costs money, but it costs more to lose a customer because there is nowhere to park.'

their children learned. Naturally, this is important, for each camper has been carefully and painfully recruited. So if he does not come back next year, the camp director either has to do the recruiting job over or have empty space that is as costly as an empty airline seat once the plane has departed.

This explains why the counselors have been instructed, at the end of the summer, to squeeze half of each child's toothpaste down the toilet and rub the kid's toothbrush in the dirt. This is to make the parents think that the kids brushed their teeth all summer.

What a beautiful analogy to many banks' annual statements! They also are all shadow and no substance. The loan-loss reserve, the decision on whether to take losses on bonds, the decision to sell permanent assets to gain revenue for the year, even the decision to overfill the postage meters at the end of December to hide revenue give one the feeling that many bank statements are like my son's half empty toothpaste tube. They don't tell the real story.

The Supermarket

I visited a highly successful supermarket owner. In an effort to show my gratitude for his time, I mentioned that some supermarkets have minted money by owning their pay telephones. That way, they collect the quarters on local calls and pay the phone company far less than a quarter per call. Far more important, when long distance calls are made at the phone the customer is charged regular operator-assisted rates, while the bank or supermarket pays the phone company much lower direct-dialing rates to use the lines. Owning your pay phones is an idea many bankers should consider.

Then I mentioned another idea — that the supermarket should consider having automated teller machines in the store. The supermarket would handle the transactions for a fee and make good money providing an end terminal to the bank transaction network.

"No way!" replied this young, heads-up supermarket owner.

"We had a couple of cash machines in the store," he said, "serviced and owned by our local bank. If they broke during normal business hours, we would call the bank and they would send out an agent. He would place his jacket on some table or box, and in his white shirt he would fix the machine. But if it were evening or weekends, forget it. You couldn't get the banker out for anything.

"Until the banker is willing to work as hard and as long as we do," the owner said, "we don't want it. The customer blames us, not the bank, when the machine doesn't work, and we don't want any tie to an institution that works so selectively.

The Parking Lot

The same supermarket owner indicated that his basic problems were space, space, and space. There isn't enough room for the groceries, and there isn't enough room for some of the customers' cars.

As a result, he limits what he stocks because he wants to offer only the products that have high turnover and justify using his space.

How does that compare to banking, where all transactions get equal space and the person making a major deposit has to wait in a long line behind the people cashing welfare or payroll checks on a busy Friday afternoon?

What can be done about the space problem at a supermarket or a bank?

For the supermarket, how about an annex for bulk items like paper towels and soda? A shopper can get a price break by getting a receipt for soda instead of the actual cans, which he then has to lug to his car. He can take the receipt to the annex, where a clerk will place the cans or towels in the shopper's car on his way home. The func-

Please see TRENDS: Page 12▸

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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OVERVIEW /COMMENTARY

Budget Process, Not Quayle, Is the Real Albatross

By H. ERICH HEINEMANN

DEMOCRATS are having a fine old time trying to recast Dan Quayle as an albatross, and then hang him around George Bush's neck. The quality of the Vice President's judgment in selecting his own running mate is surely a legitimate topic for debate.

However, in aiming at the hapless junior Republican senator from Indiana (whatever his transgressions), Democrats — not to mention their surrogates from the fourth estate — are shooting at the wrong target.

The great dilemma in American political life today is clearly the breakdown of the federal budget process during the Reagan administration. The governing consensus that once ruled national politics is gone.

The major parties no longer have a zone of priorities within which they can agree to disagree. Washington has lost its ability to use the federal budget to guide the allocation of resources. The rudder the nation needs to steer itself into the future is broken.

The story has been told around Potomac campfires many times, but it is worth repeating: Ronald Reagan came to town determined to reverse the process of unilateral disarmament that started in the Nixon administration. Congressional Democrats were equally determined to preserve as much as possible of Lyndon Johnson's Great Society.

Since neither side was willing to support the taxes needed to pay for the other's programs, stalemate was the inevitable consequence. Naturally, this

Heinemann Says:

Wonder of wonders, Congress is likely to complete work on virtually all the major spending bills for 1989 before the new fiscal year begins on Oct. 1.

led to the biggest deficit-spending spree in U.S. history.

Neither Mr. Bush nor Mr. Dukakis has shown any real inclination to cut the Gordian knot. So chances are that the budget problem will get a lot worse (to find out how bad, just wait for the next recession) before it gets better.

Indeed, last fall the White House and Capitol Hill cut a backroom deal to postpone serious debate on the budget until after the election. A National Economic Commission was appointed to find a solution. Fat chance.

In the meantime, the cease-fire has held. Wonder of wonders, Congress is likely to complete work on virtually all the major spending bills for 1989 before the new fiscal year begins on Oct. 1.

Ironies abound. The Republicans rolled into Washington seven and one-half years ago largely on the basis of one simple pledge: to control federal spending and thus get government "off the backs" of the American people.

That was the promise. The result was that Ronald Reagan presided over the largest single increase in government outlays, bar none, in the entire postwar period. This is true both in absolute dollars, and, much more meaningful to economic performance, as a percentage of the gross national product.

President Reagan said he would cut taxes to give wage earners and entrepreneurs alike new incentives to "work, save, and invest." A broad-based, bipartisan effort has indeed turned the Internal Revenue Code upside down. Nonetheless, despite a bewildering reshuffle of tax liabilities, average tax rates have continued to rise.

Since 1981, individual payments of federal taxes have averaged more than 15% of personal income, up from 14.8% under President Carter, which was itself a postwar high. Last year, nonfinancial corporations paid more than 50% of their income in taxes, up from 35.1% in 1981.

Just as critical to the performance of the economy, the flood of red ink running out of Mr. Reagan's Treasury — which will total almost $1.4 trillion by the time the administration leaves office in January — has washed away much of the savings the nation needs to invest for posterity. Senior advisers to both Mr. Bush and Mr. Dukakis have predicted that as one result, U.S. living standards are likely to grow far less rapidly in the 1990s than earlier in the postwar period.

The figures are striking. According to the nonpartisan Congressional Budget Office (CBO), net domestic saving has averaged just 3.1% of GNP since 1980, less than half of the average of 7.5% from 1950 though 1979.

The shortfall in savings has been off-

Please see OVERVIEW: Page 13▸

Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., a New York investment banking firm.

EXECUTIVE CHANGES

Top Spot for Decker At Westamerica

Richard W. Decker Jr. has been appointed president, chief executive officer, and a director of **Westamerica Bancorp.** and Westamerica Bank, San Rafael, Calif., effective in mid-September.

Mr. Decker is executive vice president and chief administrative officer of First Interstate Bank of California, where he has been employed since 1973. He was responsible for marketing, strategic planning, acquisitions, human resources, internal communications, public affairs, audit, legal, security, personal financial management, and auto lending. He was also a member and director of the managing committee and a director of First Interstate Bancard Co.

AMITY BANCORP, New Haven, Conn., has elected **James Stokes Hatch** president and chief executive officer of the holding company and of Amity Bank, succeeding **Jasper J. Jaser.** Mr. Hatch is chairman of Connecticut Electric & Switch Manufacturing Corp., which he acquired in 1986. He was president and chief executive officer of the Canaan National Bank, Canaan, Conn., from 1977 to 1985. In 1976 and 1977, he served as a senior staff member of the National Commission on Electronic Fund Transfers in Washington.

Fred Nives, chairman of Amity Bancorp and Amity Bank, said Mr. Jaser resigned "to pursue his long-term objectives and opportunities." Mr. Jaser joined Amity Bank as president and chief executive officer in 1985. He will continue to serve Amity Bank as a consultant, Mr. Nives said.

BARCLAYS AMERICAN/BUSINESS CREDIT, Chicago, has named **Philip F. Strauss Jr.** group senior vice president and manager of the central group in the business finance division. Mr. Strauss oversees business development activities and administration of loans in the 13 states that make up the division's central group. He is responsible for marketing centers in Chicago and Detroit and for a loan administration auditing and operations office in Wauwatosa, Wis.

NORWEST BANK MINNESOTA, Minneapolis, has named **Ronald Whitcomb** president of its Bloomington office. Mr. Whitcomb, who joined Norwest in 1982, had been president of one of the bank's Minneapolis offices. He succeeds **William Wilkening,** who has left the company.

Fred Mann was named to succeed Mr. Whitcomb. Mr. Mann was vice president and manager of loan support for Minnesota community banking.

UNITED MISSOURI BANK OF KANSAS CITY, Kansas City, Mo., has elected **J. Lyle Wells** chairman of the board. Mr. Wells succeeds **R. Crosby Kemper,** who has been named senior chairman of the board. **Malcolm M. Aslin** continues as president and chief executive officer of the bank.

William H. Shackelford 3d, a 19-year veteran of First National Bank of Kansas City, has been elected a vice chairman and advisory director of the United Missouri board.

Since 1987, Mr. Wells has managed the commercial banking division, which includes metropolitan and national business development departments, commercial lending, international banking, and correspondent banking. Mr. Shackelford has been an executive vice president in the commercial banking division since 1986, when he joined United Missouri.

— **Franklin Smith**

FDIC Makes Minor Change in Bidding Process

▸ Continued from Page 1

the bidding.

Originally, the FDIC said there would be no restrictions on NCNB pursuing those customers. That stand was harshly criticized by some bidding banks, which maintained it would drive down the value of the portfolio.

After a review of the issue, the FDIC now has decided to make NCNB wait 30 days before soliciting customers, according to an agency letter obtained by the *American Banker.*

But some potential bidders maintained the delay alone does not make a difference. One banker, who did not want to be named, called the delay "a smidgen away from useless."

This banker, whose institution is interested in bidding on the portfolio, said his legal department believes the FDIC's formal review may have eliminated any chance of taking the regulator to court over the issue.

"NCNB has been granted outright title and privilege to the customer list," he said. "As owner of the bank, the FDIC has set terms for the sale."

Because prospective bidders won't be able to take legal action, the value of the bids probably will be reduced further, the banker asserted.

NCNB, based in Charlotte, N.C., has been acting as manager of the credit card bank, now called the Delaware Bridge Bank, since the FDIC assumed ownership Aug. 2. As manager, NCNB has had complete access to information about its credit card customers.

The FDIC letter to NCNB states that 30 days after a winning bid for the Delaware bank is named, NCNB would be able to solicit customers "using information maintained in the Texas Bank or otherwise available."

The letter was signed by John W. Stone, the FDIC's assistant director, division of bank supervision, and addressed to Timothy Hartman, a lawyer for NCNB.

NCNB agreed on July 29 to take over 40 of First RepublicBank's other subsidiaries with an initial $4 billion in federal assistance. The new unit is called NCNB Texas National Bank or the Texas Bank.

The FDIC said Friday that it has delayed the deadline for submitting bids for two weeks. "Interested bidders have indicated that they would need until Sept. 9 to examine tax and other issues related to an acquisition and also formulate bids for submission to the FDIC," the agency said.

Bidding for the bank has been delayed repeatedly since the original date, Aug. 12.

Some bankers said additional information on the tax treatment of such a transaction was made available to prospective bidders earlier last week.

They said it might take two or three days to review the information, but not two weeks. The delay, they said, gives NCNB a chance to glean more information from the credit card portfolio.

The FDIC declined to comment on any aspect of the NCNB letter or charges made by bankers.

Two weeks ago, FDIC officials said they were granting some special treatment to the North Carolina bank because of NCNB's purchase of First RepublicBank.

In initial negotiations between NCNB and the FDIC for First Republic, the credit card bank was to be included in the NCNB acquisition. But the FDIC did not close the credit card bank in time for it to be part of the transaction.

NCNB agreed to go ahead with the First Republic deal as long as the FDIC did not require it to sign a noncompete clause for the credit card customers. ■

AN AMERICAN BANKER SURVEY

Businesses in Poll Say Relationships Have Been Unharmed by Bank Mergers

▸ Continued from Page 2

sessment.

On the other hand, firms specializing in wholesale trade offered the most pessimistic view, with 27.1% citing weakened ties with their banks.

For banks involved in or considering mergers, the message seems to be that the vital relationships between banks and their corporate customers must be preserved and protected and special reassurance provided for smaller firms.

According to Mr. Lyons, the best model for accomplishing this may be First Chicago Corp.'s 1984 acquisition of American National Corp., Chicago, and its subsidiary, American National Bank & Trust Company of Chicago. American National is considered the premier middle-market lending bank in the Chicago area.

First Chicago "has allowed American National to keep doing what it does best," he said. "They haven't moved in at all, although the banks are literally right down the street from each other, and the commercial client relationships at American National haven't been disturbed.

"First Chicago basically decided they were buying the corporate client relationships of American National, and they let them do their own lending," Mr. Lyons said. "Commercial relationships are the big element you're buying when you acquire a commercial bank. That's what you pay the premium for.

"For an acquiring bank to pay a premium for another bank and then proceed to foul up the commercial relationships it bought really adds up to shooting yourself in the foot."

Next: Corporate customers say quality of banking service carries more weight than any other determinant. The first part of this series ran Aug. 26.

Hogan, Bank of Tokyo Sign $4 Million Deal

DALLAS — Hogan Systems Inc., a bank applications software vendor, has signed $4 million worth of agreements to provide software and services for the New York operations of Bank of Tokyo Trust Co.

The Dallas-based firm initially will install all modules of its International Money Management System, or IMMS, at the New York agency of Bank of Tokyo Trust Co. and affiliated BOT Securities Inc. The bank plans to support other affiliates in North America on the system.

IMMS is an integrated real-time system that runs on IBM mainframes. Bank of Tokyo said it selected IMMS because it provides multicurrency accounting and multibank functions and runs on DB2, IBM's strategic relational data base management system. ■

Idaho Group Acquires Washington Company

BOISE, Idaho — Moore Financial Group agreed to acquire the Community Bank of Renton, Wash., for $7.8 million in Moore common stock.

Community Bank has two offices in Renton and $42 million in assets. Moore expects to complete the transaction early next year, pending approval of regulators and Community Bank's shareholders.

Separately, the Federal Reserve Board said it has approved an application by Moore Financial to expand into Washington State by acquiring Western Bank Holding Co., Bellevue.

Moore, with $3.5 billion in assets, already operates banks in Idaho, Oregon, and Utah. Western owns the $30 million-asset First Western Bank in Bellevue.

Idaho and Washington State have reciprocal interstate banking laws. ■

Mobil Net Grows To 45 Million Cards

▸ Continued from Back Page

curity, cardholders enter a personal identification number on a hooded keypad in the service station office.

The Mac network consists of 4,900 automated teller machines in its five-state area, and more than 3,000 retail terminals that accept the card for payment.

The Mobil deal is the latest in a series of expansion moves by Mac this year. It is currently absorbing the competing Treasurer ATM network in New Jersey. And by mid-1989 it plans to convert the 68-bank Pocketbank system in New Hampshire. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our Corporate America Survey meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

(2.) What do you like **best** about the survey?

(3.) What do you like **least** about it?

(4.) How do you use the survey in your work?

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American Banker

TOP 300 BANKS
— TABLES BEGIN PAGE 26

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SPECIAL REPORT

American Banker

MANAGEMENT BY THE BOOK: "The New Reader" looks at some of the classic and contemporary books available to help bankers improve their management style. The section explores ways to assimilate the wealth of information without overloading a busy schedule. ——— 11

Today

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The growth of employee stock ownership plans accelerated in 1987, according to the National Center for Employee Ownership. ——— 2

The FDIC is expected to sell its stake soon in Chicago's Continental Illinois Corp. in a public stock offering. — 2

Deposit growth slowed to 1.5% at the nation's 300 largest banks in the first half of this year, an *American Banker* survey shows. ——— 3

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A federal grand jury indicted Richard T. Quigley, former president of First Valley Bank on charges relating to a check kiting scheme that nearly cost the bank $3.25 million. ——— 48

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CORPORATE FINANCE

The growth of employee stock ownership plans accelerated in 1987, according to the National Center for Employee Ownership. ——— 2

Sanwa Bank of California will provide Datametrics Corp. with a $4 million operating line of credit and a $2 million term loan. ——— 8

Sybron, a medical equipment maker, has turned to Manufacturers Hanover Trust Co. to increase an existing $200 million credit to $240 million. ——— 8

Citibank has completed a program that will allow investors to purchase on assignment only those pieces of a multiple-part loan that they wish to buy. 8

Worth Repeating

I can't believe Irving has any defense from Bank of New York now.

Lawrence Cohn, bank analyst at Drexel Burnham Lambert Inc., after BCI's withdrawal of its friendly bid. [Page 1]

White Knight Drops Its Bid for Irving

Italian Bank Balks at Requirements Set by Federal Reserve

By GORDON MATTHEWS and BART FRAUST

NEW YORK — Banca Commerciale Italiana, Milan, said Monday it is dropping its friendly bid for Irving Bank Corp. because of requirements imposed by the Federal Reserve Board. Since April, the Italian bank had been Irving's white knight in its bitter fight against a hostile takeover by the Bank of New York Co.

BCI, which had offered to buy 51% of Irving, said it regretted not being able to complete a "mutually beneficial transaction," but said it would not be appropriate for its parent, an Italian government agency, to meet the Fed's conditions.

Irving chairman Joseph A. Rice expressed sharp disappointment at the turn of events and said his bank would immediately begin an "intensive effort" to find another friendly bidder.

Meanwhile, a spokesman for the Bank of New York said, "We are pleased with this development and we intend to vigorously pursue the offer we have on the table."

Banking industry analysts agreed that the development is undoubtedly a severe blow to Irving's defenses against its persistent suitor. But they were cautious about predicting what might happen next in the nearly year-old contest between two of New York's most venerable banking institutions.

"This is a terrible disaster for Irving," said John Lyons, a principal of Lyons, Zomback & Ostrowski Inc. "If BCI is supposed to be Irving's friend, the least it could have done was hang around awhile and signal to Irving that it was backing out so Irving could make nice with Bank of New York. Now Irving's thrown completely at the mercy of Bank of New York."

The dramatic move came 10 days after the Fed told BCI's parent, Istituto per la Riconstruzione Industriale, or IRI, that it must apply under the Bank Holding Company Act in connection with the Irving deal. IRI is a huge Italian state holding company.

The withdrawal decision reversed a BCI statement last week that its parent would comply with the Fed edict. A source close to BCI said the turnaround occurred because

Please see BANCA: Page 47 ▸

AN AMERICAN BANKER SURVEY

Service Counts Most with Corporate Customers

By PHILIP T. SUDO
Third in a Series

Corporate
America
Speaks

The overriding determinant in a good banking relationship is the quality of service received by corporate customers — so say the customers themselves.

In a survey of financial decision makers by the *American Banker*, 29.3% said quality of service is the most important factor in a banking relationship. Ranking next in importance were three other service-related factors: timeliness, 16.5%; a personal relationship, 13.8%; and variety of service, 9.9%.

Credit availability, 10.9%, was the only nonservice factor to receive greater than a 10% response.

Pricing Ranks Second: Page 6

The first *American Banker* Corporate America Survey was conducted by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper. It was based on telephone interviews with executives of 413 randomly selected companies, none of which are financial services firms. The interviews were conducted in March and April with the executives responsible for choosing the financial services and institutions their companies use.

The survey was divided into two groups: a middle-market sample of 205 companies with revenues between $10 million and $250 million, and a large-corporation sample of 208 companies with annual revenues of $250 million or more.

When asked to name the second most important factor in a banking relationship, respondents again named service. Quality of service received a 13.2% response, and variety of service tallied 13%.

Cost apparently had little to do with the perceived success of a relationship. Interest rates, service fees, and rates of return ranked at or near the bottom in importance to corporate customers.

The results seem to indicate a prefer-

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IN THE NEWS

July Home Sales Drop

WASHINGTON — Sales of new single-family homes dropped about 5% in July, to a seasonally adjusted annual rate of 686,000, the government reported on Monday.

Thomas M. Holloway, senior economist for the Mortgage Bankers Association of America, attributed the "discouraging" sales drop to rising mortgage interest rates, adding that August's round of rate hikes is likely to depress sales further.

The report, by the Department of Commerce and the Department of Housing and Urban Development, said the current supply of new houses will take 6.6 months to sell, compared with the six-month inventory that Mr. Holloway said builders prefer.

Belgian Subsidiary Sold

BRUSSELS — Continental Illinois National Bank and Trust Company of Chicago has announced the sale of its Belgian subsidiary to Banco Hispano Americano of Spain and Bacob Savings Bank of Belgium.

In a joint statement, the two purchasers announced that Banco Hispano will acquire 75% of the unit, and Bacob Savings the remaining 25%. Terms of the transactions were not disclosed. The bank will be renamed Banco Hispano Americano NV-SA. As of yearend 1987, Continental Bank NV-SA had assets totaling 30 billion Belgian francs, with a net profit of 64 million francs.

Coast Federal Deal May End

SARASOTA, Fla. — Tampa investor Hugh F. Culverhouse may end his agreement to acquire Coast Federal Savings & Loan Association, Sarasota, due to concern over the thrift's financial condition. Coast Federal said it will fight this move.

Mr. Culverhouse, who made the offer through his wholly owned Palmer Financial Corp., said he might have a statement by the end of the week on his offer to acquire Coast for $20 per share cash, about $71.9 million. The price increases at 8% annually from July 15.

Mr. Culverhouse owns 9.9% of Coast Federal. Shareholders of Coast Federal approved the acquisition last week.

Holding Company to Barnett

JACKSONVILLE, Fla. — Barnett Banks Inc., with assets of nearly $1.6 billion, has agreed to acquire ANB Bankshares Inc. of Brunswick, Ga., in a stock swap valued at $47.7 million. ANB, a two-bank holding company, has assets of over $211 million.

Argentina To Sign Loans

BUENOS AIRES — Argentine officials said Monday that the country will sign an agreement this week for $750 million in new World Bank loans.

Shamad Husein, World Bank vice president for Latin America, reportedly has been in Buenos Aires for the past two weeks negotiating the agreement.

PNC Launches Liquor Deal

PITTSBURGH — PNC Financial Corp. said it will process credit card transactions and provide related cash management services for the 700-store system operated by the Pennsylvania Liquor Control Board.

Seven of the liquor stores have been accepting MasterCard and Visa payments in a test that began July 20. PNC Financial said Monday it is extending the service immediately to 59 of the remaining locations.

— Compiled by Lynn Homa

AN AMERICAN BANKER SPECIAL REPORT

Deposit Growth Slows at Nation's Top 300 Banks

By JOHN P. FORDE

NEW YORK — The rate of deposit growth at the nation's 300 largest banking companies slowed to only 1.5% in the first half of this year, an *American Banker* survey shows.

The 300 largest banks in the country at midyear 1988 reported $1.47 trillion in total deposits, compared with $1.45 trillion last Dec. 31 and $1.39 trillion on June 30, 1987.

These are some of the findings of the *American Banker*'s semiannual survey of the nation's largest banks. Information for the survey was gathered largely from questionnaires sent to the top banks.

Citibank, with $105 billion in deposits, remained the nation's largest bank at midyear 1988. Bank of America NT&SA, San Francisco, was second largest with $67.7 billion in deposits, down from $70.2 billion at yearend 1987.

As banks prepare to meet the new capital-to-assets ratios that will soon be imposed by federal regulators, they are reducing the amount of loans and other assets that they keep on their balance sheets.

List of Top 300 Banks: Page 26

With assets shrinking, the big banks' volume of deposits has also decreased. The ten largest banks in the nation at midyear had a 1% decline in total deposits since the end of 1987. Of the top ten, six showed increases in deposits and four showed declines.

The fastest-growing bank among the 300 largest was one of the smaller ones, Citibank Arizona in Phoenix, and many banks reported that mergers and consolidations had more to do with their increases than any other factor.

Citibank Arizona, Phoenix, grew from $524 million in deposits at yearend 1987 to more than $2.2 billion six months later. A Citicorp spokesperson attributed the growth to the acquisition of $2.5 billion-asset United Bank of Arizona, which was completed on June 13.

There were some shifts in the size of other specialty banks in the Citicorp organization during the first half of this year. At Citibank South Dakota, one of

Please see DEPOSIT: Page 39 ▸

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COMMENTARY

Fundamentals of Collateralized Lending Deserve Another Look

By ROBERT J. FIGURSKI

ROBERT Miller, president of Congress Financial Corp. and an acknowledged expert in leveraged buyout financing, once commented he has never seen an LBO projection where the borrower might go under. But many do. There's a strong lesson there: Make sure you stick to basics in collateralized lending.

Banks generally make secured loans for one prime reason: The borrower lacks the strength and liquidity necessary to give the bank the confidence it needs to extend the loan on an unsecured basis.

This being the case, what is the purpose of collateral? Collateral is not window dressing to help the loan officer get loan committee approval. Collateral exists to repay the loan should adversity hit the borrower's business.

Never make a loan simply because of an abundance of collateral. Extend the loan only if it makes sense and the borrower appears to be viable. If for any reason the borrower does suffer heavy losses, the collateral can then be liquidated to pay off the bank's loans — plus interest — as well as legal and liquidations cost without loss (After a filing and with the blessing of a bankruptcy court, of course).

> 'Loan officers are often reticent about asking themselves tough questions because they are afraid of losing an account. But it is better to lose an account than cause the bank to suffer a loss.'
>
> — Robert J. Figurski

Is it possible to make business loans ad infinitum and never lose money? Of course not. But lenders have a big responsibility to do whatever they can to minimize losses.

First, assess the collateral from a liquidation point of view. Only then can you determine what kinds of collateral are needed, and how much. If there is more than one type of collateral, determine the loan value of each type. Before making a loan, set up a worst case scenario. Determine how much you might expect to realize on the collateral if the borrower were to liquidate.

This does not suggest that a loan should be denied if the liquidation value of the collateral — in a worst case situation — is insufficient to cover the loan, plus default interest and legal expenses. Rather, it provides a clue to the upper limit of the loss exposure.

Having determined that, ascertain if the upper loss limit is tenable for the bank. Decide if the loan is properly structured and priced.

Loan officers are often reticent about asking themselves tough questions because they are afraid of losing an account. But it is better to lose an account than cause the bank to suffer a loss.

A sizeable loss makes it more difficult for the bank's senior loan people to be positive about other borrowers brought to the loan committee by that loan officer. Finally, a bad loss surely doesn't help a bank loan officer's career.

While there are several kinds of collateral that a bank can take as security for loans, the two basic types are accounts receivable and inventory.

Those who take a lien on receivables and inventory for "added precaution" are destined to lose money on loans. You either need collateral, or you don't. And it doesn't stop with the filing. To protect his bank, a loan officer should receive current information on collateral that must be properly analyzed and controlled.

Aging of Receivables

Many lenders file for the collateral and then forget the loan. Some follow aging of receivables and monthly inventory reports once a month. That's simply not enough.

Aging of receivables and reports often arrive late, if at all. In either case, they are history. A lender must analyze the aging, look for concentrations, check for contra accounts, sales to affiliates, or even determine what goes into the aging. Verify if the invoice has been billed, but not yet shipped. Has the merchandise even been made? Does the aging reflect the invoices as based upon original invoice date?

Ask any borrower if the aging of receivables is correct, and he will reply either that it is or that it will be shortly. My 20 years' experience in accounts receivable and inventory lending tells me that the accuracy of a borrower's accounts receivable agings and inventory reports often leaves a lot to be desired.

The only safeguard: Periodically send an unannounced auditor to verify the borrower's collateral reports.

Even if a monthly collateral report is accurate, it represents a snapshot of the accounts receivable and inventory collateral on the date of the report.

Consider what happens just before a company goes under. Trade creditors, who are already owed a lot of "seriously past due" money, limit — or cut off — sales to the borrower. The borrower naturally tries to maintain sales. So whatever he has in the inventory that can be sold, does in fact get sold.

What happens to the inventory collateral? First, its total dollar value drops and then, as the quick-moving merchandise is sold, the amount of slow-moving inventory collateral, relative to the total amount of inventory, increases.

On accounts receivable collateral, as the quick or saleable inventory lessens, the borrower's sales drop off. Receivable collections from the stronger customers quickly start to exceed the amount of new sales invoiced.

What happens to the inventory collateral also happens to the accounts receivable collateral. Quantity and quality deteriorate rapidly.

To avoid, or at least lessen, losses on loans secured by accounts receivable and inventory, the collateral must be monitored on a day-to-day basis by a well-trained and observant collateral staff.

It's not easy and it's expensive. But remember that one sizeable loss will more than exceed the cost over several years of a few competent collateral control personnel.

One other caveat: A borrower sometimes will not provide requested information for one of two reasons: He can't or he won't. If he can't, expect a lot of difficulty realizing on the collateral at collection time. If he won't, and refuses to cooperate at the outset, he certainly won't cooperate at liquidation time. Given these two possibilities, perhaps the loan should not be made. ■

Robert J. Figurski is senior vice president, Trust Company of New Jersey; and a director of the National Commercial Finance Association.

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BRIEF COMMENTARY

Fed Governor Accentuates the Positives

The following is excerpted from a statement delivered this spring by H. Robert Heller, member of the Federal Reserve Board, before the Senate Banking Committee.

□

IN reviewing the year's events and the aggregate data on bank performance, one could easily conclude that banking is not a very good business to be in these days. However, that conclusion would be incorrect.

To be sure, banking is no longer a highly protected and sheltered industry. Competition and deregulation have altered the dynamics of the industry and have created an environment in which there are now clear winners and losers.

This new reality is evident behind the aggregate statistics, in the results for individual companies. We find that although many banking organizations reported very poor results in recent years, many others have turned in exceptionally strong performances. The large interstate banking organizations operating in the Southeast, New England, and the Middle Atlantic states are cases in point.

In recent years the problems in the banking sector have received a good deal of attention, as indeed they should. But all too little attention has been given to positive developments within the industry.

First of all, the ability of the overwhelming majority of institutions to absorb the severe shocks and stresses of recent years reflects their underlying strength and that of the banking system as a whole.

Second, bank managements have focused on the need to improve operations. They are rethinking their strategies and moving to restructure and streamline operations in order to meet the competitive challenges and enhance their profitability.

They are focusing on improving credit analysis and on strengthening lending standards and risk-control systems. The capital positions of many of the larger money center institutions are also being strengthened in order to meet the demands of the market and to comply with the proposed risk-based capital standards.

We are beginning to see some improvement in the asset quality of the domestic loan portfolios of banking institutions outside of the Southwest. While long overdue, this improvement should translate into better earnings performances.

Earnings in the first quarter of this year appear to support this view. Yet, despite the positive signs, much work remains to be done by bank managers and supervisors alike before we can fairly say that the problems that beset many of our banking organizations are behind us. ■

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We would like our pages to reflect as wide a range of views and opinions as possible — no matter how provocative or controversial. The key goal is to factor your views into our own thinking so that both our newspaper and the executives who read us can do a better job running our organizations.

In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reasons of space and clarity.

Remember, we need your views to be a true community newspaper.

AN AMERICAN BANKER SURVEY

Firms Don't Switch Banks Because of Pricing

By **LISABETH WEINER**
Midwest Bureau

Everybody loves to save money, but the prospect of hanging on to a few dollars isn't incentive enough for most executives to change their primary banking relationship.

Executives responsible for dealing with banks and other financial institutions say they look at the service they are getting before studying the bottom line. Even when fees are high or interest rates low, the bond between company executives and bankers appears to be thicker than dollar signs.

The first *American Banker* Corporate America Survey found that only 9.7% of the executives of large corporations and 5.9% of those from the middle market rank pricing as the most important factor in their banking relationship.

Corporate America Speaks

The survey was conducted by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper. It was based on telephone interviews with executives of 413 randomly selected companies, none of which are financial services firms. The interviews were conducted in March and April with the executives responsible for choosing the financial services and institutions their companies use.

The survey was divided into two groups: a middle-market sample of 205 companies with revenues between $10 million and $250 million, and a large-corporation sample of 208 companies with annual revenues of $250 million or more.

Twenty-four percent of the executives from corporations with more than $250 million in annual sales and 12.5% of those from firms with sales of $10 million to $250 million cited pricing as the second most important factor in a banking relationship.

The survey also found that a large company is slightly more inclined than a middle-market firm to change its primary financial institution because of pricing. Among those surveyed, 14.7% of the large companies and 7.6% of the middle-market firms said high fees would prompt them to look for another banker.

But only 5.6% of the smaller companies and 5.9% of the large ones have actually changed banks because of high fees.

John Guequierre is in that minority. On March 3, 1987, Mr. Guequierre, senior vice president of administration of Schult Homes Corp., Middlebury, Ind., changed his lead bank when the company's $11 million revolving credit agreement was rebid at a lower price.

"Service and support had a role to play in this, but pricing was the key thing," he said.

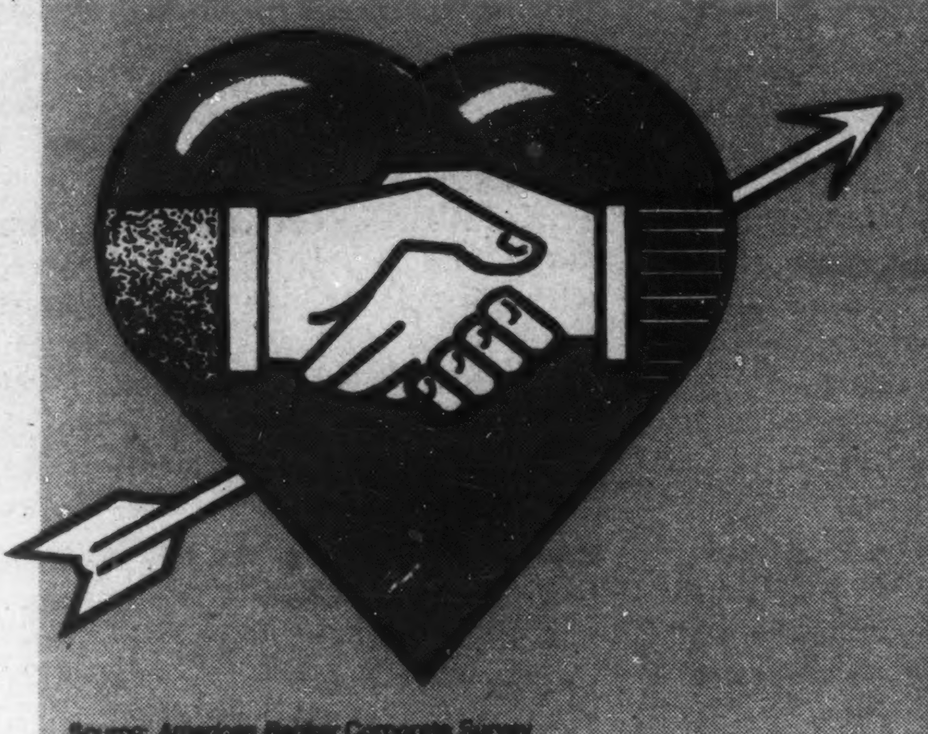
Schult Homes, a home builder with 1987 sales of $115.5 million, had significantly reduced the amount of its outstanding debt, so the pricing on its credit pact was sure to decrease.

"That created the opening," he said. "There were several bidders, and we switched to the one that came in the lowest." The spread on the revolver was cut from as much as 1.5 percentage points over prime to prime plus 0.25 percentage point.

Mr. Guequierre was able to win other improvements in the loan package as well. In addition to pricing based on the prime rate and the London interbank offered rate, he now has access to a banker's certificate-of-deposit rate and has the flexibility to take portions of the revolver and put it into longer-term investments.

Mr. Guequierre acknowledges, however, that if his company had been using only noncredit services, he might have stressed quality and reliability over pricing.

Corporate Clients Say Service Is Key

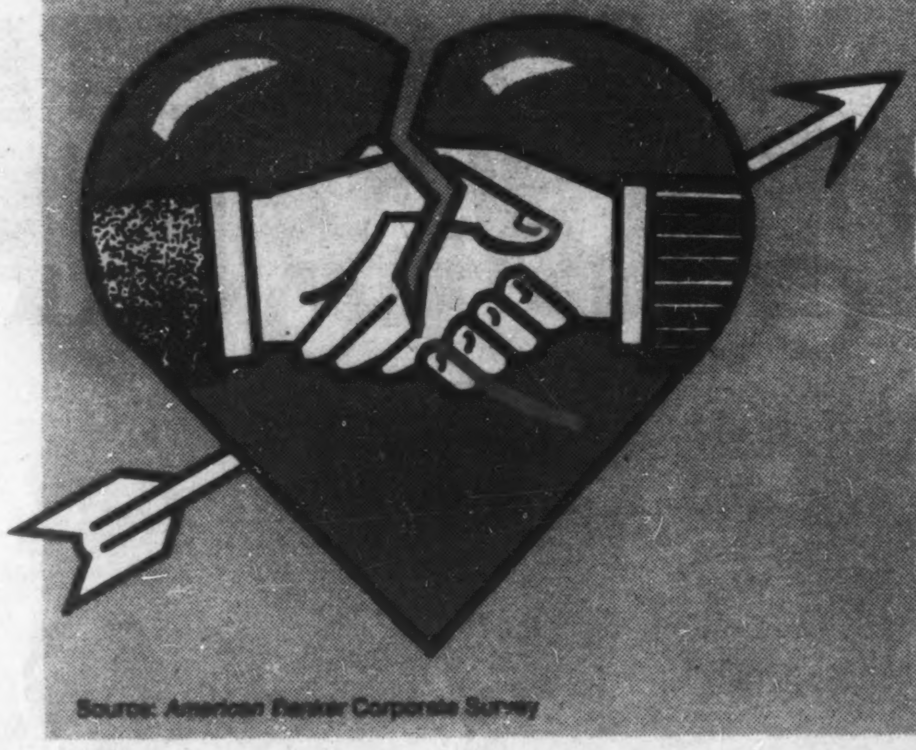


What is most important in a relationship?

	Middle Market	Large Corporate
Quality of Service	27.3%	31.2%
Timeliness	15.1	17.8
Personal Relationship	14.6	13.0
Credit Availability	12.7	9.1
Service Variety	10.2	9.6
Knowledge of Company's Business	6.8	3.8
Interest Rates Charged	3.4	6.3
Location or Convenience	2.4	1.0
Rate of Return	1.5	0
Service Fees	1.0	3.4

Source: American Banker Corporate Survey

What Would Make a Company Switch Banks?



	Middle Market	Large Corporate
Poor Service in General	25.9%	31.6%
Nothing Would Cause a Switch	17.8	10.5
Interest Rates Too Low	17.3	7.4
Bank Unresponsive to Company's Needs	11.4	19.5
Credit Limited or Refused	10.3	7.4
Fees Too High	7.6	14.7
Bank Instability	7.0	3.7
Dissatisfied with Personnel	2.2	2.1
Better Deal Elsewhere	1.6	3.2
Company Expansion	1.1	0.5
Other Reasons	8.6	14.7

Source: American Banker Corporate Survey

Service Can Make a Difference

Poor service was reason to change banks for Lester Bern, assistant treasurer of Material Sciences Corp., an aluminum and steel specialty products company with annual sales of $152 million.

When Mr. Bern joined the suburban Chicago company more than three years ago, he contacted the company's local bank to introduce himself.

"Nothing happened. They didn't respond," he said of the bank, which handled payroll and other services for Material Sciences. "There was nothing warm and fuzzy about the relationship."

Mr. Bern quickly found another suburban bank, and the experience made him a true believer in the value of service.

"I am not going to change a bank relationship that works smoothly for a couple of basis points," he said.

That attitude has a cost-effective side. Bank pricing in general is tight and competitive, and the differences that do exist are usually small. An executive who decides to look around for a cheaper deal may end up "expending a lot of effort for not much change in savings," Mr. Bern said.

"Bankers realize that in an ongoing relationship, where everything works smoothly and the bank is comfortable with the company, [banking service] becomes more of an inelastic demand," he said.

In fact, the cost of ending a relationship can be considerable in both money and time.

Eugene Baker, chief financial officer for Phoenix-based Emerald Homes, said it has taken him more than a year to extricate the company from a relationship that deteriorated along with the health of the bank. New senior management was brought in, but service declined. "Upper management changed, and the attitude of the bank changed," he said.

"Ending a relationship with a bank is a long, drawn-out process," he said. "Here we are a year later and it's still going on. That's one reason not to change for a few basis points."

If the pricing discrepancies were to widen, however, executives might become more sensitive to the issue.

> A large company is slightly more inclined than a middle-market firm to change its primary bank because of pricing.

"I would be concerned," said Dan Mullen, treasurer at Talley Industries Inc., Phoenix. "And then I would try to determine the shift in the marketplace that allows one bank to be so much lower in its pricing than another."

Sometimes, however, a higher fee buys security. Donald Gullquist, vice president of finance at Enron Corp., Houston, said he is willing to pay a little more for quick responses and dependability if the energy company, which has annual sales of $10 billion, should suddenly need a large sum of money.

"I can see agreeing to a commercial-paper backup line of credit from a European or Japanese bank priced at one-sixteenth if you know you aren't going to use it," Mr. Gullquist said. "But you can't get in at one-sixteenth and raise $2 billion. A U.S. bank would charge one-eighth for a backup line. But when it comes to a transaction you'll want the U.S. bank because the Japanese can't respond fast enough."

Pricing may be more of a factor for companies that consider excellent service part of the package — not an option — when they sign on with a bank.

"I can't remember an instance where service was really poor," said William Gardner, treasurer of Apogee Enterprises Inc., Minneapolis. "Oh, maybe there was some little thing 15 years ago. But my general perception is that there will be a high level of service, and I make that clear when I evaluate a bank's proposal."

Because he considers good service to be a given in a banking relationship, price is probably the most important factor to him, he said. "On a $25 million revolving credit agreement," he said, "the difference of 30 basis points is $75,000 a year. I'd be tempted."

Some banking observers say market conditions have allowed corporate executives to put bank pricing at the bottom of their list of priorities. Christopher Snyder, president of Loan Pricing Corp., New York, said weak loan demand and low interest rates may have created a buyers' market, making pricing less of an issue in recent years.

"If a treasurer says pricing is not an issue, then he's also saying 'my bank is not very important to me,' " Mr. Snyder said.

Market conditions that allow that type of attitude could change, however. Since the start of the year, loan demand has rebounded in many parts of the country, a situation Mr. Snyder said gives banks the perfect opportunity to raise prices.

"Borrowers are busy," he said. "As one company executive told me, 'I don't make money by switching banks, I make money by selling my product.' "

Top 300 Commercial Banks in the United States

In Order of Deposits June 30, 1988, Compared with June 30, 1987 and Dec. 31, 1987

Rank 6/30/88		Deposits June 30, 1988	Deposits June 30, 1987	Rank 6/30/87	Gain from 6/30/87	Deposits Dec. 31, 1987	Rank 12/31/87	Gain from 12/31/87
1	Citibank NA, New York	104,888,000,000	103,686,000,000	1		104,907,000,000	1	
2	Bank of America NT&SA, San Francisco	67,728,000,000	72,419,000,000	2		70,221,000,000	2	
3	Chase Manhattan Bank NA, New York	59,949,000,000	62,442,668,000	3		63,740,897,000	3	
4	Morgan Guaranty Trust Co., New York	48,609,291,000	47,224,000,000	4		45,756,499,000	4	
5	Manufacturers Hanover Trust Co., New York	45,883,000,000	44,815,131,000	5		45,667,000,000	5	
6	Chemical Bank, New York	39,020,000,000	39,046,000,000	6		42,242,000,000	6	
7	Security Pacific National Bank, Los Angeles	34,766,395,000	34,034,414,000	7		33,847,250,000	7	
8	Wells Fargo Bank NA, San Francisco	33,328,533,000	32,699,949,000	8		32,350,223,000	8	
9	Bankers Trust Co., New York	31,096,004,000	30,959,963,000	9		32,175,832,000	9	
10	First National Bank, Chicago	28,276,243,000	28,499,627,000	10		27,243,360,000	10	
11	Continental Illinois Nat'l Bank & Trust Co., Chicago	18,357,805,000	18,597,352,000	11		19,697,101,000	11	
12	Bank of New York	17,182,911,000	16,332,774,000	15	+3	16,392,251,000	15	+3
13	Marine Midland Bank NA, Buffalo, N.Y.	17,070,312,000	17,198,898,000	13		16,638,545,000	14	+1
14	First Interstate Bank of California, Los Angeles	16,718,629,000	17,267,075,000	12		16,829,226,000	13	
15	First National Bank, Boston	15,947,477,000	15,099,230,000	16	+1	17,043,994,000	12	
16	Mellon Bank NA, Pittsburgh	15,352,659,000	16,912,592,000	14		15,271,394,000	16	
17	Boston Safe Deposit & Trust Co.	14,269,742,000	8,990,290,000	25	+8	11,445,040,000	20	+3
18	Irving Trust Co., New York	14,150,710,000	12,966,217,000	17		12,129,150,000	18	
19	Republic National Bank, New York	14,094,442,000	11,740,732,000	18		12,777,172,000	17	
20	National Bank of Detroit	12,029,138,000	10,365,804,000	19		10,850,031,000	21	+1
21	NCNB National Bank of North Carolina, Charlotte	10,683,993,000	9,209,283,000	22	+1	10,584,957,000	22	+1
22	First Bank NA, Minneapolis	10,596,985,000	5,925,902,000	46	+24	11,481,224,000	19	
23	National Westminster Bank USA, New York	10,378,706,000	9,146,547,000	24	+1	9,543,872,000	24	+1
24	Sovran Bank NA, Richmond	9,909,766,000	9,855,956,000	20		9,743,571,000	23	
25	Southeast Bank NA, Miami	9,875,801,000	9,181,537,000	23		9,390,212,000	26	+1
26	Bank of New England NA, Boston	9,623,910,000	7,783,734,000	28	+2	9,423,023,000	25	
27	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	9,445,585,000	8,700,513,000	27		9,140,295,000	27	
28	Valley National Bank, Phoenix	8,778,437,000	8,799,819,000	26		8,902,705,000	28	
29	Pittsburgh National Bank	8,562,193,000	7,354,118,000	32	+3	8,552,591,000	29	
30	Seattle-First National Bank	8,268,580,000	7,503,487,000	29		8,117,101,000	32	+2
31	First Fidelity Bank NA, Newark, N.J.	8,174,563,000	6,965,370,000	36	+5	7,566,364,000	34	+3
32	Citizens & Southern National Bank, Atlanta	8,169,400,000	7,464,640,000	30		8,124,102,000	31	
33	First Union National Bank, Charlotte, N.C.	8,151,237,000	7,062,654,000	33		8,061,095,000	33	
34	First RepublicBank Dallas NA	7,680,063,000	9,672,801,000	21		8,431,214,000	30	
35	Connecticut National Bank, Hartford	7,388,719,000	6,113,605,000	43	+8	7,446,761,000	35	
36	Crestar Bank, Richmond	7,240,558,000	5,938,757,000	45	+9	6,609,130,000	43	+7
37	Connecticut Bank & Trust Co. NA, Hartford	6,938,800,000	6,971,803,000	35		7,295,089,000	36	
38	Comerica Bank-Detroit	6,905,623,000	5,759,511,000	48	+10	5,714,440,000	51	+13
39	Michigan National Bank, Farmington Hills	6,878,988,000	....	...		6,851,694,000	39	
40	Fidelity Bank NA, Malvern, Pa.	6,864,860,000	7,004,601,000	34		6,857,854,000	38	
41	Union Bank, Los Angeles	6,815,706,000	7,367,277,000	31		7,221,322,000	37	
42	Harris Trust & Savings Bank, Chicago	6,774,082,000	5,858,583,000	47	+5	6,219,856,000	45	+3
43	NCNB National Bank of Florida, Tampa	6,764,765,000	6,627,813,000	38		6,803,122,000	41	
44	Maryland National Bank, Baltimore	6,523,228,000	6,040,838,000	44		6,830,893,000	40	
45	Texas Commerce Bank NA, Houston	6,516,985,000	6,495,648,000	39		6,727,460,000	42	
46	Philadelphia National Bank	6,492,712,000	6,238,614,000	41		6,362,369,000	44	
47	First Union National Bank of Florida, Jacksonville	6,492,103,000	5,367,910,000	54	+7	5,685,051,000	52	+5
48	United States National Bank, Portland, Ore.	6,033,039,000	5,571,201,000	52	+4	5,792,745,000	50	+2
49	Manufacturers National Bank, Detroit	5,991,179,000	5,725,444,000	49		6,030,732,000	47	
50	Rainier National Bank, Seattle	5,874,162,000	6,208,161,000	42		6,154,505,000	46	
51	Meridian Bank, Reading, Pa.	5,804,632,000	5,363,731,000	55	+4	5,532,291,000	55	+4
52	Huntington National Bank, Columbus, Ohio	5,783,964,000	5,422,992,000	53	+1	5,631,268,000	53	+1
53	Florida National Bank, Jacksonville	5,724,759,000	5,636,184,000	50		5,933,449,000	49	
54	First Interstate Bank of Arizona NA, Phoenix	5,694,164,000	5,579,538,000	51		5,629,029,000	54	
55	First National Bank, Atlanta	5,647,134,000	5,092,414,000	58	+3	5,048,845,000	61	+6
56	AmeriTrust Co. NA, Cleveland	5,575,239,000	6,895,390,000	37		6,006,409,000	48	
57	Norwest Bank Minneapolis NA	5,552,689,000	3,765,191,000	81	+24	3,898,042,000	82	+25
58	California First Bank, San Francisco	5,546,424,000	5,262,706,000	57		5,372,111,000	58	
59	Bank of Tokyo Trust Co., New York	5,443,140,000	4,978,180,000	59		5,361,415,000	59	
60	MBank Dallas NA,	5,388,305,000	5,344,453,000	56		5,504,756,000	56	
61	Fleet National Bank, Providence, R.I.	5,184,235,000	4,622,848,000	62	+1	4,962,063,000	64	+3
62	Shawmut Bank NA, Boston	5,018,200,000	3,888,267,000	80	+18	4,989,948,000	63	+1
63	Signet Bank/Virginia, Richmond	5,015,479,000	4,960,151,000	60		5,238,495,000	60	
64	Provident National Bank, Philadelphia	4,985,655,000	4,339,772,000	69	+5	4,622,805,000	69	+5
65	Bank of Hawaii, Honolulu	4,957,601,000	4,454,385,000	66	+1	4,835,452,000	66	+1
66	AmSouth Bank NA, Birmingham, Ala.	4,922,967,000	4,539,694,000	63		4,688,758,000	68	+2
67	National City Bank, Cleveland	4,828,036,000	4,051,513,000	74	+7	4,932,377,000	65	
68	Riggs National Bank, Washington, D.C.	4,785,942,000	4,491,749,000	65		5,007,555,000	62	
69	First Interstate Bank of Oregon NA, Portland	4,704,903,000	4,497,555,000	64		4,709,734,000	67	
70	State Street Bank & Trust Co., Boston	4,692,093,000	4,446,417,000	67		4,540,702,000	70	
71	Sanwa Bank California, San Francisco	4,648,989,000	3,931,299,000	77	+6	4,202,947,000	77	+6
72	Barnett Bank of South Florida NA, Miami Lakes	4,641,341,000	4,152,633,000	72		4,388,167,000	73	+1
73	Banco Popular de Puerto Rico, San Juan	4,612,037,000	4,296,539,197	70		4,492,171,000	72	
74	Society National Bank, Cleveland	4,566,657,000	4,117,450,000	73		4,377,453,000	74	
75	Northern Trust Co., Chicago	4,474,390,000	4,384,768,000	68		5,441,841,000	57	
76	Hibernia National Bank, New Orleans	4,392,747,000	3,733,623,000	83	+7	4,130,496,000	79	+3
77	Citizens & Southern National Bank, Fort Lauderdale, Fla.	4,330,237,000	4,031,927,308	75		4,233,293,000	76	
78	First Pennsylvania Bank NA, Philadelphia	4,328,301,000	3,892,466,000	78		4,136,159,000	78	
79	Midlantic National Bank, Newark, N.J.	4,257,001,000	3,473,837,000	88	+9	3,500,509,000	91	+12
80	First Tennessee Bank NA, Memphis	4,231,426,000	4,277,828,000	71		4,360,545,000	75	
81	European American Bank, New York	4,222,198,000	4,639,888,000	61		4,513,240,000	71	
82	Arizona Bank, Phoenix	4,170,949,000	3,891,382,000	79		3,961,526,000	81	
83	First National Bank of Maryland, Baltimore	4,070,545,000	3,747,401,000	82		3,826,686,000	83	
84	First Florida Bank NA, Tampa	4,016,689,000	3,944,088,000	76		4,097,294,000	80	
85	First Alabama Bank, Montgomery	3,887,334,000	3,429,310,000	90	+5	3,561,805,000	89	+4
86	Trust Company Bank, Atlanta	3,735,179,000	3,376,231,000	91	+5	3,707,956,000	84	
87	Chase Lincoln First Bank NA, Rochester, N.Y.	3,731,003,000	3,316,423,000	93	+6	3,500,108,000	92	+5
88	Israel Discount Bank, New York	3,706,333,000	3,489,160,000	87		3,590,308,000	88	
89	American Security Bank NA, Washington, D.C.	3,691,617,000	3,615,139,000	84		3,651,924,000	86	
90	BancOhio National Bank, Columbus	3,688,254,000	3,492,955,000	86		3,635,628,000	87	
91	South Carolina National Bank, Columbia	3,681,036,000	3,310,354,000	94	+3	3,452,190,000	93	+2
92	Norstar Bank of Upstate NY, Albany	3,668,285,000	2,816,484,062	112	+20	3,533,195,000	90	
93	Greenwood Trust Co., New Castle, Del.	3,584,481,000	1,820,369,000	172	+79	2,630,684,000	127	+34
94	Citibank (New York State), Perinton	3,548,140,000	3,544,557,000	85		3,405,277,000	95	+1
95	MBank Houston NA	3,539,260,000	3,468,883,000	89		3,703,324,000	85	
96	Central Fidelity Bank, Richmond	3,535,396,000	3,302,912,000	95		3,382,611,000	96	
97	First Interstate Bank of Texas NA, Houston	3,529,031,000	2,102,993,000	152	+55	1,824,120,000	180	+83
98	First Hawaiian Bank, Honolulu	3,393,148,000	3,098,159,000	101	+3	3,275,960,000	100	+2
99	U.S. Bank of Washington NA, Seattle	3,337,195,000	1,909,702,000	165	+66	1,975,904,000	170	+71
100	Bank One Columbus NA, Ohio	3,281,480,000	2,274,052,771	137	+37	2,477,588,000	135	+35

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Top 300 Commercial Banks in the United States

In Order of Deposits June 30, 1988, Compared with June 30, 1987 and Dec. 31, 1987

Rank 6/30/88		Deposits June 30, 1988	Deposits June 30, 1987	Rank 6/30/87	Gain from 6/30/87	Deposits Dec. 31, 1987	Rank 12/31/87	Gain from 12/31/87
101	**Equitable Bank NA, Baltimore**	3,240,847,000	3,028,907,000	103	+ 2	3,066,045,000	108	+7
102	**First Union National Bank, Atlanta**	3,201,583,000	933,849,000	298	+ 196	3,235,329,000	101	
103	**Bank of California NA, San Francisco**	3,197,859,000	3,197,385,000	98		3,211,115,000	103	
104	**Mellon Bank (East) NA, Philadelphia**	3,173,331,000	3,254,289,000	96		3,411,245,000	94	
105	**Mercantile Bank NA, St. Louis**	3,159,366,000	3,240,225,000	97		3,334,585,000	98	
106	**Indiana National Bank, Indianapolis**	3,155,452,000	2,932,232,000	104		3,183,694,000	105	
107	**Sumitomo Bank of California, San Francisco**	3,135,872,000	3,143,235,900	99		3,311,842,000	99	
108	**Branch Banking & Trust Co., Wilson, N.C.**	3,129,560,000	2,819,053,000	111	+ 3	2,989,736,000	110	+2
109	**Sovran Bank/Maryland, Bethesda, Md.**	3,076,272,000	2,651,724,000	119	+10	2,778,825,000	119	+10
110	**Citizens Fidelity Bank & Trust Co., Louisville, Ky.**	3,075,915,000	2,638,260,000	120	+10	3,338,107,000	97	
111	**United Jersey Bank, Hackensack, N.J.**	3,065,241,000	2,720,298,000	117	+ 6	2,763,704,000	120	+9
112	**Citizens & Southern National Bank, Charleston, S.C.**	3,062,115,000	2,867,753,407	107		2,816,344,000	116	+4
113	**American National Bank & Trust Co., Chicago**	3,042,262,000	2,843,042,000	109		3,066,564,000	107	
114	**Continental Bank, Norristown, Pa.**	2,964,317,000	2,631,504,000	121	+ 7	2,817,484,000	115	+1
115	**BayBank Middlesex, Burlington, Mass.**	2,955,170,000	2,839,630,000	110		2,869,752,000	113	
116	**National Community Bank, Rutherford, N.J.**	2,942,298,000	2,540,648,000	125	+ 9	2,689,467,000	125	+9
117	**Norstar Bank NA, Buffalo, N.Y.**	2,939,155,000	2,786,376,000	115		2,954,131,764	111	
118	**First Interstate Bank of Washington NA, Seattle**	2,876,686,000	2,902,851,000	105		2,862,510,000	114	
119	**Boatmen's National Bank, St. Louis**	2,876,259,000	2,856,122,000	108		3,047,167,000	109	
120	**City National Bank, Beverly Hills**	2,873,281,000	2,377,554,000	130	+10	2,803,020,000	118	
121	**Sun Bank NA, Orlando, Fla.**	2,859,235,000	2,750,299,000	116		2,871,213,000	112	
122	**First American Bank of Virginia, McLean**	2,852,306,000	2,491,925,000	128	+ 6	2,639,792,000	126	+4
123	**Deposit Guaranty National Bank, Jackson, Miss.**	2,844,702,000	2,552,789,000	124	+ 1	2,696,140,000	123	
124	**First City National Bank, Houston**	2,807,267,000	2,795,245,000	114		2,461,980,000	137	+13
125	**Dominion Bank NA, Roanoke, Va.**	2,787,784,000	2,530,170,000	126	+ 1	2,624,936,000	129	+4
126	**First Jersey National Bank, Jersey City, N.J.**	2,786,430,000	1,937,550,000	162	+36	2,103,146,000	160	+34
127	**First-Citizens Bank & Trust Co., Raleigh, N.C.**	2,770,169,000	2,570,014,000	123		2,692,891,000	124	
128	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	2,762,126,000	2,203,190,000	144	+16	2,580,939,000	131	+3
129	**Midlantic National Bank/North, West Paterson, N.J.**	2,672,352,000	2,373,109,000	131	+ 2	2,501,283,000	133	+4
130	**Bank One Indianapolis NA**	2,668,061,000	2,807,676,000	113		2,700,745,000	122	
131	**Fuji Bank & Trust Co., New York**	2,654,349,000	3,339,467,000	92		3,156,325,000	106	
132	**First Interstate Bank of Nevada NA, Reno**	2,651,191,000	2,526,477,000	127		2,567,255,000	132	
133	**Industrial Bank of Japan Trust Co., New York**	2,646,623,000	3,121,480,000	100		3,202,955,000	104	
134	**Bank Leumi Trust Co., New York**	2,640,849,000	2,419,886,000	129		2,625,936,000	128	
135	**Banco de Ponce, P.R.**	2,586,948,000	2,362,238,354	132		2,422,435,000	139	+4
136	**Bank South NA, Atlanta**	2,580,374,000	2,269,701,000	138	+ 2	2,366,468,000	141	+5
137	**Bank of Baltimore**	2,573,799,000	2,118,855,000	151	+14	2,499,203,000	134	
138	**First National Bank, Louisville, Ky.**	2,565,716,000	2,687,744,000	118		2,725,694,000	121	
139	**Trustcorp Bank Ohio, Toledo**	2,560,440,000	2,126,878,000	150	+11	2,255,661,000	151	+12
140	**First Wisconsin National Bank, Milwaukee**	2,529,792,000	2,879,803,000	106		2,808,607,000	117	
141	**Central Bank of the South, Birmingham, Ala.**	2,449,066,000	2,309,767,000	135		2,346,580,000	142	+1
142	**Union Trust Co., Stamford, Conn.**	2,439,103,000	2,159,304,000	148	+ 6	2,443,702,000	138	
143	**Fifth Third Bank, Cincinnati**	2,429,293,000	2,067,981,000	153	+10	2,341,505,000	143	
144	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	2,420,237,000	2,241,235,000	142		2,274,166,000	150	+6
145	**Centerre Bank NA, St. Louis**	2,408,449,000	2,592,410,000	122		2,581,955,000	130	
146	**Trustmark National Bank, Jackson, Miss.**	2,392,551,000	1,928,339,906	163	+17	2,332,090,000	144	
147	**Signet Bank/Maryland, Baltimore**	2,390,547,000	2,228,353,000	143		2,284,656,000	149	+2
148	**Hamilton Bank, Lancaster, Pa.**	2,384,317,000	2,263,176,000	139		2,326,055,000	145	
149	**First American National Bank, Nashville, Tenn.**	2,322,562,000	2,177,023,000	146		2,299,781,000	147	
150	**Sovran Bank/Central South, Nashville, Tenn.**	2,320,717,000	2,287,497,000	136		2,255,499,000	152	+2
151	**Barclays Bank of New York NA**	2,315,398,000	2,009,100,000	158	+ 7	2,126,846,000	158	+7
152	**Rhode Island Hospital Trust National Bank, Providence**	2,297,145,000	2,317,405,000	133		2,475,415,000	136	
153	**First RepublicBank Houston NA**	2,275,270,000	1,787,270,000	173	+20	3,221,796,000	102	
154	**First Security Bank of Utah NA, Salt Lake City**	2,271,767,000	2,241,476,000	141		2,324,295,000	146	
155	**First of America Bank-Southeast Michigan NA, Detroit**	2,263,492,000	932,953,000	299	+ 144	919,509,000	316	+161
156	**Citizens First National Bank, Ridgewood, N.J.**	2,237,298,000	1,865,804,000	169	+13	2,058,391,000	163	+7
157	**Central Trust Co. NA, Cincinnati**	2,231,048,000	2,053,403,000	155		2,216,828,000	155	
158	**Whitney National Bank, New Orleans**	2,222,851,000	2,177,076,000	145		2,289,122,000	148	
159	**Wilmington Trust Co., Del.**	2,211,814,000	2,244,225,000	140		2,394,782,000	140	
160	**United States Trust Co., New York**	2,204,454,000	2,310,645,000	134		1,985,398,000	169	+9
161	**Citibank (Arizona), Phoenix**	2,201,539,000	442,661,000	499	+ 338	524,075,000	476	+315
162	**Citytrust, Bridgeport, Conn.**	2,162,376,000	1,970,664,000	160		2,100,950,000	161	
163	**Bank of Boston Connecticut, Waterbury**	2,152,379,000	1,877,751,000	168	+ 5	2,026,112,000	166	+3
164	**SouthTrust Bank of Alabama NA, Birmingham**	2,152,192,000	1,985,468,000	159		2,159,911,000	157	
165	**Equibank, Pittsburgh**	2,116,340,000	2,059,083,000	154		2,233,748,000	153	
166	**Third National Bank, Nashville, Tenn.**	2,112,740,000	2,171,567,000	147		2,232,657,000	154	
167	**Idaho First National Bank, Boise**	2,040,443,000	2,050,940,000	157		2,169,385,000	156	
168	**First Fidelity Bank NA/North Jersey, Totowa, N.J.**	1,984,167,000	1,373,974,000	216	+48	1,918,497,000	172	+4
169	**Key Bank of Central New York NA, Syracuse**	1,972,222,000	1,188,327,000	236	+67	1,282,799,000	238	+69
170	**New Jersey National Bank, Pennington**	1,964,427,000	1,915,734,000	164		1,987,207,000	168	
171	**Star Bank NA, Cincinnati**	1,961,588,000	1,900,138,742	166		2,037,195,000	164	
172	**Merchants National Bank & Trust Co., Indianapolis**	1,951,908,000	1,845,043,000	170		2,065,088,000	162	
173	**Norstar Bank, Hempstead, N.Y.**	1,951,108,000	1,429,894,289	209	+36	1,944,502,000	171	
174	**Key Bank NA, Albany, N.Y.**	1,920,734,000	1,768,077,000	175	+ 1	1,845,798,000	179	+5
175	**Texas American Bank/Fort Worth NA**	1,918,049,000	1,885,958,000	167		2,126,021,000	159	
176	**Northeastern Bank of Pennsylvania, Wilkes-Barre**	1,914,817,000	1,685,749,000	177	+ 1	1,848,484,000	178	+2
177	**Union National Bank, Pittsburgh**	1,912,183,000	1,784,186,000	174		1,914,670,000	173	
178	**Imperial Bank, Los Angeles**	1,872,914,000	1,495,438,000	199	+21	1,463,047,000	213	+35
179	**Frost National Bank, San Antonio, Tex.**	1,864,111,000	1,447,369,000	206	+27	1,474,031,000	212	+33
180	**Zions First National Bank, Salt Lake City, Utah**	1,862,447,000	2,132,486,000	149		2,014,243,000	167	
181	**Midlantic National Bank/South, Mt. Laurel, N.J.**	1,858,869,000	1,627,402,000	182	+ 1	1,677,164,000	188	+7
182	**NCNB South Carolina, Columbia**	1,850,981,000	1,822,708,000	171		1,852,916,000	177	
183	**Valley Bank of Nevada, Las Vegas**	1,836,627,000	1,295,374,935	225	+42	1,812,463,000	181	
184	**Southern National Bank, Lumberton, N.C.**	1,821,429,000	1,540,030,000	191	+ 7	1,741,311,000	184	
185	**Dauphin Deposit Bank & Trust Co., Harrisburg, Pa.**	1,807,249,000	1,464,481,000	202	+17	1,654,821,000	191	+6
186	**United Bank of Denver NA**	1,795,918,000	2,052,362,000	156		1,853,676,000	176	
187	**First Virginia Bank, Falls Church**	1,758,290,000	1,633,509,000	180		1,646,779,000	193	+6
188	**First National Bank of Commerce, New Orleans**	1,744,527,000	1,559,142,000	188		1,718,284,000	185	
189	**M & I Marshall & Ilsley Bank, Milwaukee**	1,735,670,000	1,630,095,000	181		1,791,678,000	182	
190	**United Carolina Bank, Whiteville, N.C.**	1,732,414,000	1,536,691,000	192	+ 2	1,659,918,000	190	
191	**Puget Sound National Bank, Tacoma, Wash.**	1,730,352,000	1,510,368,000	196	+ 5	1,585,345,000	201	+10
192	**Barnett Bank of Central Florida NA, Orlando**	1,725,833,000	1,497,881,000	198	+ 6	1,661,960,000	189	
193	**Barnett Bank of Pinellas Cty., St. Petersburg, Fla.**	1,714,225,000	....	...		1,758,525,000	183	
194	**National State Bank, Elizabeth, N.J.**	1,699,869,000	1,610,598,000	183		1,707,257,000	186	
195	**Exchange National Bank, Chicago**	1,696,529,000	1,396,114,000	212	+17	1,605,587,000	200	+5
196	**Daiwa Bank Trust Co., New York**	1,686,662,000	1,115,866,000	257	+61	1,230,872,000	250	+54
197	**Barnett Bank of Palm Beach Cty., West Palm Beach, Fla.**	1,685,019,000	1,587,548,000	185		1,704,438,000	187	
198	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	1,684,005,000	1,150,573,000	246	+48	1,383,183,000	227	+29
199	**Sun Bank/Miami NA**	1,672,386,000	1,569,436,000	187		1,636,929,000	196	
200	**First Fidelity Bank NA, Burlington Twp., N.J.**	1,661,731,000	1,545,530,000	189		1,641,949,000	194	

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In Order of Deposits June 30, 1988, Compared with June 30, 1987 and Dec. 31, 1987

Rank 6/30/88		Deposits June 30, 1988	Deposits June 30, 1987	Rank 6/30/87	Gain from 6/30/87	Deposits Dec. 31, 1987	Rank 12/31/87	Gain from 12/31/87
201	First National Bank, Akron, Ohio	1,654,874,000	1,601,733,360	184		1,639,649,000	195	
202	Union Planters National Bank, Memphis, Tenn.	1,654,334,000	1,493,645,000	200		1,554,746,000	204	+2
203	First Eastern Bank NA, Wilkes-Barre, Pa.	1,623,810,000	1,438,742,000	207	+ 4	1,532,161,000	207	+4
204	First National Bank, Toms River, N.J.	1,618,707,000	1,530,717,000	193		1,532,782,000	206	+2
205	Liberty National Bank & Trust Co., Louisville, Ky.	1,615,890,000	1,498,173,000	197		1,605,763,000	199	
206	Citibank (South Dakota) NA, Sioux Falls	1,602,682,000	1,691,471,000	176		1,883,347,000	175	
207	Sun Bank/South Florida NA, Fort Lauderdale	1,598,699,000	1,575,314,000	186		1,613,977,000	198	
208	Horizon Bank NA, Morristown, N.J.	1,598,248,000	1,379,226,000	215	+ 7	1,479,374,000	211	+3
209	Bank One Dayton NA, Ohio	1,592,390,000	1,421,236,000	210	+ 1	1,550,112,000	205	
210	National Bank of Washington, Washington, D.C.	1,586,275,000	1,450,405,000	205		1,630,700,000	197	
211	Texas Commerce Bank Dallas NA	1,582,905,000	1,360,446,000	217	+ 6	1,304,263,000	236	+25
212	First RepublicBank Fort Worth NA, Tex.	1,568,527,000	820,107,000	329	+ 117	755,280,000	365	+153
213	Mitsui Manufacturers Bank, Los Angeles	1,533,801,000	1,654,976,000	179		1,431,812,000	217	+4
214	Merchants Bank NA, Allentown, Pa.	1,533,419,682	1,347,944,774	220	+ 6	1,503,023,516	209	
215	Society Bank NA, Dayton, Ohio	1,522,962,000	1,493,286,000	201		1,499,306,000	210	
216	Bank of Delaware, Wilmington	1,511,448,000	1,335,372,000	221	+ 5	1,365,128,000	228	+12
217	Bank of Oklahoma NA, Tulsa	1,509,549,000	1,525,530,000	195		1,564,101,000	203	
218	Bank of New England-West NA, Springfield, Mass.	1,476,821,000	1,161,533,000	242	+24	1,362,711,000	229	+11
219	Commerce Bank of St. Louis NA, Clayton, Mo.	1,469,176,000	1,464,259,000	203		1,648,371,000	192	
220	Citizens Bank & Trust Co., Riverdale, Md.	1,461,204,000	1,430,966,492	208		1,408,487,000	222	+2
221	Central Carolina Bank & Trust Co. NA, Durham, N.C.	1,453,802,000	1,115,183,000	258	+37	1,260,341,000	241	+20
222	Banco Santander Puerto Rico, Hato Rey	1,453,240,000	1,213,544,558	233	+11	1,353,695,000	231	+9
223	Bank of New York (Delaware), Wilmington	1,444,321,000	1,136,138,000	251	+28	1,902,650,000	174	
224	United Bank & Trust Co., Hartford, Conn.	1,430,814,000	1,359,309,000	218		1,459,026,000	214	
225	Barnett Bank of Southwest Florida, Sarasota	1,430,751,000	1,395,770,000	213		1,397,595,000	225	
226	First Security Bank of Idaho NA, Boise	1,423,705,000	1,392,116,000	214		1,415,255,000	221	
227	Morgan Bank (Delaware), Wilmington	1,415,510,000	1,073,953,000	266	+39	1,266,239,000	239	+12
228	First American Bank NA, Washington, D.C.	1,414,495,000	1,281,477,000	227		1,457,891,000	215	
229	Valley National Bank, Passaic, N.J.	1,410,341,000	1,309,784,000	223		1,357,060,000	230	+1
230	Norwest Bank South Dakota NA, Sioux Falls	1,385,856,000	1,292,607,000	226		1,390,074,000	226	
231	Sunwest Bank of Albuquerque NA, N.M.	1,385,217,000	1,348,410,000	219		1,402,146,000	223	
232	IBJ Schroder Bank & Trust Co., New York	1,375,458,000	1,457,068,000	204		1,425,302,000	219	
233	BayBank Norfolk County Trust Co., Dedham, Mass.	1,357,767,000	1,183,472,000	237	+ 4	1,284,673,000	237	+4
234	Merchants Bank, Kansas City, Mo.	1,353,112,000	1,238,145,000	230		1,331,958,000	233	
235	Trust Company of New Jersey, Jersey City	1,351,695,000	1,183,410,000	238	+ 3	1,314,410,000	234	
236	Mitsubishi Bank of California, Los Angeles	1,350,378,000	1,331,946,000	222		1,399,238,000	224	
237	Casco Northern Bank NA, Portland, Me.	1,333,920,000	1,142,315,000	250	+13	1,255,010,000	243	+6
238	Merrill/Norstar Bank, Portland, Me.	1,330,259,000	685,944,000	385	+ 147	727,618,000	377	+139
239	Barnett Bank of Jacksonville NA, Fla.	1,326,937,000	1,189,772,000	235		1,309,816,000	235	
240	First RepublicBank Austin NA, Tex.	1,314,891,000	1,214,477,000	232		1,234,730,000	249	+9
241	Provident Bank, Cincinnati	1,311,024,000	1,049,370,000	273	+32	1,251,649,000	245	+4
242	Bank One Cleveland NA	1,308,984,000	1,205,865,000	234		1,238,160,000	248	+6
243	Summit Bank, Fort Wayne, Ind.	1,291,061,000	1,180,783,000	240		1,254,814,000	244	+1
244	Princeton Bank, N.J.	1,289,713,000	1,156,434,000	244		1,245,402,000	246	+2
245	Manufacturers Hanover Bank (Delaware), Wilmington	1,280,760,000	1,541,096,000	190		1,447,423,000	216	
246	First Interstate Bank of Denver NA	1,276,991,000	1,408,021,000	211		1,428,712,000	218	
247	United Missouri Bank of Kansas City NA	1,275,068,000	1,301,391,000	224		1,570,053,000	202	
248	First American Bank of Georgia NA, Atlanta	1,273,990,000	1,149,310,000	247		1,200,369,000	254	+6
249	Maryland Bank NA, Newark, Del.	1,255,540,000	1,017,329,000	280	+31	1,123,164,000	268	+19
250	MBank El Paso NA, Tex.	1,244,961,000	1,262,960,000	228		1,256,929,000	242	
251	National Bank of Alaska, Anchorage	1,244,548,000	882,358,000	312	+61	1,419,619,000	220	
252	Liberty National Bank & Trust Co., Oklahoma City	1,224,577,000	1,667,843,000	178		1,228,511,000	251	
253	Midlantic National Bank/Merchants, Neptune, N.J.	1,216,145,000	1,118,261,000	256	+ 3	1,121,639,706	269	+16
254	Bank One Milwaukee NA	1,207,972,000	1,214,686,000	231		1,263,708,000	240	
255	Hibernia Bank, San Francisco	1,207,375,000	1,249,075,000	229		1,201,905,000	253	
256	Barnett Bank of Tampa NA, Fla.	1,202,461,000	1,144,604,000	248		1,215,772,000	252	
257	San Diego Trust & Savings Bank, Calif.	1,198,975,000	1,152,912,000	245		1,199,950,000	255	
258	Sunburst Bank, Grenada, Miss.	1,181,665,000	1,025,908,546	279	+21	1,123,542,000	267	+9
259	Amalgamated Bank, New York	1,165,137,000	1,120,482,000	254		1,187,323,000	257	
260	Bank of the West, San Francisco	1,164,857,000	1,182,690,000	239		1,193,756,000	256	
261	Summit Trust Co., N.J.	1,163,942,000	1,049,039,000	274	+13	1,059,715,000	281	+20
262	Norwest Bank Nebraska NA, Omaha	1,155,431,000	1,082,638,000	265	+ 3	1,136,829,000	263	+1
263	Central Jersey Bank & Trust Co., Freehold, N.J.	1,144,930,000	999,003,000	283	+20	1,032,909,000	287	+24
264	LaSalle National Bank, Chicago	1,144,335,000	1,067,462,000	268	+ 4	1,146,218,000	260	
265	Laredo National Bank, Tex.	1,140,370,000	970,530,711	287	+22	1,018,881,000	292	+27
266	First American Bank & Trust, North Palm Beach, Fla.	1,133,851,000	1,110,606,000	260		1,110,294,000	271	+5
267	Security Bank & Trust Co., Southgate, Mich.	1,130,578,000	1,072,093,000	267		1,130,613,000	265	
268	Westamerica Bank NA, San Rafael, Calif.	1,128,183,000	1,103,695,000	261		1,128,235,000	266	
269	NBC Bank-San Antonio NA, Tex.	1,127,935,000	1,119,025,000	255		1,336,012,000	232	
270	Bank of Mississippi, Tupelo	1,126,084,000	1,045,330,000	276	+ 6	1,059,986,000	280	+10
271	Boatmen's First National Bank, Kansas City, Mo.	1,118,879,000	1,167,035,000	241		1,244,798,000	247	
272	Jefferson National Bank, Charlottesville, Va.	1,116,578,000	1,065,600,000	269		1,090,367,000	272	
273	Bank IV Wichita NA, Kan.	1,112,402,000	1,103,247,000	262		1,135,488,000	264	
274	First Jersey NB/South, Atlantic City, N.J.	1,108,349,000	924,588,000	305	+31	1,020,559,000	291	+17
275	Arlington Trust Co., Lawrence, Mass.	1,104,744,000	1,125,735,000	253		1,146,687,000	259	
276	Society Bank of Eastern Ohio NA, Canton	1,102,380,000	1,055,790,000	271		1,085,664,000	276	
277	Mercantile-Safe Deposit & Trust Co., Baltimore	1,100,598,000	1,031,544,000	277		1,089,477,000	273	
278	Commonwealth National Bank, Harrisburg, Pa.	1,098,098,000	1,156,521,000	243		1,140,608,000	261	
279	Louisiana National Bank, Baton Rouge	1,092,747,000	1,134,098,000	252		1,071,702,000	278	
280	Dominion Bank of Middle Tennessee, Nashville	1,092,674,000	539,866,000	449	+ 169	716,607,000	382	+102
281	National Bank of Commerce, Memphis, Tenn.	1,091,842,000	1,011,404,000	281		1,036,456,000	286	+5
282	Mark Twain Bank, Ladue, Mo.	1,090,935,000	998,102,000	284	+ 2	1,054,325,000	283	+1
283	Sun Bank of Tampa Bay, Tampa, Fla.	1,086,821,000	1,092,337,000	263		1,115,341,000	270	
284	Texas Commerce Bank-Austin NA	1,085,669,000	1,143,389,000	249		1,138,909,000	262	
285	Shawmut Worcester County Bank NA, Worcester, Mass.	1,085,354,000	1,060,646,000	270		1,086,372,000	275	
286	BayBank Harvard Trust Co., Cambridge, Mass.	1,079,423,000	952,054,000	294	+ 8	1,052,151,000	284	
287	Provident Bank of Maryland, Baltimore	1,078,024,000	....	...		1,007,268,000	295	+8
288	Key Bank of Oregon, Portland	1,076,980,000	872,009,000	314	+26	963,370,000	302	+14
289	First National Bank of Central Jersey, Bridgewater Twp., N.J	1,064,331,000	741,839,000	363	+74	980,394,000	300	+11
290	Marquette Bank Minneapolis NA	1,064,048,000	1,048,966,000	275		1,064,018,000	279	
291	Gainier Bank NA, Gary, Ind.	1,055,375,000	838,148,871	324	+33	1,055,605,000	282	
292	Central Bank, San Francisco	1,050,942,000	960,417,000	291		1,013,246,000	293	+1
293	Commerce Bank of Kansas City NA, Mo.	1,047,450,000	1,088,990,000	264		1,077,041,000	277	
294	Bankers Trust (Delaware), Wilmington	1,044,134,000	183,129,000	...		817,832,000	342	+48
295	Bank One Akron NA, Ohio	1,038,648,000	807,324,000	337	+42	855,833,000	335	+40
296	First Seneca Bank, Butler, Pa.	1,037,490,000	1,028,539,000	278		1,021,805,000	290	
297	First American Bank of New York	1,028,249,000	964,478,000	289		1,045,974,000	285	
298	Norwest Bank Des Moines NA, Iowa	1,017,260,000	930,876,000	300	+ 2	1,001,917,000	297	
299	First American Bank of Maryland, Silver Spring	1,017,000,000	833,521,000	327	+28	934,987,000	311	+12
300	Banco Central Corp., Hato Rey, P.R.	998,995,000	927,844,995	303	+ 3	1,088,808,458	274	

Data Source: American Banker questionnaire. The data requested are consolidated—for the bank and its domestic and foreign subsidiaries. American Banker requests deposit data as reported on the Federal Regulatory Report of Condition (RC-Balance Sheet, items 13a plus 13b), whenever possible. Data may not be comparable with other periods because of mergers, changes in accounting practices, etc. In the case of mergers, the bank — under whose charter the merger took place — is considered the surviving bank.

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Top 300 U.S. Commercial Banks

Listed Geographically by Order of Size within States

		Deposits 6/30/88
	Alabama	
66	AmSouth Bank NA, Birmingham	4,922,967,000
85	First Alabama Bank, Montgomery	3,887,334,000
141	Central Bank of the South, Birmingham	2,449,066,000
164	SouthTrust Bank of Alabama NA, Birmingham	2,152,192,000
	Alaska	
251	National Bank of Alaska, Anchorage	1,244,548,000
	Arizona	
28	Valley National Bank, Phoenix	8,778,437,000
54	First Interstate Bank of Arizona NA, Phoenix	5,694,164,000
82	Arizona Bank, Phoenix	4,170,949,000
161	Citibank (Arizona), Phoenix	2,201,539,000
	California	
2	Bank of America NT&SA, San Francisco	67,728,000,000
7	Security Pacific National Bank, Los Angeles	34,766,395,000
8	Wells Fargo Bank NA, San Francisco	33,328,533,000
14	First Interstate Bank of California, Los Angeles	16,718,629,000
41	Union Bank, Los Angeles	6,815,706,000
58	California First Bank, San Francisco	5,546,424,000
71	Sanwa Bank California, San Francisco	4,648,989,000
103	Bank of California NA, San Francisco	3,197,859,000
107	Sumitomo Bank of California, San Francisco	3,135,872,000
120	City National Bank, Beverly Hills	2,873,281,000
178	Imperial Bank, Los Angeles	1,872,914,000
213	Mitsui Manufacturers Bank, Los Angeles	1,533,801,000
236	Mitsubishi Bank of California, Los Angeles	1,350,378,000
255	Hibernia Bank, San Francisco	1,207,375,000
257	San Diego Trust & Savings Bank	1,198,975,000
260	Bank of the West, San Francisco	1,164,857,000
268	Westamerica Bank NA, San Rafael	1,128,183,000
292	Central Bank, San Francisco	1,050,942,000
	Colorado	
186	United Bank of Denver NA	1,795,918,000
246	First Interstate Bank of Denver NA	1,276,991,000
	Connecticut	
35	Connecticut National Bank, Hartford	7,388,719,000
37	Connecticut Bank & Trust Co. NA, Hartford	6,938,800,000
142	Union Trust Co., Stamford	2,439,103,000
162	Citytrust, Bridgeport	2,162,376,000
163	Bank of Boston Connecticut, Waterbury	2,152,379,000
224	United Bank & Trust Co., Hartford	1,430,814,000
	Delaware	
93	Greenwood Trust Co., New Castle	3,584,481,000
159	Wilmington Trust Co.	2,211,814,000
198	Chase Manhattan Bank (USA) NA, Wilmington	1,684,005,000
216	Bank of Delaware, Wilmington	1,511,448,000
223	Bank of New York (Delaware), Wilmington	1,444,321,000
227	Morgan Bank (Delaware), Wilmington	1,415,510,000
245	Manufacturers Hanover Bank (Delaware), Wilmington	1,280,760,000
249	Maryland Bank NA, Newark	1,255,540,000
294	Bankers Trust (Delaware), Wilmington	1,044,134,000
	District of Columbia	
68	Riggs National Bank, Washington, D.C.	4,785,942,000
89	American Security Bank NA, Washington, D.C.	3,691,617,000
210	National Bank of Washington, Washington, D.C.	1,586,275,000
228	First American Bank NA, Washington, D.C.	1,414,495,000
	Florida	
25	Southeast Bank NA, Miami	9,875,801,000
43	NCNB National Bank of Florida, Tampa	6,764,765,000
47	First Union National Bank of Florida, Jacksonville	6,492,103,000
53	Florida National Bank, Jacksonville	5,724,759,000
72	Barnett Bank of South Florida NA, Miami Lakes	4,641,341,000
77	Citizens & Southern National Bank, Fort Lauderdale	4,330,237,000
84	First Florida Bank NA, Tampa	4,016,689,000
121	Sun Bank NA, Orlando	2,859,235,000
192	Barnett Bank of Central Florida NA, Orlando	1,725,833,000
193	Barnett Bank of Pinellas Cty., St. Petersburg	1,714,225,000
197	Barnett Bank of Palm Beach Cty., West Palm Beach	1,685,019,000
199	Sun Bank/Miami NA	1,672,386,000
207	Sun Bank/South Florida NA, Fort Lauderdale	1,598,699,000
225	Barnett Bank of Southwest Florida, Sarasota	1,430,751,000
239	Barnett Bank of Jacksonville NA	1,326,937,000
256	Barnett Bank of Tampa NA	1,202,461,000
266	First American Bank & Trust, North Palm Beach	1,133,851,000
283	Sun Bank of Tampa Bay, Tampa	1,086,821,000
	Georgia	
32	Citizens & Southern National Bank, Atlanta	8,169,400,000
55	First National Bank, Atlanta	5,647,134,000
86	Trust Company Bank, Atlanta	3,735,179,000
102	First Union National Bank, Atlanta	3,201,583,000
136	Bank South NA, Atlanta	2,580,374,000
248	First American Bank of Georgia NA, Atlanta	1,273,990,000
	Hawaii	
65	Bank of Hawaii, Honolulu	4,957,601,000
98	First Hawaiian Bank, Honolulu	3,393,148,000
	Idaho	
167	Idaho First National Bank, Boise	2,040,443,000
226	First Security Bank of Idaho NA, Boise	1,423,705,000

		Deposits 6/30/88
	Illinois	
10	First National Bank, Chicago	28,276,243,000
11	Continental Illinois Nat'l Bank & Trust Co., Chicago	18,357,805,000
42	Harris Trust & Savings Bank, Chicago	6,774,082,000
75	Northern Trust Co., Chicago	4,474,390,000
113	American National Bank & Trust Co., Chicago	3,042,262,000
195	Exchange National Bank, Chicago	1,696,529,000
264	LaSalle National Bank, Chicago	1,144,335,000
	Indiana	
106	Indiana National Bank, Indianapolis	3,155,452,000
130	Bank One Indianapolis NA	2,668,061,000
172	Merchants National Bank & Trust Co., Indianapolis	1,951,908,000
243	Summit Bank, Fort Wayne	1,291,061,000
291	Gainier Bank NA, Gary	1,055,375,000
	Iowa	
298	Norwest Bank Des Moines NA	1,017,260,000
	Kansas	
273	Bank IV Wichita NA	1,112,402,000
	Kentucky	
110	Citizens Fidelity Bank & Trust Co., Louisville	3,075,915,000
138	First National Bank, Louisville	2,565,716,000
205	Liberty National Bank & Trust Co., Louisville	1,615,890,000
	Louisiana	
76	Hibernia National Bank, New Orleans	4,392,747,000
158	Whitney National Bank, New Orleans	2,222,851,000
188	First National Bank of Commerce, New Orleans	1,744,527,000
279	Louisiana National Bank, Baton Rouge	1,092,747,000
	Maine	
237	Casco Northern Bank NA, Portland	1,333,920,000
238	Merrill/Norstar Bank, Portland	1,330,259,000
	Maryland	
44	Maryland National Bank, Baltimore	6,523,228,000
83	First National Bank of Maryland, Baltimore	4,070,545,000
101	Equitable Bank NA, Baltimore	3,240,847,000
109	Sovran Bank/Maryland, Bethesda	3,076,272,000
137	Bank of Baltimore	2,573,799,000
147	Signet Bank/Maryland, Baltimore	2,390,547,000
220	Citizens Bank & Trust Co., Riverdale	1,461,204,000
277	Mercantile-Safe Deposit & Trust Co., Baltimore	1,100,598,000
287	Provident Bank of Maryland, Baltimore	1,078,024,000
299	First American Bank of Maryland, Silver Spring	1,017,000,000
	Massachusetts	
15	First National Bank, Boston	15,947,477,000
17	Boston Safe Deposit & Trust Co.	14,269,742,000
26	Bank of New England NA, Boston	9,623,910,000
62	Shawmut Bank NA, Boston	5,018,200,000
70	State Street Bank & Trust Co., Boston	4,692,093,000
115	BayBank Middlesex, Burlington	2,955,170,000
218	Bank of New England-West NA, Springfield	1,476,821,000
233	BayBank Norfolk County Trust Co., Dedham	1,357,767,000
275	Arlington Trust Co., Lawrence	1,104,744,000
285	Shawmut Worcester County Bank NA, Worcester	1,085,354,000
286	BayBank Harvard Trust Co., Cambridge	1,079,423,000
	Michigan	
20	National Bank of Detroit	12,029,138,000
38	Comerica Bank-Detroit	6,905,623,000
39	Michigan National Bank, Farmington Hills	6,878,988,000
49	Manufacturers National Bank, Detroit	5,991,179,000
144	Old Kent Bank & Trust Co., Grand Rapids	2,420,237,000
155	First of America Bank-Southeast Michigan NA, Detroit	2,263,492,000
267	Security Bank & Trust Co., Southgate	1,130,578,000
	Minnesota	
22	First Bank NA, Minneapolis	10,596,985,000
57	Norwest Bank Minneapolis NA	5,552,689,000
290	Marquette Bank Minneapolis NA	1,064,048,000
	Mississippi	
123	Deposit Guaranty National Bank, Jackson	2,844,702,000
146	Trustmark National Bank, Jackson	2,392,551,000
258	Sunburst Bank, Grenada	1,181,665,000
270	Bank of Mississippi, Tupelo	1,126,084,000
	Missouri	
105	Mercantile Bank NA, St. Louis	3,159,366,000
119	Boatmen's National Bank, St. Louis	2,876,259,000
145	Centerre Bank NA, St. Louis	2,408,449,000
219	Commerce Bank of St. Louis NA, Clayton	1,469,176,000
234	Merchants Bank, Kansas City	1,353,112,000
247	United Missouri Bank of Kansas City NA	1,275,068,000
271	Boatmen's First National Bank; Kansas City	1,118,879,000
282	Mark Twain Bank, Ladue	1,090,935,000
293	Commerce Bank of Kansas City NA	1,047,450,000
	Nebraska	
262	Norwest Bank Nebraska NA, Omaha	1,155,431,000
	Nevada	
132	First Interstate Bank of Nevada NA, Reno	2,651,191,000
183	Valley Bank of Nevada, Las Vegas	1,836,627,000

Top 300 U.S. Commercial Banks

Listed Geographically by Order of Size within States

		Deposits 6/30/88
	New Jersey	
31	First Fidelity Bank NA, Newark	8,174,563,000
79	Midlantic National Bank, Newark	4,257,001,000
111	United Jersey Bank, Hackensack	3,065,241,000
116	National Community Bank, Rutherford	2,942,298,000
126	First Jersey National Bank, Jersey City	2,786,430,000
129	Midlantic National Bank/North, West Paterson	2,672,352,000
156	Citizens First National Bank, Ridgewood	2,237,298,000
168	First Fidelity Bank NA/North Jersey, Totowa	1,984,167,000
170	New Jersey National Bank, Pennington	1,964,427,000
181	Midlantic National Bank/South, Mt. Laurel	1,858,869,000
194	National State Bank, Elizabeth	1,699,869,000
200	First Fidelity Bank NA, Burlington Twp.	1,661,731,000
204	First National Bank, Toms River	1,618,707,000
208	Horizon Bank NA, Morristown	1,598,248,000
229	Valley National Bank, Passaic	1,410,341,000
235	Trust Company of New Jersey, Jersey City	1,351,695,000
244	Princeton Bank	1,289,713,000
253	Midlantic National Bank/Merchants, Neptune	1,216,145,000
261	Summit Trust Co.	1,163,942,000
263	Central Jersey Bank & Trust Co., Freehold	1,144,930,000
274	First Jersey NB/South, Atlantic City	1,108,349,000
289	First National Bank of Central Jersey, Bridgewater Twp.	1,064,331,000
	New Mexico	
231	Sunwest Bank of Albuquerque NA	1,385,217,000
	New York	
1	Citibank NA, New York	104,888,000,000
3	Chase Manhattan Bank NA, New York	59,949,000,000
4	Morgan Guaranty Trust Co., New York	48,609,291,000
5	Manufacturers Hanover Trust Co., New York	45,883,000,000
6	Chemical Bank, New York	39,020,000,000
9	Bankers Trust Co., New York	31,096,004,000
12	Bank of New York	17,182,911,000
13	Marine Midland Bank NA, Buffalo	17,070,312,000
18	Irving Trust Co., New York	14,150,710,000
19	Republic National Bank, New York	14,094,442,000
23	National Westminster Bank USA, New York	10,378,706,000
59	Bank of Tokyo Trust Co., New York	5,443,140,000
81	European American Bank, New York	4,222,198,000
87	Chase Lincoln First Bank NA, Rochester	3,731,003,000
88	Israel Discount Bank, New York	3,706,333,000
92	Norstar Bank of Upstate NY, Albany	3,668,285,000
94	Citibank (New York State), Perinton	3,548,140,000
117	Norstar Bank NA, Buffalo	2,939,155,000
128	Manufacturers & Traders Trust Co., Buffalo	2,762,126,000
131	Fuji Bank & Trust Co., New York	2,654,349,000
133	Industrial Bank of Japan Trust Co., New York	2,646,623,000
134	Bank Leumi Trust Co., New York	2,640,849,000
151	Barclays Bank of New York NA	2,315,398,000
160	United States Trust Co., New York	2,204,454,000
169	Key Bank of Central New York NA, Syracuse	1,972,222,000
173	Norstar Bank, Hempstead	1,951,108,000
174	Key Bank NA, Albany	1,920,734,000
196	Daiwa Bank Trust Co., New York	1,686,662,000
232	IBJ Schroder Bank & Trust Co., New York	1,375,458,000
259	Amalgamated Bank, New York	1,165,137,000
297	First American Bank of New York	1,028,249,000
	North Carolina	
21	NCNB National Bank of North Carolina, Charlotte	10,683,993,000
27	Wachovia Bank & Trust Co. NA, Winston-Salem	9,445,585,000
33	First Union National Bank, Charlotte	8,151,237,000
108	Branch Banking & Trust Co., Wilson	3,129,560,000
127	First-Citizens Bank & Trust Co., Raleigh	2,770,169,000
184	Southern National Bank, Lumberton	1,821,429,000
190	United Carolina Bank, Whiteville	1,732,414,000
221	Central Carolina Bank & Trust Co. NA, Durham	1,453,802,000
	Ohio	
52	Huntington National Bank, Columbus	5,783,964,000
56	AmeriTrust Co. NA, Cleveland	5,575,239,000
67	National City Bank, Cleveland	4,828,036,000
74	Society National Bank, Cleveland	4,566,657,000
90	BancOhio National Bank, Columbus	3,688,254,000
100	Bank One Columbus NA	3,281,480,000
139	Trustcorp Bank Ohio, Toledo	2,560,440,000
143	Fifth Third Bank, Cincinnati	2,429,293,000
157	Central Trust Co. NA, Cincinnati	2,231,048,000
171	Star Bank NA, Cincinnati	1,961,588,000
201	First National Bank, Akron	1,654,874,000
209	Bank One Dayton NA	1,592,390,000
215	Society Bank NA, Dayton	1,522,962,000
241	Provident Bank, Cincinnati	1,311,024,000
242	Bank One Cleveland NA	1,308,984,000
276	Society Bank of Eastern Ohio NA, Canton	1,102,380,000
295	Bank One Akron NA	1,038,648,000
	Oklahoma	
217	Bank of Oklahoma NA, Tulsa	1,509,549,000
252	Liberty National Bank & Trust Co., Oklahoma City	1,224,577,000
	Oregon	
48	United States National Bank, Portland	6,033,039,000
69	First Interstate Bank of Oregon NA, Portland	4,704,903,000
288	Key Bank of Oregon, Portland	1,076,980,000
	Pennsylvania	
16	Mellon Bank NA, Pittsburgh	15,352,659,000
29	Pittsburgh National Bank	8,562,193,000
40	Fidelity Bank NA, Malvern	6,864,860,000
46	Philadelphia National Bank	6,492,712,000
51	Meridian Bank, Reading	5,804,632,000
64	Provident National Bank, Philadelphia	4,985,655,000
78	First Pennsylvania Bank NA, Philadelphia	4,328,301,000
104	Mellon Bank (East) NA, Philadelphia	3,173,331,000
114	Continental Bank, Norristown	2,964,317,000
148	Hamilton Bank, Lancaster	2,384,317,000
165	Equibank, Pittsburgh	2,116,340,000
176	Northeastern Bank of Pennsylvania, Wilkes-Barre	1,914,817,000
177	Union National Bank, Pittsburgh	1,912,183,000
185	Dauphin Deposit Bank & Trust Co., Harrisburg	1,807,249,000
203	First Eastern Bank NA, Wilkes-Barre	1,623,810,000
214	Merchants Bank NA, Allentown	1,533,419,682
278	Commonwealth National Bank, Harrisburg	1,098,098,000
296	First Seneca Bank, Butler	1,037,490,000
	Puerto Rico	
73	Banco Popular de Puerto Rico, San Juan	4,612,037,000
135	Banco de Ponce	2,586,948,000
222	Banco Santander Puerto Rico, Hato Rey	1,453,240,000
300	Banco Central Corp., Hato Rey	998,995,000
	Rhode Island	
61	Fleet National Bank, Providence	5,184,235,000
152	Rhode Island Hospital Trust National Bank, Providence	2,297,145,000
	South Carolina	
91	South Carolina National Bank, Columbia	3,681,036,000
112	Citizens & Southern National Bank, Charleston	3,062,115,000
182	NCNB South Carolina, Columbia	1,850,981,000
	South Dakota	
206	Citibank (South Dakota) NA, Sioux Falls	1,602,682,000
230	Norwest Bank South Dakota NA, Sioux Falls	1,385,856,000
	Tennessee	
80	First Tennessee Bank NA, Memphis	4,231,426,000
149	First American National Bank, Nashville	2,322,562,000
150	Sovran Bank/Central South, Nashville	2,320,717,000
166	Third National Bank, Nashville	2,112,740,000
202	Union Planters National Bank, Memphis	1,654,334,000
280	Dominion Bank of Middle Tennessee, Nashville	1,092,674,000
281	National Bank of Commerce, Memphis	1,091,842,000
	Texas	
34	First RepublicBank Dallas NA	7,680,063,000
45	Texas Commerce Bank NA, Houston	6,516,985,000
60	MBank Dallas NA,	5,388,305,000
95	MBank Houston NA	3,539,260,000
97	First Interstate Bank of Texas NA, Houston	3,529,031,000
124	First City National Bank, Houston	2,807,267,000
153	First RepublicBank Houston NA	2,275,270,000
175	Texas American Bank/Fort Worth NA	1,918,049,000
179	Frost National Bank, San Antonio	1,864,111,000
211	Texas Commerce Bank Dallas NA	1,582,905,000
212	First RepublicBank Fort Worth NA	1,568,527,000
240	First RepublicBank Austin NA	1,314,891,000
250	MBank El Paso NA	1,244,961,000
265	Laredo National Bank	1,140,370,000
269	NBC Bank-San Antonio NA	1,127,935,000
284	Texas Commerce Bank-Austin NA	1,085,669,000
	Utah	
154	First Security Bank of Utah NA, Salt Lake City	2,271,767,000
180	Zions First National Bank, Salt Lake City	1,862,447,000
	Virginia	
24	Sovran Bank NA, Richmond	9,909,766,000
36	Crestar Bank, Richmond	7,240,558,000
63	Signet Bank/Virginia, Richmond	5,015,479,000
96	Central Fidelity Bank, Richmond	3,535,396,000
122	First American Bank of Virginia, McLean	2,852,306,000
125	Dominion Bank NA, Roanoke	2,787,784,000
187	First Virginia Bank, Falls Church	1,758,290,000
272	Jefferson National Bank, Charlottesville	1,116,578,000
	Washington	
30	Seattle-First National Bank	8,268,580,000
50	Rainier National Bank, Seattle	5,874,162,000
99	U.S. Bank of Washington NA, Seattle	3,337,195,000
118	First Interstate Bank of Washington NA, Seattle	2,876,686,000
191	Puget Sound National Bank, Tacoma	1,730,352,000
	Wisconsin	
140	First Wisconsin National Bank, Milwaukee	2,529,792,000
189	M & I Marshall & Ilsley Bank, Milwaukee	1,735,670,000
254	Bank One Milwaukee NA	1,207,972,000

AN AMERICAN BANKER SPECIAL REPORT

Deposit Growth Shows Signs of Slowing at Top 300 US Banks

Top 300 Banks' Deposits

(Dollar amount in billions as of June 30, 1988)

Region	Number of Banks	Deposits	Share of Total Deposits
Middle Atlantic	98	$641.3	43.6%
West	37	261.6	17.8
Midwest	59	210.0	14.3
Southeast	58	201.6	13.7
New England	21	91.3	6.2
Southwest	27	65.4	4.4
Total	**300**	**$1,471.2**	**100.0%**

▸ Continued from Page 3

the company's three banks dedicated to the credit card business, deposits receded 15% to $1.6 billion as of June 30. Deposits also slipped at Citibank's Las Vegas bank, which focuses on the credit card business.

Citicorp recently added a Maryland bank to its credit card operations, and a spokesperson said there might have been some deposits shifted among the three banks.

New state laws allowing bank holding companies to consolidate their small subsidiaries into larger institutions helped many banks move up in the listing.

First of America Bank-Southeast Michigan, Detroit, for example, grew 146% to $2.3 billion in deposits at midyear 1988 from the end of the previous year. The bank is a subsidiary of First of America Corp., Kalamazoo, Mich.

A First of America spokesperson said the increase was caused by the combination of banks in four Michigan cities: Detroit, Royal Oak, Pontiac, and Rochester. This consolidation was made possible by a recent law allowing statewide branch banking.

Deposits Grow After Merger

Deposits at First RepublicBank, Fort Worth, increased 107% to $1.6 billion as of June 30 from $755 million at the end of 1987. The growth was caused by merging nine separate neighborhood banks in Fort Worth County into the institution, according to James R. Perry, president and chief executive officer.

As of July 29, however, First RepublicBank Fort Worth was merged into a Dallas subsidiary of NCNB Corp., Charlotte, N.C., called NCNB Texas National Bank. That is the new one-bank holding company NCNB established after it took over First RepublicBank Corp. in a government-assisted bailout.

The top 300 ranking, based on total deposits as of June 30, included banks from 44 states and the District of Columbia. The six states that had no banks among the 300 largest in the nation were Arkansas, Montana, New Hampshire, North Dakota, Vermont, and West Virginia.

Not surprisingly, the state with the most institutions on the list, as well as the highest dollar figure of deposits, was New York. The Empire State was home to 31 of the 300 largest institutions, which together accounted for $455.9 billion in deposits.

The next most popular home for a top 300 institution was New Jersey, which had 22 of the 300 largest banks in the nation. California, Florida, and Pennsylvania each had 18 banks on the list.

California came second in the ranking in terms of deposits, with $189.3 billion. It was followed by Pennsylvania ($74 billion), Illinois ($63.8 billion), and Florida ($59.3 billion).

Breakdown by Regions

In a regional breakdown of the list, the Mid-Atlantic states, home to most of the nation's largest banks, easily had the most deposits.

Ninety-eight banks in the Mid-Atlantic region, comprising Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, and Puerto Rico, reported total deposits of $641.3 billion. This amounted to 44% of the total for the top 300.

The other regions are composed as follows: The Midwest, which had $210 billion in deposits, consists of Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The Southeast, with $201.6 billion in deposits, comprises Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

The West, including Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, and Wyoming, reported $261.6 billion in deposits. The southwestern region, with $65.4 billion in deposits, consists of Colorado, Louisiana, Oklahoma, Utah, New Mexico, and Texas.

The New England region, with $91.3 billion in deposits, encompasses Connecticut, Massachusetts, Vermont, Maine, Rhode Island, and New Hampshire. ■

DAILY FINANCIALS

Monday August 29, 1988

Money Market

Federal funds range-Domestic 8⅛-8¼%
Prime rate (8/12/88) 10.00%
Discount rate FRB of New York (8/9/88) 6.50%

Call loans on securities, to brokers on stock exchange collateral (8/18/88) 9⅛%

Bankers acceptances offering rate, discount (8/29)
30 days: 8.08 60 days: 8.18 90 days: 8.28
120 days: 8.30 150 days: 8.43 180 days: 8.43

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (8/29)
14 days: 7.60 30 days: 7.85 60 days: 8.10
90 days: 8.20 120 days: 8.25 150 days: 8.50
180 days: 8.55 270 days: 8.65 365 days: 8.80

Commercial paper, dealer Aaa, discount (8/29)
30 days: 8.18 60 days: 8.25 90 days: 8.30

Commercial paper, directly placed, discount (8/29)
5-14 days: 7.50-8.20 15-29 days: 7.50-8.20
30-59 days: 7.50-8.20 60-89 days: 7.50-8.20
90-179 days: 7.50-8.20 180-270 days: 7.50-8.20

Treasury-bill rates, secondary market, bid (8/29)
90 days: 7.32 180 days: 7.45 1 year: 7.70

Eurodollar deposits, London bid (8/29)
Overnight: N.A. 7 days: N.A. 1 month: N.A.
3 mos.: N.A. 6 mos.: N.A. 1 year: N.A.

NIBOR: 9.13 **LIBOR:** 9.09

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Aug. 29:	297.1	1988:	301.1	227.7	297.1
Aug. 26:	286.3	1987:	401.7	212.0	234.6
Aug. 25:	284.5	1986:	388.7	331.2	331.3
Aug. 24:	283.3	1985:	344.2	242.7	344.2
Aug. 23:	282.6	1984:	269.6	178.4	246.3

* Based on midday prices.

John Steuri of IBM Will Head Systematics Inc.

By DAVID O. TYSON

NEW YORK — Systematics Inc., a major bank facilities management and software firm, announced on Monday it has reached into the upper ranks of International Business Machines Corp. to select a new president and chief executive officer.

He is John E. Steuri, 49, an assistant group executive of the U.S. marketing and services group at IBM. A number of strategic business units making up IBM information services have reported to him in that position. Among them is applications software, which includes banking systems.

Mr. Steuri, who has been with IBM for 24 years, will assume his new duties Oct. 1, succeeding Walter V. Smiley as chief executive officer and Raymond R. Maturi as president. Mr. Smiley, a founder of the company, will remain in his additional post of chairman. Mr. Maturi will continue in charge of marketing and sales activities as an executive vice presdient.

"Systematics provides a logical, exciting, and complementary extension to my career at IBM," Mr. Steuri said in the announcement.

"I am confident we can and will build successfully on the solid customer base Systematics has established in its 20 years of operation."

Systematics is based in Little Rock, Ark. At its annual meeting there Sept. 22, shareholders will be asked to increase the board of directors to seven members and to name Mr. Steuri as the new member.

In a supplement to the proxy statement, Systematics said that it expects to sign an employment agreement giving Mr. Steuri an annual salary of $300,000, a cash bonus up to 20% depending on revenue and profit growth, options on 400,000 common shares, a $5 million, 10-year decreasing term life insurance policy, disability insurance, and severance pay of a year's salary if he is terminated involuntarily in the next two years.

> 'Systematics provides a logical, exciting, and complementary extension to my career at IBM.'
> — John E. Steuri
> Incoming CEO,
> Systematics Inc.

A native of Kansas, Mr. Steuri was graduated from the University of Kansas in 1961 with a BS degree in business administration. He worked for Southwestern Bell Telephone Co. for three years before joining IBM in 1964 as a sales representative in Topeka.

He moved up through a number of marketing management and executive positions, including vice president of marketing operations, where he directed a field marketing force of 9,000 people responsible for more than $6 billion in annual sales.

In his last post, as head of IBM information services, Mr. Steuri has had management responsibility for units with more than $750 million annual revenues and about 5,800 employees. These activities included a worldwide value-added data network, packaged application software and tools, systems integration and professional services, custom workstations, and complementary products.

Systematics had revenues of $179 million in its fiscal year ended May 31. Of that, $139 million came from data processing services, most of it from its 63 facilities management contracts with financial institutions.

The company writes its own software used on the IBM mainframes in those data centers and licenses the software to banks and thrifts that want to do their processing in-house. Such software sales brought in nearly $20 million in the latest fiscal year. Commissions and royalties on the sale of IBM equipment accounted for more than $20 million. ■

Classified and Legal Notices
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This announcement appears as a matter of record only.

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has been merged into

WARREN FIVE CENTS SAVINGS BANK

The undersigned acted as financial advisor to
Beverly Savings Bank and assisted in the negotiation
of this transaction.

TUCKER ANTHONY

BOSTON NEW YORK

LEGAL ADVERTISING

Auction Notices

IN ACCORDANCE WITH THE PROVISIONS OF LAW, THERE Being Due and Unpaid charges for which the undersigned SOUTH 2nd STORAGE CORP., is entitled to a lien as warehouseman of the goods hereinafter described and stored at 394 South 2nd St., Bklyn, NY 11211 AND DUE NOTICE of such having been given, the owners of said property and all parties known to claim an interest therein, and the time specified in such notices for payment of such having Expired there will be sold at Public Auction at South 2nd Storage Corp., 394 South 2nd St., Borough of Kings, City of New York on Wed, Sept. 14, 1988 at 10:00 o'clock in the forenoon of that day the following property: household goods, personal effects and/or office records deposited by: M. Welch, M. Vantz, J. Pettiford, J&J Doe, Ollie Alfred, Daze Grimes, David Alonzo, William Mayer, Yusi Wig, V. Sturgis, J&J Doe, Gloria Gonzales, Edna Hughes, H. Credle, Tony Hicks, Erica Manfred, Basil Jones, L. Antonio, Netertri Whitney, Jill Parish, M. Baldwin, Sidney Markland, R&S Jefferson, Annette Arias, J. Martinez, Terrance Thompson, C. Walker & B. Vance, L. Harvey, Roland Ramos, L. Maldonado, Leverne William, L. Doudell, Vera Vance, All being stored with the said company in its warehouse located at 394 South 2nd St., Bklyn, NY all to be more specifically announced and described at the time of said sale. Should it be impossible to dispose of all these goods on Wed., Sept 14, 1988, the sale will be continued on every other Wed. Fred Reisner Inc, Auct'r Lic #732421 &/Or Lewis Feldman, Auct'r Lic #841375 &/Or J. Reisner, Auct'r Lic #778753, As Agents.

S. SPERBER DCA LICENSE # 769437 Sells September 14, 1988 9:30 AM 105-10 Northern Blvd Corona, NY 11368 1968 Ford 2 Dr Sdn Subn U15PLF31797 Re: Michael Smith; 10:30 AM 37-27 21st Street Long Is City, NY 11101 1978 Chevrolet 2 Dr Sdn 1W27M8B479349 Re: Gordon Johnson; 11:00 AM 41-21 39th Street Long Isl City, NY 11104 1983 Buick 4 Dr Sdn 1G4AN6940DX428819 Re: Charlies Auto Sales; 11:30 AM 67-02 Queens Blvd Woodside, NY 11377 1984 Chevrolet 4 Dr Sdn 1G1AC69P9E7178172 Re: Joon Ki Kim; 12:00 PM 69-40 51st Avenue Woodside, NY 11377 1982 Honda 2 Dr Sdn JHMSN3229CC037088 Re: Virginia Trockel. I. BELENSON & CO. INC. August 30, 1988 & September 7, 1988.

R.A. Felder Lic #793917 auct'r sells 9/8/88 10 AM at 14-37 Broadway Qns. '82 Olds 2G3AR69A8C2382175 Re: G. Mirando; 10:30 AM Rte 20 Nassau '83 Chevy 1G1AJ68C3DY129272 Re: D. McGuirk; 11:30 AM 50 Fillmore Ave Tonawanda '65 Revel Craft Hull ID #945566054 Re: G. Koblich; 12 PM 4560 Expwy Drive South LI '78 Toyota KE30342770 Re: M. Ng; 12:30 PM 38 South MacQuesten Pkway Mt. Vernon '84 Mazda JM1FB3317E0824627 Re: A. Devello; 1 PM 165 Saw Mill River Rd. Yonkers '86 Chevy 1Y1SK1947GZ228920 Re: L. Hays, '87 Dodge 2B4FK4136HF375314 Re: M. McFadden, '79 BMW 5334381 Re: S. Lowinski. Published 8/23 & 8/30/88.

Steven Ross Auctr Lic #823718 sells 9/12/88 9 AM at 76-19 21st Ave, Qns., '81 Buick #1G4AB6956BT131477 Re: Franklin Elec. Corp.; 9:30 AM at 72-30 Qns Blvd, Qns., '83 Dodge #2B76B13H4DK341809 Re: Warner Mtrs.; 10 AM at 60-07 39th Ave, Qns., '86 Dodge #1B3BX48KXGN183312 Re: J. Silva & Chrys Cred.; 10:30 AM at 127-48 No. Blvd, Qns., '72 GMC #TCE63WV5533472 Re: Corona Oil & Ice; 11 AM at 37-31 48th St, Qns., '65 Jag #4F5596 Re: J. Doe, '84 Linc #1LNBP96F4EY668960 Re: G. Mandrea; 11:30 AM at 49-07 108th St, Qns., '77 Olds #3Z57K7M731681 Re: S. Pelarigo, '84 Chev #1G1AY0780E5103687 Re: Prud. Ins., '85 Toyota #JT2RA65L0F0011530 Re: J. Santos; 12 PM at 189-16 Hillside Ave, Qns., '79 Plym #ML44A9D271791 Re: E. Silver; 1 PM at 222-02 Jam Ave., Qns., '87 Yamaha #JYA2LH006HA000679 Re: A. Willis & Anchor Savgs; 2 PM at 58-01 Qns Blvd, Qns., '79 Pont #2D19Y9P501498 Re: J. Delacruz; 3 PM at 829 11th Ave, NYC., '75 Jag #UF2G50193BW Re: B. Brophy, '59 Bentley #B76EG Re: J. Doe. Publsihed 8/30 & 9/6/88.

What's
REQUIRED READING?

Significant papers and speeches by experts in the financial services industry are printed in American Banker's REQUIRED READING column because you won't want to miss what they have to say.

White Knight Drops Its Bid for Irving

Italian Bank Balks at Requirements Set by Federal Reserve

▸ Continued from Page 1

European officials did not at first comprehend the conditions being imposed by the Fed or the restrictions on bank holding companies in this country.

The Fed, which had not previously applied the law to a bank controlled by a foreign government, set a series of requirements for temporarily exempting IRI from the holding company act's ban against ownership of both banks and commercial and industrial companies by the same parent firm.

The most serious condition the Fed outlined was about capital adequacy. The central bank said it would require Irving to raise and maintain its capital position "to a level that is at least as strong as the average for domestic banking organizations of comparable size."

Because Irving and most other money center banks on average have lower capital levels than other banks, the provision was likely to be a costly one for IRI and Banca Commerciale. Banking analysts and other observers guessed that this would add $400 million to $450 million in addition to the estimated $750 million cost of the deal.

The next developments in the long-running Bank of New York-Irving saga had not been scheduled until next week. On Sept. 9, a state appeals court is set to hear arguments about parts of Irving's "poison pill" shareholder rights purchase plan that a lower court has invalidated.

Approval to Expire Sept. 7

Meanwhile, Bank of New York's own approval from the Fed, which has been extended twice during the protracted struggle, is scheduled to expire Sept. 7. It has applied for a 90-day extension, and chances for obtaining it were probably enhanced by BCI's departure on Monday.

"I can't believe Irving has any defense from Bank of New York now," said Lawrence Cohn, a bank analyst at Drexel Burnham Lambert Inc.

But Mr. Cohn, like other analysts, said he is hesitant to predict that the 11-month-old takeover battle is over. "I think it's over, but it comes down to whether Irving management is willing to come to terms with Bank of New York."

James J. McDermott, chief analyst for Keefe, Bruyette & Woods Inc., the New York firm specializing in bank stocks, said, "One would hope that Irving has the sense to try to work out a deal with Bank of New York."

Bank of New York is currently offering 1.575 shares of its stock and $15 cash for Irving, or the equivalent of $71.70 per Irving share at Friday's closing prices. Bank of New York's stock closed Friday at $36, and Irving's ended at $67.25 on the New York Stock Exchange.

In a statement Monday, from its headquarters in Milan, BCI said that "as a matter of Italian law, IRI is a government instrumentality and not a company, and therefore it would be inappropriate for it to file with the Federal Reserve."

"BCI regrets that Irving and its shareholders will not be able to participate in what both banks considered to be a mutually beneficial transaction to create a strong and soundly financed competitor within the international banking environment of the 1990s and beyond."

In its letter on Aug. 19, the Fed said it would be willing to grant IRI an exemption for three years from the Bank Holding Company Act restrictions against mixing banking and commerce. In the meanwhile, it said, Congress would have the opportunity to review the case.

Considerations for Exemption

Besides the capital requirements, the Fed set several other conditions on granting an exemption to IRI. They were:

- No extension of credit by Irving or its subsidiaries to any subsidiary of IRI, except in the normal course of correspondent relationships.
- No interlocking relationships of officers, directors, or employees of any IRI subsidiary, except BCI.
- No cross-marketing by Irving of any products or services offered by IRI subsidiaries that would violate the holding company act. No marketing of Irving services by nonbanking subsidiaries of IRI.
- Continued Fed membership of Irving and continued compliance with the restrictions on securities activities under the Glass-Steagall Act. ■

FDIC May Revoke California Bank's Insurance

By ROBERT LUKE
West Coast Bureau

LOS ANGELES — The Federal Deposit Insurance Corp. will conduct a hearing in early October to determine whether it should revoke the troubled Merchant Bank of California's deposit insurance.

The disclosure was made by the bank last Friday.

The Beverly Hills-based Merchant Bank, with assets of about $70 million, said it plans to defend itself vigorously.

Last September, the FDIC ordered the bank to raise at least $3 million in new capital by January 1988.

So far, it has been unable to do so. It has also had no success in finding an acquirer that has "sufficient strength so that the capital structure of the combined entity would be satisfactory to the FDIC," the bank said.

The Bank of Beverly Hills last September agreed in principle to acquire Merchant Bank in an exchange of stock. But in February of this year, the Bank of Beverly Hills terminated the discussions.

> Last September, Merchant Bank was ordered to raise at least $3 million in new capital.

No reasons were given at the time.

Merchant Bank currently has $1.8 million in equity capital and $2.4 million in primary capital, said Lawrence A. Cox Jr., chairman.

The bank on Friday reported profits of $203,601 during the six months ended June 30. The results included a nonrecurring gain of $158,871 from the sale of its partly owned Media Funding Corp. subsidiary, which makes loans to borrowers in the entertainment industry. The bank earned $11,751 during the comparable period a year earlier.

The bank's principal stockholder is the FKW Trust, which was established by several partners in the law firm of Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey. The law firm, which at one time was one of the nation's largest, is currently in Chapter 11 bankruptcy proceedings. ■

Survey . . .

▸ Continued from Back Page

ive of the corporate restructuring trend; it's been an important new business for them," he said. "But LBO loans have not been tested by a recession — that's when we'll find out how good those loans are, and how far the notion of 'service' extends. Are bankers going to refinance, or will they throw those LBOs into bankruptcy? The answer is going to define service in a new way."

Next: Corporations have helped their banks market direct payroll deposit to employees, while other electronic funds transfer services offered by banks continue to struggle.

Duff & Phelps Inc.

CERTIFICATES OF DEPOSIT

Short Term Ratings

Banco de Ponce (Puerto Rico)	Duff 1	First Pennsylvania Bank N.A.	Duff 1-
Banco Popular de Puerto Rico	Duff 1+	Franklin Savings Association	Duff 2
Banco Santander-Puerto Rico	Duff 1	Frost Nat'l. Bank of San Antonio	Duff 2
Bank of America Nat'l. Tr. & Svgs. Assn.	Duff 2	Glendale Federal Savings & Loan Assn.	Duff 2
Bank of Hawaii	Duff 1+	Manufacturers & Traders Trust Co.	Duff 1
Bankers Trust Co.	Duff 1+	Manufacturers National Bank of Detroit	Duff 1
Boulevard Bank N.A.	Duff 1	Mellon Bank, N.A.	Duff 1-
Chase Manhattan Bank (N.A.)	Duff 1	Morgan Guaranty Trust Co. of N.Y.	Duff 1+
Chemical Bank	Duff 1+	San Francisco Federal Savings & Loan Assn.	Duff 2
Citibank, N.A.	Duff 1+	Security Pacific National Bank	Duff 1+
Citizens & Southern Nat'l. Bank	Duff 1+	Southeast Bank, N.A.	Duff 1
Continental Ill. Nat'l. Bank	Duff 1-	Union Federal Savings & Loan Assn.	Duff 1-
First Bank N.A. (Minnesota)	Duff 1	U.S. National Bank of Oregon	Duff 1+
First Interstate Bank of California	Duff 1+	Wachovia Bank & Trust Co., N.A.	Duff 1+
First National Bank of Boston	Duff 1+	Wells Fargo Bank, N.A.	Duff 1+
First National Bank of Chicago	Duff 1	Western Federal Savings Bank (Puerto Rico)	Duff 2

Long Term Ratings

Banco Santander-Puerto Rico: Subordinated Debt	D&P-6 (Middle Single A)
Franklin Savings Association	D&P-9 (Middle Triple B)
Manufacturers & Traders Trust Company	D&P-6 (Middle Single A)
Union Federal Savings & Loan Association	D&P-8 (High Triple B)

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For more information, contact: Tom Schroeder, VP
Duff & Phelps Inc., 55 E. Monroe, Chicago, IL 60603
Phone: (312) 368-3192

AN AMERICAN BANKER SURVEY

Service Counts Most with Corporate Clients

▶ Continued from Page 1

ence for banks that emphasize service rather than price. "Experience shows that if we shopped for cheaper prices we might not get the whole package," said the treasurer of an Ohio-based public utility.

Another borrower, John Slater, executive vice president for Buschman Co., Cincinnati, said that price savings generally do not amount to much.

"The rates aren't that much different [from bank to bank]," he said. "A quarter point is not that big if it means a quality relationship. It's more important for you to feel at ease, to feel comfortable."

Bankers Say Price Is an Issue

But bankers and analysts believe that price remains a persuasive issue to borrowers.

"There's a lot of mixed signals the borrower is giving to bankers," said Christopher L. Snyder, president of Loan Pricing Corp., New York. "When times are good, they push for the lowest possible prices. But when credit gets tight, they want the bank to stand by them. They're like the atheist in a foxhole — suddenly, they find religion."

The desire for that kind of reliance and responsiveness emerged as a major theme of the study. "If we need something, they have to be right there," said one New Jersey-based manufacturer.

"I hear that all the time," said Robert D. Spencer, executive vice president in charge of middle-market lending at Philadelphia National Bank. "The tempo of business today is such that they don't want to wait. In the '50s and '60s, you said, 'Our committee meets next week and you'll hear from us a couple days after that.' Now I'm amazed at how fast things have to go; it's reached a fever pitch."

A problem can arise for bankers, said William Edison, president of Union Bank & Trust Co., Manhattan, Kan., if the borrower's definition of service is unreasonable.

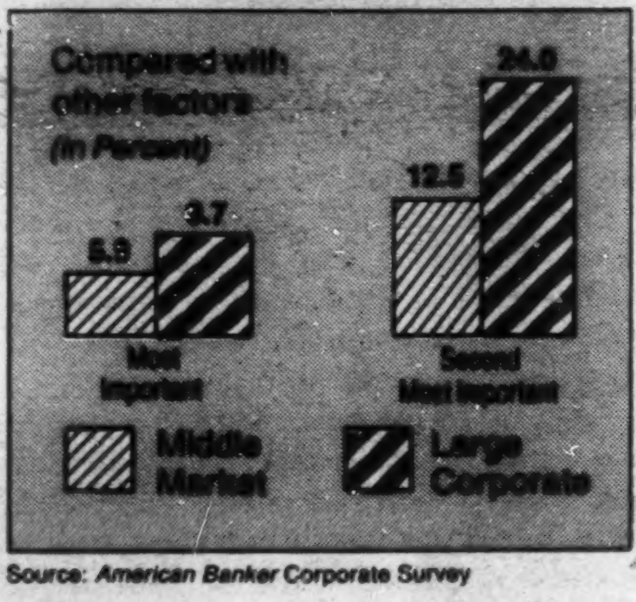
"They want to pick up the phone and hear, 'Yes,'" he said. "To me, that's not good service."

Mr. Edison will head a commercial lending panel this fall for Robert Morris Associates, Philadelphia, the national association of bank loan and credit officers. He told the story of a Japanese bank that was making a $10 million loan to a company in his region.

"They sent in two loan analysts for 90 days," Mr. Edison said. "The joke in the company got to be, 'If you want to know our business, call the bank.' Now that's the definition of good service. If a company says, 'How come I don't have a free pen here?' I guess they don't want the $10 million that bad. Because great service means knowing the company's business."

Survey respondents, however, placed little importance on a bank knowing their business (5.3%). Many firms, Mr. Snyder said, take the attitude that a bank need only know its own business well, not that of its borrowers.

Pricing's Lack of Importance in a Banking Relationship



Source: *American Banker* Corporate Survey

"They want a bank that's good at basic banking," Mr. Snyder said. "They want good accounting, good bookkeeping, and accurate correction of mistakes when they occur."

Beyond that, he said, "they want good communication, a justification for pricing, and — especially in the middle market — they expect the bank to stick with them through thick times and thin."

Banks Must Know Clients

In Mr. Edison's view, a bank can provide that kind of service only if it knows the company well.

"The customer is always going to think they're doing great, that everything's fine," he said. "They expect the banker to see this mystically.

"So when they talk about poor service, they usually mean that you're unreasonably cautious, that you couldn't respond to something they personally requested. But if you can't give them an answer, it's because you don't know them well enough."

Among the few respondents who agreed with that premise, the controller for a Chicago-based export firm said: "We deal with big banks and big dollars; we have large transactions. But we feel safe because the banks know our business."

Mr. Spencer agreed. "I always hear treasurers say, 'That bank never bothered to learn our business.' But I suspect that sometimes the story is you know their business until you turn them down. Then you don't know their business."

If bankers do not know a customer well, Mr. Snyder said, it may be because they spend less time on analysis than on selling.

"The problem banks have had is that their basic business is pretty boring," he said. "So with deregulation, you've got all these corporate lenders looking to investment banking as something more exciting. Meanwhile they're losing track of the nuts and bolts while they learn these new skills."

Mr. Slater said he finds that bank service has slipped a bit. At Buschman, a heavy manufacturer, he finds "they're charging more for the service, but I don't see any improvement. If anything, they're becoming more impersonal."

But as a former banker himself, Mr. Slater said he could sympathize with the lender's plight. "Their customers are a lot less loyal. You've got situations where the bank has stuck with a company through a lot of problems and then the company takes a walk. It's totally uncalled for."

The salience of service showed itself in other areas of the survey as well:

- Service was important to companies regardless of their size; 31% of large companies cited quality of service as most important, compared with 27.3% of middle-market firms.
- An overwhelming majority of respondents said the best way for bankers to attract their business was through some form of service: personal contact, 43.1%; better service or rates, 21.1%; and more innovative ideas, products, or services, 13.1%.

Large companies were particularly interested in innovations, as 19.7% said it would be a good business lure, compared with only 6.3% for middle-market companies.

Easy Credit Not an Attraction

Few companies found easy credit to be a strong attraction. In fact, companies were more likely to say they had no interest in another bank, 6.3%, than to be lured by easy credit, 1.9%.

- Of the companies that changed lead banks in the past two years, most cited poor service as their rationale. Middle-market companies were particularly sensitive in this area — a third cited poor service in general as their reason for changing, and another 33% said the bank was not responsive to the company's needs. The most frequent reason cited by large companies was that credit was limited or refused (29.4%).
- When asked what would threaten an existing relationship, companies again cited poor service. Nearly 29% of those surveyed said poor service would prompt them to change lead banks, while another 15.5% said they would switch if the bank were not responsive to their needs.

Large companies showed a greater sensitivity to fees, with 14.7% saying high fees would cause friction as opposed to 7.6% of the middle-market companies. Middle-market companies felt more strongly about low interest rates on their deposits; 17.3% said low rates would threaten their relationship, while only 7.4% of the large firms considered rates to be a factor.

To the banking industry's credit, more than 14% of the respondents said nothing would threaten their lead relationship.

One eventuality that could threaten a relationship, however, is a recession. Mr. Snyder predicted that an economic downturn will test a bank's commitment to its customers — particularly those for which it financed leveraged buyouts.

"Bankers have been pretty support-

Please see SURVEY: Page 47 ▶

How the Survey Was Conducted

The first *American Banker* Corporate America Survey is based on telephone interviews with executives of 413 randomly selected companies, none of which are financial services firms.

Trans Data Corp., a research affiliate of the *American Banker*, developed the survey questionnaire in collaboration with the newspaper's editors and reporters. Trans Data, Salisbury, Md., conducted the interviews, tabulated the responses, and assisted in the preliminary analysis for the survey.

The interviews were conducted in March and April with executives responsible for choosing the financial services and institutions their companies use.

The survey was divided into two groups: a middle-market sample of 205 companies with revenues between $10 million and $250 million, and a large-corporation sample of 208 companies with annual revenues of $250 million or more. Within those two groups, companies were randomly selected from a universe of 80,531 middle-market companies and 3,010 large corporations.

The sample has a margin of error of plus or minus five percentage points with a 90% confidence level. That means if 60% of the companies give a response, there is a 90% probability that the actual percentage is between 55% and 65%. This margin of error applies to the total sample. Subgroups with smaller sample sizes have greater margins of error.

California Banker Charged in Check Kiting Plan

By **ROBERT LUKE**
West Coast Bureau

LOS ANGELES — Banker Richard T. Quigley apparently went to great lengths to keep a customer at First Valley Bank in Lompoc, Calif.

So much so that federal prosecutors say that in 1983 he helped engineer a check kiting scheme that nearly cost the bank about $3.25 million. Mr. Quigley was president of the bank.

Last week a federal grand jury here indicted him on one count of conspiracy to misapply bank funds, seven counts of misapplication of bank funds, and eight counts of making false entries in bank books and records.

Federal prosecutors claim Mr. Quigley advanced money to Pea Soup Anderson's Inc., a restaurant-motel chain, knowing that checks deposited into the firm's accounts at the bank were backed by insufficient funds.

Prosecutors also allege that the 57-year-old Mr. Quigley falsified bank records to conceal the kiting.

Also indicted as accomplices on all 16 counts are: Timothy J. O'Healy, 41, of Moraga, Calif., former president of Anderson's; and Glen P. Grant, 35, of Solvang, Calif., former treasurer of the company. Both were alleged to have deposited the checks in the company's accounts to conceal that they were overdrawn.

"Quigley was trying to keep what he perceived to be a good customer," said David C. Scheper, assistant U.S. attorney in Los Angeles. "He didn't pocket any of the money [personally]."

Neither did Mr. O'Healy nor Mr. Grant, Mr. Scheper said.

"They were keeping the [company] going and keeping their salaries and what not," he said.

The indictments were handed up days before the statute of limitations expired. "It took five years to accumulate the evidence," said Mr. Scheper. "Thousands of documents had to be reviewed and analyzed; and hundreds of witnesses had to be interviewed."

None of the defendants could be reached for comment. If convicted on all counts, each faces a maximum of 80 years in prison and an $80,000 fine.

First Valley, with assets of more than $60 million and capital of about $6.4 million, remains profitable. It operates in an area north of Santa Barbara.

Dean Minor, president and chief executive officer, said First Valley has charged off some of the money involved in the alleged scheme. But he declined to specify the amount.

Pea Soup Anderson's Inc., under new management, operates three restaurant-motels in California.

Mr. Minor said Anderson's no longer is a First Valley customer. ■

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Today

Rural bankers say the drought of 1988 will damage the financial condition of farm borrowers in the third quarter, but a Fed economist in Minneapolis believes the bankers are overly pessimistic. — 2

Wells Fargo & Co. will lead the bank portion of the $963 million takeover financing of Insilco Corp., a diversified manufacturer, by two Texas oilmen. 2

First National Bank of Wilmington set up a two-tier rate to bypass the legal restrictions on exporting noninterest fees to out-of-state card users. — 2

A coalition of about 30 money center and regional banks has been formed to counterbalance the ABA's opposition to the new-powers bill. — 3

Banking at the workplace through on-site ATMs and mobile banks is a concept endorsed by about one-third of the nation's corporations, according to executives in the Corporate America Speaks survey. — 14

United States Trust Company of New York is the first bank to go into full production with a trust system it developed at a cost of $60 million, starting five years ago. — 20

Hawkeye Bancorp. said it has agreed to pay $2.08 million to settle a fraud suit against the company and its current president, Paul D. Dunlap, that arose from the 1979 sale of a southeastern Iowa bank. — 23

A former Secret Service agent who also served as Philadelphia's police commissioner, Kevin M. Tucker has joined the executive ranks of Provident National Bank in that city. — 24

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First Tennessee National Corp. is one of the first institutions to announce a widely available alternative to the return-item services that the Fed banks will be offering under Reg CC. — 10

Producers of training materials and other vendors are introducing a wide variety of products and services to help banks cope with Reg CC. — 13

Worth Repeating

The Fed did not understand that they were dealing with a government entity, not a company.

A lawyer close to the Irving takeover bid commenting on the Fed's classification of BCI's parent as a holding company. [Page 1]

Did Fed Misread How Milan Bank Would React?

By BART FRAUST

NEWS ANALYSIS

NEW YORK — In deciding to treat Banca Commerciale Italiana's parent as a bank holding company under U.S. law, the Federal Reserve Board was not trying to kill the friendly bidder's deal to buy Irving Bank Corp., according to sources familiar with the Fed's deliberations on Irving.

Rather, the Fed was attempting to chart a middle course in the takeover battle.

But the Fed may have underestimated the importance of the sovereignty issue to Irving's Italian bidder.

"The Fed did not understand that they were dealing with a government entity, not a company," said one lawyer close to the takeover.

Banca Commerciale Italiana this week dropped its friendly bid to acquire 51% of Irving. The Milan bank said the Fed killed the deal by imposing requirements on Istituto per la Ricostruzione Industriale, or IRI, the Italian-government-owned conglomerate that controls Banca Commerciale.

In an interview Tuesday, Fed general counsel Michael Bradfield said he thought the Fed had dealt with the sovereignty issue. "We weren't limiting their overseas activities or even their activities in the U.S.," he said.

Mr. Bradfield said the Fed had offered to meet with representatives of the conglomerate last Thursday, but the Fed received no response from the Italians.

According to one source close to the Italian bank, Banca Commerciale representatives in the U.S. had offered to

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Industry Struggles to Meet Deadline for Check Rules

By YVETTE D. KANTROW

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NEW YORK — Thursday is "CC Day" for banks and other financial institutions across the country. The Federal Reserve Board's Regulation CC takes effect, limiting the time that banks can hold checks before making the funds available to depositors.

Reg CC — the legal instrument for enforcing the Expedited Funds Availability Act of 1987 — is the most difficult and confusing piece of regulation to hit banking in years, most people in the industry agree.

But how well and to what extent financial institutions will be able to comply with the enormously detailed, 700-page regulation is a matter of contention. This seems only appropriate for a body of rules that has been hotly debated in recent months.

Bankers have been complaining about its costs and warning that consumers — the purported beneficiaries of the law — will end up paying for it in higher fees.

"I think the word is out now," Stephen Ledford, director of technical research for the Bank Administration Institute in Rolling Meadows, Ill., said of the massive effort by the Fed and trade associations to educate bankers in the fine points of Reg CC.

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AN AMERICAN BANKER SURVEY

52% of Firms Use Direct Deposit

By JEFFREY KUTLER
Fifth in a Series

A majority of the nation's largest companies offer to deposit employees' pay automatically into individual workers' bank accounts. And almost half of the employees who have the direct deposit service available take advantage of it.

Corporate America Speaks

These findings, from the *American Banker*'s first Corporate America Survey, suggest that direct deposit has overcome obstacles against which other electronic funds transfer services continue to struggle.

The payroll deposit service has entered the mainstream of bank-corporate relationships, though it is not as central to those relationships as more traditional aspects of commercial banking. In many companies, direct deposit has been accepted by the majority of workers. Such companies may go to great lengths to convince those who resist direct deposit to join the fold.

The survey was conducted in March and April by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper. It is based on interviews of executives at 413 randomly selected companies nationwide, none in the financial services industry. These executives are responsible for choosing the fi-

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FROM THE REGIONS

THE MIDWEST

Rural Bankers Expect Lag in Farm Income

By RICHARD RINGER
Midwest Bureau

CHICAGO — Rural bankers expect the financial condition of their farm borrowers to decline in the third quarter, but an economist at the Federal Reserve Bank of Minneapolis believes the bankers are overly pessimistic.

The bankers' gloomy forecast is based on the effects of this summer's drought, the worst in decades. Responding to a regularly conducted survey, the bankers said the strong financial gains made by farm borrowers in the second quarter will not continue in the current quarter.

The midyear survey of rural bankers in the Minneapolis Fed's district, which includes all or part of six upper midwestern states, shows that about half the bankers expect net farm income and farm spending to lag behind year-ago levels in the third quarter.

Bankers expect the drought to restrain farm profits because of a sharp decline in crop yields, higher expenses, and lower government deficiency payments. In the past, government deficiency payments provided farmers with additional funds for crops when their market price was below a set target.

A report on the survey states: "The expected decline in farm income, surveyed bankers say, will likely weaken farmers' financial conditions generally in the third quarter. In this survey, much larger percentages of bankers than last quarter expect farm spending to decline, the pace of farm debt repayment to slow, and the demand for farm debt refinancing to increase in the next three months."

The Minneapolis Fed conducted the survey, to which 183 rural bankers responded, at the end of the second

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Farm Loans Shift to Nonagricultural Banks

Comparison of agricultural and nonagricultural banks, with asset breakdown

	Number of Banks		Market Share[1]			Agricultural Concentration[2]
	1978	1987	1978	1983	1987	1987
Agricultural banks	5,445	4,491	65.3%	67.4%	60.2%	35.2%
Under $25 million	3,190	2,325	20.2	18.1	16.1	43.7
Over $25 million	2,255	2,166	45.2	49.2	44.1	32.9
Nonagricultural banks	8,904	9,047	34.7	32.6	39.8	1.4
Under $25 million	2,268	2,090	2.0	1.7	1.5	3.4
$25 million-$250 million	5,809	5,941	18.4	15.9	17.2	2.6
$250 million-$1 billion	618	687	5.7	5.1	6.0	1.3
Over $1 billion	209	329	8.6	10.0	15.1	0.9

[1] Share of bank held farm debt, in percent.

[2] Ratio of farm loans to total loans, in percent.

Source: June 1988 Economic Review, Kansas City Federal Reserve Bank.

Delaware Bank Finds Way to 'Export' Card Fees

By A. JOSEPH NEWMAN JR.

PHILADELPHIA — A modest-size player in the bank card business may have found a way around the legal barriers to "exporting" noninterest fees on cards beyond its home state.

Credit Cards

The right of national banks to charge home-state interest rates on credit cards held by users in other states was upheld by the Supreme Court in 1978. The decision, however, does not address noninterest charges for late payment, bad checks, or exceeding credit limits.

Bankers contend that such charges are an integral part of a card's interest rate. Several states have filed suits claiming that these charges violate consumer protection laws.

To settle a suit brought by the State of Iowa, First National Bank of Wilmington, Del., agreed in April to drop the fees that were in dispute — without admitting wrongdoing or making refunds. The bank is owned by Commercial Credit Co., New York.

Since the settlement, the Delaware bank has instituted two rates, one for creditworthy customers, another much higher rate for poor credit risks. The bank's Tier 1 credit card customers, in good standing, are charged prime plus 7.4 percentage points, with no annual fee.

Tier 2 interest rate is an additional 7.2 percentage points above the Tier 1 rate. Customers are subject to this higher rate if one of three interest rate adjustment events tarnishes their account history: an account past due more than 40 days, an account over the limit by more than 3% that is not paid within 15 days of request, or an account over the limit by any amount that is past due more than 30 days.

Such accounts are also closed. The bank retains sole discretion about reopening an account at the customer's request.

Plate charges and over-limit charges have been abolished. The bad-check charge of $25 has been reduced to $15, but it is waived or lowered to conform with various state laws.

Mary McDermott, commercial credit spokeswoman at the First National Bank of Wilmington, said the bank continues to believe that less creditworthy customers should pay higher rates because they are more costly to the bank.

She described the two-tier interest rate as "a new procedure, but not a new policy."

Richard Cleland, head of Iowa's Consumer Protection Division in Des Moines, said he is "not crazy about the two-tier

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Wells to Lead Bank Financing Of Insilco Deal

By JED HOROWITZ

NEW YORK — Wells Fargo & Co. will lead the bank portion of the $963 million takeover financing of Insilco Corp. by Texas oilmen Cyril Wagner Jr. and Jack E. Brown, sources said.

The deal includes an $812.8 million tender offer and a refinancing of about $150 million of Insilco's $245 million of outstanding debt. It replaces an earlier takeover agreement that was to have been financed in part by a $530 million loan commitment from Chemical Bank.

"We will be using bank debt, but it will be less than Chemical's [commitment]," said Douglas Squires, a managing director at Merrill Lynch & Co., which is advising the Texas oilmen and investing in the deal.

Mr. Squires did not provide details, noting that INR Holdings Inc., the shell company set up to make the acquisition, is filing its offer today for the Meriden, Conn., company. But he said the buyout group does not want to accumulate and amortize much senior bank debt.

"We want to buy this collection of businesses and grow them rather than be forced to sell them to pay back bank debt," he said.

Mr. Wagner and Mr. Brown are apparently taking pains to reverse their reputation as canny raiders who profit but rarely complete a deal — thereby drawing the enmity of target companies forced to restructure in the process of defending themselves.

Insilco, whose widespread businesses include Red Devil paints, Rolodex desktop filers, and Taylor Publishing Co., last week accepted their offer of $31.75 a share. It supersedes a leveraged buyout bid led by First Boston Corp. and Insilco management at $29 a share, or $724 million.

Chemical received about $5.4 million in breakup fees when the earlier deal fizzled, said James Lee, who runs the bank's loan syndication department. The bank was brought into the deal by First Boston, according to an Insilco executive, who asked for anonymity.

Early Allies of Boone Pickens

Wells has historically been principal banker for Mr. Wagner and Mr. Brown, according to a Wall Street source. The Texans, who have large oil and gas holdings and real estate investments, were early investors in several of T. Boone Pickens' deals.

A Wells Fargo spokeswoman would not comment on the bank's role. A bank source confirmed, however, that Wells expects to lead the loan package, which will include a revolving credit and a term loan.

Wells Fargo does not sell its loans on the secondary market, but does syndicate them among other lenders. Market sources said they expect to be offered a piece of the Insilco deal.

Merill Lynch and Wagner Brown have committed to provide the $812.8 million necessary to complete the merger, but expect to have the bank financing in place before they begin buying the shares, Mr. Squires said.

The package will include a $780 million bridge loan that will be refinanced in part with junk bonds, according to *Investment Dealers' Digest*, a weekly trade publication. It said the takeover group hopes to lower Insilco's debt service and attract investors by including $150 million of equity warrants in the junk offering. ■

FINANCIAL TECHNOLOGY UPDATE

First Interstate Bank, of Denver, Colorado, recently installed NCR's 5088 Slimline ATMs. According to Patrick Ruckh, of First Interstate, the security of the NCR Slimline was a major factor in their decision to go with NCR. Since financial and service personnel work *inside* the Slimline's unique housing, they're physically safe, secure and dry. So are the media, electronics, and equipment.

Gem Savings, the fourth largest S & L in Ohio, just installed new NCR 5068 Financial Workstations. More than just PC's, these terminals communicate, process transactions, and fully automate the teller and platform. The move is made as part of Gem's on-going commitment to customer service.

Louis F. Bein, president of The Berthoud National Bank of Berthoud, Colorado, explains how NCR's Banker 80-II account processing system has affected the bank's business. "Detailed customer information is promptly available, making our contact with customers expeditious and efficient." In addition, Banker 80-II has made it possible to provide more customer services. The Customer Profitability and Loan Pricing module will now enable us to analyze profit segments of our business.

Farmers State Bank, of Circleville, Kansas, chose the NCR 7720-3000 On-line Counter-Top Item Processing System as a unique, cost-effective solution to reduce check-processing expenses. The 7720 Intelligent Workstation has enabled Farmers State to reduce correspondent bank charges, and cut labor expenses by minimizing the number of times an item need be handled. The PC based System proves, encodes, endorses, lists, sorts, and captures check data, and communicates to and from a host computer via industry standard protocols.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

COMMENTARY

Treasury 'Accounting' Could Resolve FSLIC Problem

By STAN SILVERBERG

MOST analysts who are familiar with saving and loan associations are convinced that the cost of closing or merging insolvent S&Ls is way beyond the resources that will be available to the Federal Savings and Loan Insurance Corp., assuming no new revenue sources.

Cost estimates keep rising as reported S&L losses and the net worth deficiency of insolvent S&Ls increase. The latter have reported losses of about $18 billion during the five quarters that ended March 31, 1988.

If insolvent S&Ls could be closed or merged in the next year or two, the cost, under the most favorable circumstances would be at least $50 billion and informed analysts recently placed estimates in the $60 billion to $75 billion range. The passage of time will increase the cost of disposing of insolvent S&Ls.

The FSLIC has attempted to conserve its available cash by offering its IOUs (FSLIC notes) to institutions acquiring insolvent S&Ls and by entering into long-term assistance agreements with little cash up front. Those who have accepted FSLIC notes presumably assume that the FSLIC will be bailed out or that the Treasury or the FSLIC's successor will honor the notes.

The FSLIC has also tried to reduce costs by entering into "thin deals" whereby other S&Ls or investors acquire insolvent institutions. Some of these transactions are with marginal S&Ls that might not otherwise survive.

They are willing to take a limited amount of assistance as long as it counts for regulatory capital and assures their survival for several years. In some transactions, forebearances on capital requirements and growth restraints allow institutions or investors to operate with enormous leverage so that the potential for large gains outweigh the risk of loss on a small capital base (most of the risk is assumed by the FSLIC).

Possibility of Future Problems

These arrangements increase the probability that the deal will come back as a future problem with future costs. They also impose a burden on competing institutions that have to meet regulatory standards and promise to make life more difficult for whomever supervises S&Ls in the future.

The FSLIC can also delay dealing with insolvent S&Ls. However, delay is very expensive.

The real (as opposed to reported) net worth deficiency in insolvent S&Ls has to be financed, and the cost of funds and operating expenses in these institutions is very high. Together, they probably amount to at least 11% of liabilities so that financing a $60 billion "hole" costs more than $6 billion annually.

In addition, there is apt to be further asset deterioration resulting from inappropriate incentives for managers of insolvent institutions, problems related to attracting or maintaining quality management, and a deteriorating franchise. While these factors cannot be easily quantified, there is good reason to believe that they will raise future costs considerably.

Keeping insolvent institutions alive keeps the cost of funds high for solvent S&Ls and exposes them to other competition that further reduces margins.

In addition, it makes it difficult for the Federal Home Loan Bank System to pursue the tough, even-handed supervisory policy that is needed and to implement necessary changes in the insurance-supervisory system. Thus, there is a very strong case for closing or merging insolvent S&Ls as quickly as possible.

Money Appears to be the Problem

The problem appears to be money. The FSLIC is substantially insolvent. S&Ls are already paying an extremely high assessment premium on their deposits.

Getting additional funds from solvent S&Ls will be extremely difficult and probably self-defeating since it would risk pushing more institutions into insolvency. If Congress chooses to tap some or even all of the Federal Deposit Insurance Corp.'s net worth, that would not provide sufficient resources since most of the FSLIC's "hole" would remain.

> 'Getting additional funds from solvent S&Ls will be extremely difficult and probably self-defeating since it would risk pushing more institutions into insolvency.'
>
> — Stan Silverberg

A large share of the cost of resolving the S&L problem will necessarily have to come from general Treasury funds, and if the problem is to be resolved quickly, most of the funding will have to come from the Treasury (Congress could elect to recapture some of this outlay through future insurance assessments).

A case can be made that government policy — which contributed to wide swings in interest rates, opposed variable rate mortgages, and permitted lax supervision of S&Ls — is far more responsible for today's savings and loan problems than the solvent component of the S&L industry.

A Treasury "outlay" of, say, $50 billion over the next few years might be hard for Congress to swallow. However, as suggested, delay will raise the present value cost in addition to imposing indirect costs on the system.

While we would not want to minimize the importance of what would appear to be so large a budget outlay, it is easy to exaggerate its financial and economic significance. The FSLIC is substantially insolvent. The Competitive Equality in Banking Act of 1987 specifically placed the Treasury behind the FSLIC as a guarantor of FSLIC-insured deposits.

Thus, the Treasury is already on the line to pay the cost, even though, technically, the obligation is not currently acknowledged as Treasury debt. The expectation that the Treasury will eventually have to pay is very likely already built into prevailing Treasury yields. When the funds are obligated and "spent," Treasury debt will increase.

If the Treasury were a private corporation, accountants probably would have required the Treasury to book the indebtedness. At a minimum, analysts would have paid considerable attention to the footnote.

Were it not for existing accounting convention that does not count Financial Corp. borrowing and FSLIC notes as part of the federal debt, about $10 billion of the Treasury cost would have already been "incurred."

It is important to appreciate that, from an economic standpoint, the cost of the S&L and the FSLIC problem (up to today's exposure) has already been incurred.

Projects that were not economically viable have already been built or partially built. Interest payments in excess of income have already been made, private planes have already been bought and flown, etc.

When the Treasury pays the bill there will be no significant purchase or bidding for economic resources. The money will facilitate closing and merging insolvent S&Ls. While some jobs will be lost and some new ones created, the magnitude of these economic effects will be in the millions of dollars — not in billions.

Current depositors or other creditors will be no richer or no more liquid through the process. Depositors know their claims are good whether the Treasury chooses to back them now or in the future.

Some churning will occur in financial markets. Some high cost deposits will disappear and some portfolios will be adjusted to take additional Treasury obligations. However, it is not even obvious whether the net financial market impact of all this ought to be higher or lower interest rates (clearly it will result in lower deposit costs vis-a-vis Treasury yields).

Unless taxes or expenditures are otherwise affected, there would be no basic change in the demand for real resources (apart from a net reduction in jobs and excess facilities associated with closing or merging failing S&Ls). If Congress sought to raise tax receipts or lower expenditures to "offset" the cost, the impact of this clearly would be deflationary. Congress is not likely to do this.

The only unambiguous result of the Treasury outlay will be a rise in the government's debt. But the interest payments on this additional Treasury debt will be substantially less than the growth rate of the Treasury's obligation in connection with the FSLIC. Thus, paying the bill sooner will ultimately result in less cost and less government debt.

To reiterate, most of the costs of current S&L insolvencies have already been incurred. The process by which the Treasury pays largely involves accounting.

No real resources will be purchased by the Treasury and no significant transfer payments will be made. This is not to say that there won't be substantial financial and real benefits from resolving the S&L problem.

It is important that Congress appreciate that the "budgetary outlay" to pay the cost would not be like other outlays. Resources won't be drawn away from defense or education. Transfers won't be made to dishonest or incompetent S&L executives. We are basically talking about some accounting adjustments, and they should be treated as such. ■

Mr. Silverberg, formerly director of research and strategic planning at the FDIC, is now special consultant to Golembe Associates.

BRIEF COMMENTARY

Good News from the Competition?

The following item appeared in the June 1988 edition of Massachusetts Banker, a publication of the Massachusetts Bankers Association.

□

IT'S great news," said the bank chief executive officer. What news? That the American Association of Retired People has just launched its new credit union.

Drawing on an AARP membership of 28 million, it could easily — and quickly — become the largest in the country, out-ranking even the 825,000-member Navy Federal Credit Union.

Why such an enthusiastic response from a banker? Because in his view the AARP credit union promises to be such a formidable competitor that many banks which have ignored the credit union challenge will be prodded into action. Credit unions can expect a lot more attention going to their tax-exempt status and capital requirements, thanks to AARP.

"It had to get worse before it could get better," the CEO said of the competitive inequality that has so favored credit unions and troubled community bankers. "And this is definitely worse!" ■

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AN AMERICAN BANKER SURVEY

Employees Encouraged to Bank at Workplace

By JEFFREY KUTLER
Part of a Series

Whether the intention is to boost employees' morale or keep them close to the office on paydays, about one corporation in three would encourage its workers to bank on the premises, according to the first *American Banker* Corporate America Survey.

Corporate
America
Speaks

That finding points to a cross-selling opportunity for banks. Consumer banking conveniences such as check cashing, automated teller machines, and even full-service branches at the workplace are potential additions to the traditional commercial banking relationship.

The survey was conducted in March and April by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper. It is based on interviews of executives at 413 randomly selected companies nationwide, none in the financial services industry. These executives are responsible for choosing the financial services and institutions their companies use.

The survey shows that 29% of companies with at least $10 million in annual sales would allow a mobile bank on their grounds or in their office space.

A slightly larger group, 32%, say they either have ATMs accessible to employees or would be willing to provide such access.

These findings show that a sizable minority of companies would play a role in helping banks serve employees. If banks can exploit such opportunities — as a few are trying to do — they might make inroads in an employee-benefits market that insurance companies have long dominated.

Automatic payroll deposit is available at 52% of all companies in the survey and 73% of those with more than $250 million in annual sales. Providing this service may give banks an opening for a variety of retail services delivered through the workplace.

Favorable Views of Mobile Branch

One question in the survey presupposed a mobile facility such as the "Banking a la Carte" staffed kiosk that Chemical Bank provides at business offices in the New York area. Trans Data Corp. obtained consistent reactions to mobile facilities from companies of all sizes.

Of middle-market companies, those with $10 million to $250 million in annual sales, 27% would allow mobile branches. Firms with over $250 million in sales had a 30% favorable response rate. These percentages are equivalent given the statistical margin of error (plus or minus 5% for this part of the sample, and higher for smaller segments of the sample).

The consistency is apparent across industries, with percentages of companies that would admit a mobile bank ranging from 25% in business services to 33% in wholesale and retail trade.

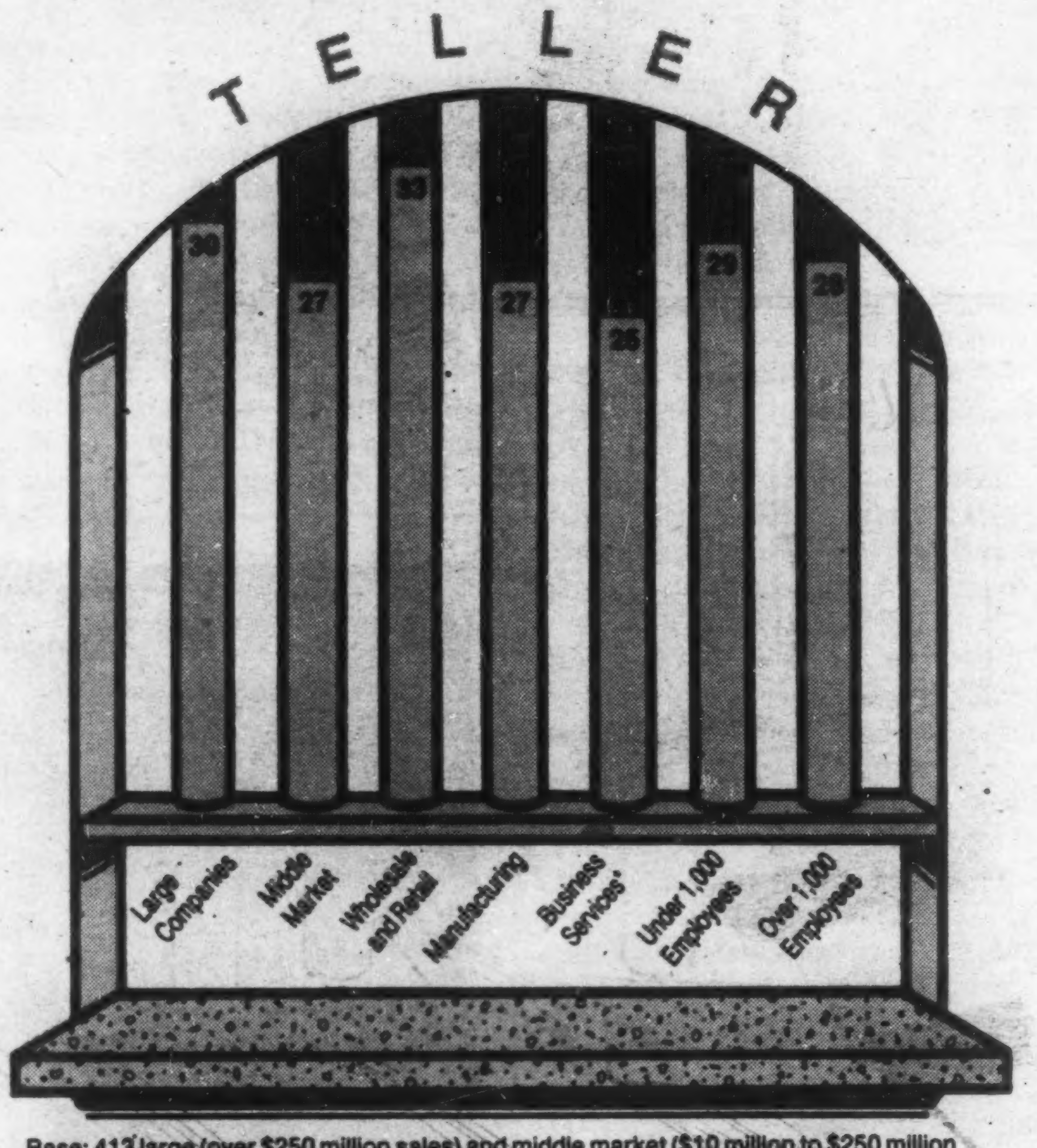
There is no discernible difference between companies employing fewer than 1,000 workers (29%) and more than 1,000 (28%), or between the Snow Belt (Northeast and North Central regions, 30%) and the Sun Belt (South and West, 27%).

There is a slight aberration in the nine northeastern states, from Pennsylvania and New Jersey north to Maine. There, an above-average 35% of 83 respondents said they would allow a mobile bank on their premises. This might be explained by the companies' concern over the time employees need to cash checks at crowded bank branches in the region's cities.

Company executives seem to realize that automated tellers, particularly in tandem with a direct payroll-deposit service, would solve such problems. Employees could get cash from an ATM on payday or any other day.

Banking on Company Premises

Companies that would allow mobile bank branches on their premises to serve employees (percentages of selected market segments)



Base: 413 large (over $250 million sales) and middle market ($10 million to $250 million sales) companies.
*With only 56 respondents in this group, percentage is less statistically reliable than in other segments.
Source: *American Banker* Corporate Survey

17% Have ATMs Available

Seventeen percent of all companies surveyed have ATMs on their premises for employee use. The percentage presumably includes firms in office buildings or office parks with one or more centrally located ATMs.

About 15% of companies say they don't have ATMs on the premises but would be interested in providing them, bringing the total positive response to 32%.

The largest companies are the most in favor of the idea: 26% of those with more than $250 million in sales have ATMs available, and 19% are interested in providing the service.

Only 7% of middle-market companies have ATMs available, with 11% expressing interest. A similar response came from firms with fewer than 1,000 employees: 9% report ATMs are nearby and 11% would like to have them.

Automated tellers are available at 20% of companies with more than 1,000 employees, while an additional 17% express interest. For companies with more than 10,000 employees, 29% say they have ATMs and 19% say they might add them.

Bankers are indeed placing ATMs at business locations, as part of a continuing effort to install the machines at sites other than bank branches. But ATMs on corporate sites have been less prominent than those at airports, supermarkets, and shopping malls.

Some ATMs — placed in what bankers consider untraditional locations, such as airports and hospitals — serve those facilities' employees as much as they do the general public.

"I don't have exact numbers, but I know more and more ATMs are showing up at the workplace," said Linda Fenner Zimmer, an ATM industry trend-watcher based in Marlborough, Conn.

"It's happening," she said, "but quietly. In some cases, a company will ask for an ATM as part of its banking relationship. A bank might work out an arrangement in which the corporation owns or subsidizes the machine."

Several major institutions marketing bank-at-work services have had to resolve such tactical questions as what sites have enough people to justify an ATM or minibranch, how much to charge for it, and which bank department is responsible for the service.

Banks got into the bank-at-work business as an extension of their commercial relationships. For some, the desire to have a presence at corporate sites predated the advent of self-service banking machines.

ATMs are not an important element in Bank-at-Work, First National Bank of Chicago's program, primarily because the Chicago bank has been in that business since 1969, when ATMs were not widespread. Built around the payroll function, Bank-at-Work is offered to Chicago-area companies of virtually any size, from 5 to 5,000 employees, a bank spokesman said.

Although it markets the direct-deposit service to companies, the bank hopes the employees will sign up for a package of banking services at a discount price. Only within the past year and a half has First Chicago installed its first two ATMs in the workplace.

At Chemical Bank the marketing slogan explains the strategy: "Better banking for your employees. Better benefits for your organization."

The New York bank developed its workplace service in the early 1980s and created a separate division for it in 1983. ATMs are one aspect of a range of services from basic check cashing to a consumer account package offered to employees at "group rates." The latter might include free checking and a no-fee credit card.

"The Chemical Bank at Work program is meeting a good deal of success, but interest in ATMs tends to fall off when you get into a discussion of the economics," said David Mooney, senior vice president in Chemical's consumer banking group. More interest has been generated by the fully equipped "Banking a la Carte," which Chemical moves into corporate locations on paydays.

"Originally, we viewed this as a way to solve check-cashing problems, but now our focus is on serving the customer, be it the consumer or corporation," Mr. Mooney said. "A lot of companies feel strongly about providing no-cost or low-cost banking services to employees, and they feel an obligation about making sure employees can cash checks. They are also very concerned about employee productivity.

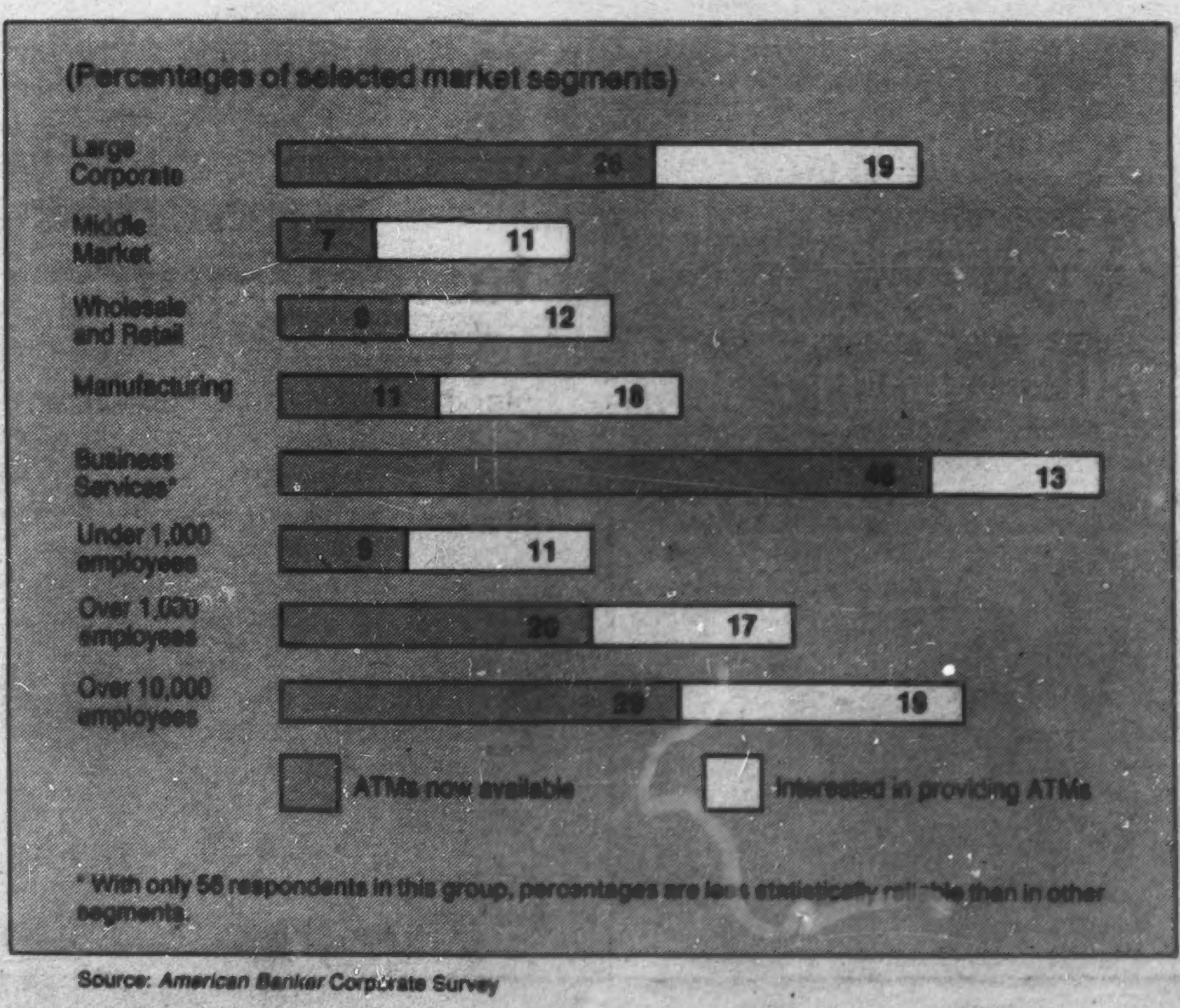
"We offer ways to meet those needs at very low cost to the companies and their employees," Mr. Mooney said.

Wells Fargo Bank, San Francisco, regards its eight-year-old workplace banking program, called Expresservice, as an important adjunct to its branch and ATM networks, which are

Please see SURVEY: Page 18 ▸

ATMs on Company Premises

Companies with ATMs on their premises, or interested in providing ATM access



Source: *American Banker* Corporate Survey

AN AMERICAN BANKER SURVEY

Direct Deposit Enters Corporate Mainstream

➤ Continued from Page 1

nancial services and institutions their companies use.

Fifty-two percent of the companies surveyed currently offer direct deposit. An additional 15% of these middle-market and larger organizations say they are interested in providing direct deposit, bringing the potential acceptance rate to 67%.

At the average company now offering the service, 46% of employees receive their paychecks electronically. But one in five corporations has an acceptance rate of 75% or greater.

Big Companies Embrace Concept

A firm's propensity to offer direct deposit and to win employee acceptance grows as company size increases, whether measured by annual sales or by number of workers.

Among the beneficiaries of this trend is the automated clearing house network, which, after years of disappointing its promoters, is now increasing its transaction volume by about 30% a year. This year the network is expected to handle 1.2 billion transactions, or about 2% of checks written annually in the United States.

More than half of clearing house payments will be some form of direct credit into recipients' accounts — primarily Social Security and other government benefits, and government and private-sector payrolls.

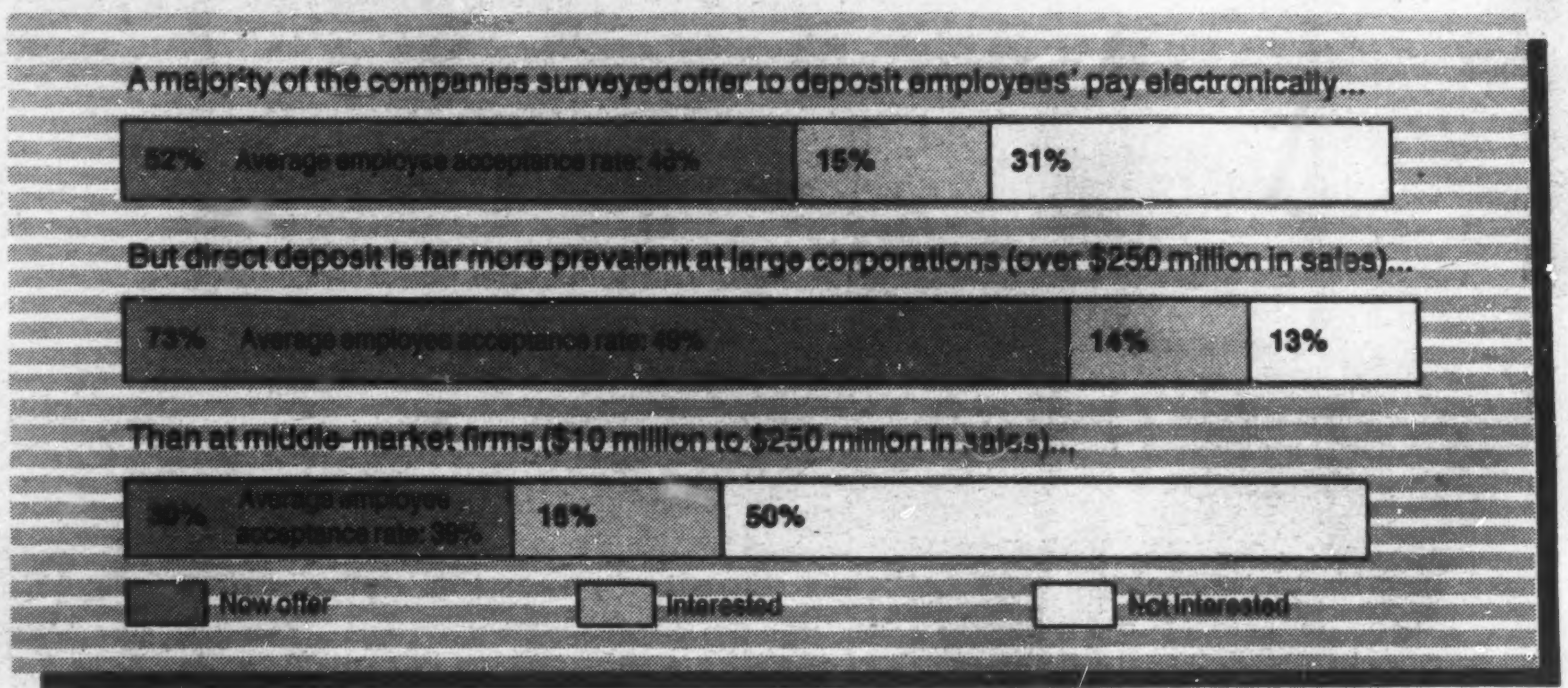
Of 2.16 billion salary payments nationwide in 1986, 163 million, or 8%, were direct deposited, according to market research cited by the National Automated Clearing House Association.

The association, an umbrella group for 42 regional associations that promote such paperless payments, has set a goal of generating one billion new electronic credits in the private sector by 1993.

The *American Banker*'s Corporate America Survey shows that the clearing houses are on their way to meeting that target.

"Direct deposit seems to be part of an across-the-board trend that reflects a true corporate acceptance of what we have to offer," said William R. Moroney, president of the Washington-based clearing house group.

Direct Payroll Deposit



Source: *American Banker* Corporate Survey

How Marion Labs Sold Direct Deposit

When direct deposit is marketed well, the bank's corporate customers play an active role in selling the service. This was the case at Marion Laboratories Inc., Kansas City, Mo., one of the most successful companies at persuading employees to take their pay electronically.

After four years of campaigning, Marion Laboratories is directly depositing paychecks for 85% of its 3,800 employees across the country.

"We marketed it as an employee benefit, a time-saving convenience," said Denise Lynch, disbursements accounting manager for the pharmaceutical firm, which has yearly sales of $750 million. "We never positioned it as something that was a benefit only to the corporation."

Marion got some support from its bank, Boatmen's First National Bank of Kansas City, in the form of brochures, forms, and related materials. But the marketing of direct deposit was very much a company effort.

"We looked at other direct deposit programs and decided that it was best to make it voluntary," Ms. Lynch said. "There is some question about the legality of forcing people to take direct deposit, but I disagree in principle with the idea of making it mandatory. I do support a strong selling job, and that's what we did.

"If you have a good program, it will sell itself," shesaid.

"Often these programs are rolled out with one-way communication, with the company sending letters and expecting employees to react," Ms. Lynch said. "We recognized that people would have a lot of questions about the service, so we set up lines of communication to address their concerns one on one," she said.

The program has won the greatest acceptance — more than 90% — among field sales representatives and salaried home-office workers. Use of the service among hourly and part-time personnel, including many production-line workers, is in the 66% range, but Ms. Lynch hopes to raise that to 75% within a year. She said her ultimate goal is 100% participation.

— Jeffrey Kutler

He said the survey findings confirm his own conclusion that the direct-payment facility is maturing after 15 years of "gestation" that tried the patience of the electronic banking industry.

"A product is usually considered mature when it reaches 50% of its market and then begins to grow very rapidly toward 100%," Mr. Moroney said.

"The period between introduction and 50% penetration is the gestation time. Total automated clearing house volume is still only 2% of checks, but in at least some market segments direct deposit has clearly reached a mature stage.

"It is just time for this to happen," he said. "It makes sense. Corporations are getting over their fetish of playing the float and are concentrating on efficiency in cash management and other aspects of their banking and employee relationships. The ACH has begun to really take off as a result."

Varying Degrees of Success

Mr. Moroney said it was his impression — based on conversations with bankers around the country — that the 46% average acceptance rate by employees obscures the fact that some firms do much better, and others have not done much direct depositing at all.

The Corporate America Survey data bear this out. While 20% of the sample reports acceptance rates above 75%, 24% of the companies are below 25%. Fifteen percent of the firms have failed to make more than one-tenth of their paychecks electronic.

Disparities in direct-deposit performance are especially pronounced when middle-market firms — those with $10 million up to $250 million in annual sales — are compared with larger companies.

Above the $250 million threshold, 73% of corporations already offer direct deposit and report an average 49% employee acceptance rate.

Another 14% of these larger firms express an interest in offering the service. That adds up to a potential large-corporate penetration of 87%, 20 percentage points higher than for the entire group surveyed.

The aggregate figures are depressed by the middle-market segment, in which only 30% of companies currently offer direct deposit and another 16% express interest. Fully 29% of middle-market firms offering the service report acceptance by 10% or fewer employees. This compares to only 9% of the large companies reporting low acceptance rates.

Availability of direct deposit also correlates with the number of employees at a company. In the middle-market group, the service is offered by 23% of companies with fewer than 1,000 employees and by 37% of those with more than 1,000 employees.

At the larger organizations, $250 million-and-over, direct deposit is available from 57% of the relatively few companies in the survey with under 10,000 employees, and from 78% of the rest.

There are no major statistical variations among industries in their response to direct deposit offerings, but there is a geographical difference. Companies in the Northeast and Midwest are almost 50% more likely than those in the South and West to offer direct deposit. Where 60% of Northeast and Midwest firms provide the service, only 44% offer it in the rest of the country.

The proportion of firms in the South and West not interested in direct deposit — 38% — is significantly higher than the 24% of companies rejecting the idea in the northern regions.

How the Survey Was Conducted

The first *American Banker* Corporate America Survey is based on telephone interviews with executives of 413 randomly selected companies, none of which are financial services firms.

Trans Data Corp., a research affiliate of the *American Banker*, developed the survey questionnaire in collaboration with the newspaper's editors and reporters. Trans Data, Salisbury, Md., conducted the interviews, tabulated the responses, and assisted in the preliminary analysis for the survey.

The interviews were conducted in March and April with executives responsible for choosing the financial services and institutions their companies use.

The survey was divided into two groups: a middle-market sample of 205 companies with revenues between $10 million and $250 million, and a large-corporation sample of 208 companies with annual revenues of $250 million or more. Within those two groups, companies were randomly selected from a universe of 80,531 middle-market companies and 3,010 large corporations.

The sample has a margin of error of plus or minus five percentage points with a 90% confidence level. That means if 60% of the companies give a response, there is a 90% probability that the actual percentage is between 55% and 65%. This margin of error applies to the total sample. Subgroups with smaller sample sizes have greater margins of error.

These variations say more about where large companies and their banks are based than about any inherent differences in geography. While a decision to offer direct deposit may be made at corporate headquarters, the payments can be received anywhere via the automated clearing house.

Strong Growth in Midwest

Some of the most aggressive direct deposit promotions have taken place in the Midwest, coordinated by regional automated clearing house associations.

In the six states served by Mid-America Payment Exchange, an Omaha-based clearing house, the number of companies participating in the direct deposit program doubled to 1,857 in 1987. Two-thirds of the companies using automated clearing house services in that region were using direct deposits, and they accounted for 12% of private-sector transactions.

Much of the region's direct deposit growth was the result of banks signing smaller companies, according to an analysis published by Mid-America. This is happening nationwide as bank marketers focus more on middle-market and smaller companies.

"There really is no business too small to pay its employees electronically," said William Nelson, a member of the national association's staff who formerly sold automated clearing house services for Mellon Bank, Pittsburgh.

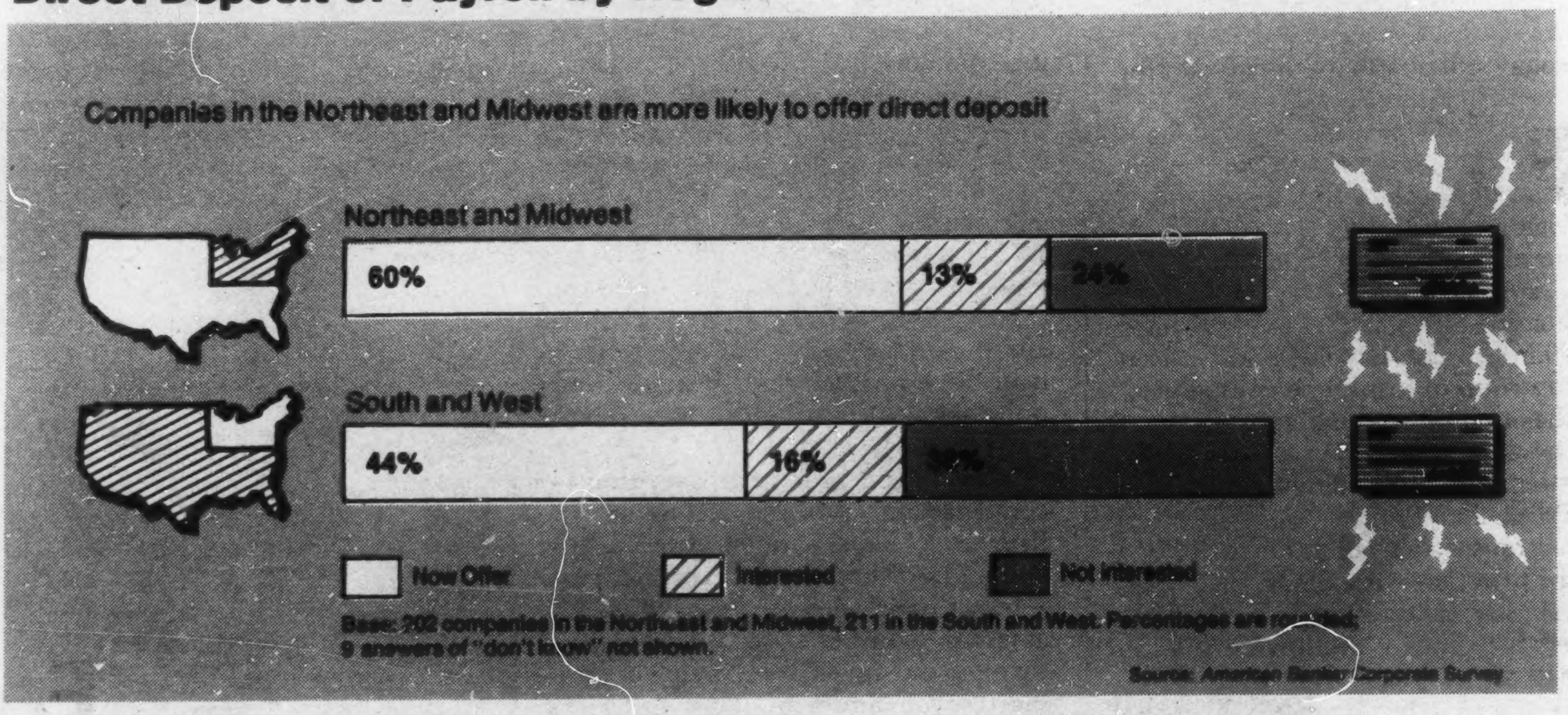
"Some companies have literally one person on direct deposit. The payments can be entered into the ACH easily by many of the payroll-service companies on a turnkey basis, or directly by the companies using

Please see SURVEY: Page 18➤

AN AMERICAN BANKER SURVEY

Direct Deposit Enters Corporate Mainstream

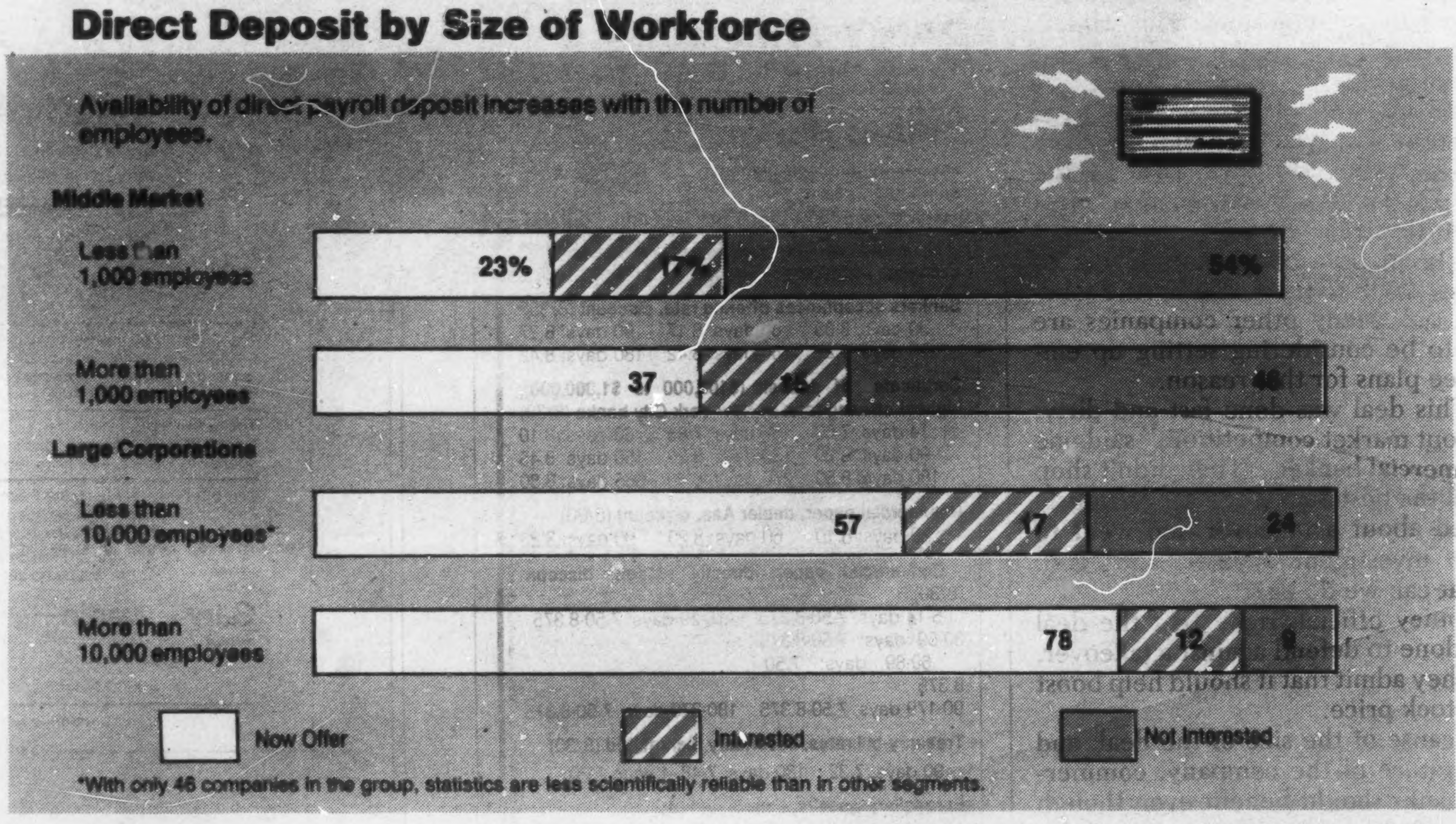
Direct Deposit of Payroll by Region



Base: 202 companies in the Northeast and Midwest, 211 in the South and West. Percentages are rounded; 9 answers of "don't know" not shown.

Source: American Banker Corporate Survey

Direct Deposit by Size of Workforce



*With only 46 companies in the group, statistics are less scientifically reliable than in other segments.

Source: *American Banker* Corporate Survey

➤ Continued from Page 16

personal computers," Mr. Nelson said.

"Large companies with big numbers of payments gain efficiencies and save money by paying their employees directly," Mr. Moroney said. "The smaller firms may not be able to identify benefits in terms of cost savings, but they would certainly be attracted by the convenience of direct deposit."

Although the opportunities to sell direct deposit are greatest at companies doing less than $250 million in annual sales, the large-corporation market should not be neglected, said John F. Good, executive director of Mid-America. The clearing house, based in Cleveland, serves northern Ohio.

Mr. Good, a tireless promoter of direct deposit both in and out of his region, said many bankers have targeted smaller companies without realizing that some very large direct deposit accounts have yet to be won at big companies. As examples he cited two *Fortune* 1000 companies — Marriott Corp. and United Air Lines Inc. — which have 250,000 employees between them and make little if any use of direct deposit.

Banks Need to Knock on Doors

"There is a tremendous market left for this service, and it's not just in the middle market," he said. "I don't think the banks are doing as good a job as they can in marketing it."

Mr. Good suggests to banks in his area that they complement their corporate calling efforts, with what he calls "receive side" marketing. Conventional calling focuses on signing companies to originate direct deposits and other electronic payments. He said he would like to see banks market direct deposit to potential recipients of the payments.

"Every week, financial institutions can look at ACH reports that list all originating companies," Mr. Good said. "Banks can identify customers who are not receiving salary deposits from those companies, and market the service to them directly. There is a whole marketing opportunity on the receive side."

The National Automated Clearing House Association is also exploring the receive side.

"We are looking to create a mechanism that would allow consumers who work for certain employers to sign up for direct deposit at their banks, perhaps even when they open an account," Mr. Moroney said. "The answer may be a directory that lists the companies that offer direct deposit."

The national association, meanwhile, is preparing to spend $3 million to $5 million on what would be the first coordinated, nationwide campaign to promote direct deposit. Some of the money might be spent on media advertising, the rest on brochures and materials that financial institutions could use locally.

"Maybe we will be lighting the afterburners on something that has already begun to take off," Mr. Moroney said when apprised of the *American Banker* survey results. ■

Next: Commercial bankers seem to be shortchanging their middle-market clients on personal service. Another article in this corporate survey series appears today on page 14.

Employees Encouraged to Do Their Banking Where They Work

➤ Continued from Page 14

among the most extensive in the nation.

The bank has put minibranches at 31 corporate sites in California, said Lisa Worthington, a bank spokeswoman. A customer service representative who opens accounts, sells services, answers questions — but does not handle cash — is present during normal business hours. Cash dispensing and other teller functions are handled by a nearby ATM, which operates at all hours.

Wells Fargo will install Expresservice facilities only at work sites with more than 1,100 people, Ms. Worthington said. Participants in the program include the computer maker Hewlett-Packard Co., several hospitals and medical centers, and the *San Jose Mercury News*.

At Norwest Corp., Minneapolis, assistant vice president Bill Brewer never bought the assumption that corporations might welcome minibranches as an employee convenience, but would not pay for ATMs.

Convinced that ATMs are the most efficient alternative for corporate locations with at least 1,500 workers or passersby, Mr. Brewer offers deals that many large companies in his area have found difficult to pass up. He is actually selling them ATMs.

Like many bank-at-work marketers, Mr. Brewer is reluctant to give the names of companies that have bought ATMs and related support services from Norwest Bank. He did say, however, that they include a large insurance company, a car rental firm, and several manufacturing plants with work forces numbering in the thousands.

The machines are connected to Instant Cash, Norwest's multistate ATM network. The corporations that own the machines receive transaction fees, as would any member bank.

"We put a business case in front of the corporation," Mr. Brewer said, explaining his approach. "We present to them the idea of ownership. We point out that they can generate income from the transactions, and this helps them justify the cost."

Mr. Brewer said Norwest has been marketing workplace ATMs since 1977, when Minnesota law was changed to allow ATM installations away from bank premises. Marketing has intensified in the past few years as ATM prices have fallen. A number of used ATMs, which cost less than new ones and are adequate to the traffic volumes at many corporate locations, have also come on the market.

"I don't think we've had one failure over the years," Mr. Brewer said. "The biggest lesson is that you do not have to give the service away. A corporation can own the machine and profit from it, and it is a service that solidifies the banking relationship."

The willingness of Mr. Brewer's customers to pay is an exception to the rule, said Robert Barone, president of Diebold Inc., Canton, Ohio. Diebold is the nation's leading ATM manufacturer. For cost reasons, corporations rarely insist that banks bring ATMs on-site, he said. Eastman Kodak Co. is a rare corporate customer, he said, in that it took such an initiative with Chase Lincoln First Bank of Rochester, N.Y.

"Corporations may willingly pay fees, but, typically, banks push ATM placements as part of a direct payroll-deposit package," Mr. Barone said.

"If corporations had to pay for the ATMs, I don't think the idea would fly," he said. "All they see are soft, hard-to-quantify benefits like time saved or convenience."

Mr. Brewer said attitudes can change if bankers approach the bank-at-work market in a more purposeful, organized way. At most banks, retail and corporate departments remain uncoordinated. Few have groups assigned specifically to selling workplace services.

"In the best of all worlds, we as bankers should be selling payroll, automated clearing house, cash management, lending, and employee banking services to our corporate clients all at once," Mr. Brewer said. ■

Wilmington Bank Develops Strategy To 'Export' Fees

▸ Continued from Page 2

system from a consumer-protection point of view." But, he conceded, "It does not violate any Iowa law."

Iowa also has fee-export suits pending against Citibank (South Dakota), Sioux Falls, a unit of New York's Citicorp, and several units of United Missouri Bancshares Inc., Kansas City.

The Wilmington bank's new rate structure "does not signal a trend" in the card industry, according to Alan S. Kaplinsky, a Philadelphia attorney who heads the American Bar Association committee on consumer financial services.

"It's a very clever way to try to overcome the problem," Mr. Kaplinsky said, but it is "not a sure-fire way to eliminate it." The additional 7.2 percentage points, Mr. Kaplinsky said, "is really a delinquency charge."

Mr. Kaplinsky noted that the addition of 7.2 percentage points to the first-tier rate of prime plus 7.4 percentage points could be characterized as "unconscionable," especially in relation to the actual cost of handling or closing over-limit and past-due accounts. With the prime currently at 10%, cardholders in Tier 2 are paying 24.6%.

The contention that such rates are unconscionable appeared in a 1987 class-action suit against Crocker National Bank, San Francisco. Attorney Paul Purdue sued over a $6 bad-check fee, claiming it cost the bank only 50 cents to process the paperwork.

Wells Fargo Bank, which acquired Crocker, settled the suit and agreed to make refunds.

First National Bank of Wilmington had $294,474,000 in credit card and related loans outstanding at the end of 1986, ranking it No. 58 nationally, according to the *American Banker*'s September 1987 tabulation. ■

Lobbyists . . .

▸ Continued from Page 3

lon, Morgan Guaranty, NCNB, Norwest, Pittsburgh National, and Security Pacific.

Noticeably absent from the Bankers Trust coalition are Citicorp and Bank of America. Both are said to be opposed to legislation this year, in no small part because restrictions on insurance activities are included in both the House legislation and a separate bill passed by the Senate.

Thus, the nation's very largest and very smallest banks are opposed to the bill. The Independent Bankers Association of America, which represents community banks, would prefer not to have legislation this year, said lobbyist Stephen Verdier.

Driving the Bankers Trust group is a feeling that the industry is closer this year than ever before to gaining entry into investment banking. Concern is mounting that the opportunity at hand may disappear next year, when leadership on the Senate Banking Committee changes and Congress begins work on the crisis in the thrift industry.

"A very significant portion of the industry believes a bill is needed this year," said Robert Weinberger, a lobbyist for Continental Illinois National Bank and Trust Company of Chicago.

"Next year, Prox won't be around," he said, referring to retiring Senate Banking Committee Chairman William Proxmire, D-Wis., who spearheaded this year's drive for new bank powers.

Mr. Kidd and others in the group stressed that their relationship with the ABA is "not acrimonious." Still, they believe it is important to stake out a position that contrasts sharply with the ABA's. ■

Hawkeye to Pay $2 Million to Settle Fraud Case

By **ANDREA BENNETT**
Midwest Bureau

CHICAGO — Hawkeye Bancorp. said it has agreed to pay $2.08 million to settle a fraud suit against the company and its current president, Paul D. Dunlap, that arose from the 1979 sale of a southeastern Iowa bank.

In a press release, Hawkeye said its board had unanimously approved the settlement, and added "it was in the best interests of the corporation to settle." The Des Moines-based Hawkeye declined to comment further.

"Hawkeye is prospering. It is doing well," said Richard Levy, an attorney for Hawkeye. "It wanted to get an unpleasant incident behind it."

The lawsuit arose out from the 1979 purchase of the Mt. Pleasant Bank and Trust Co., Mt. Pleasant, Iowa, by eight businessmen. The eight men claimed that Mr. Dunlap and Hawkeye withheld key information from the purchasers. The bank failed in August 1982.

In October, following a seven-week trial in U.S. District Court in Des Moines, a jury convicted Hawkeye and Mr. Dunlap of common-law fraud, federal and state securities fraud, and also found that Mr. Dunlap had negligently misrepresented the condition of the bank. The jury ordered Mr. Dunlap and Hawkeye to pay $3.4 million to the eight purchasers.

That verdict was appealed. In March, the verdict against Hawkeye was overturned. But a decision on the appeal to the judgment against Mr. Dunlap was pending when the case was settled, said Larry Marcucci, an attorney for the former bank owners.

Bill Koehn, an attorney for Mr. Dunlap, called the settlement "a matter of pure economics. We felt very strongly we had a good opportunity on appeal to get [the verdict] set aside." The fraud verdict against Mr. Dunlap was also vacated as part of the settlement, Hawkeye's attorneys said.

Mr. Marcucci said attorneys for the parties involved had been discussing a settlement since spring. Hawkeye's earlier offer to settle for $1 million was rejected, court records show.

Even though the case against the bank was dismissed, Hawkeye agreed to the settlement because the plaintiffs had appealed that dismissal, Mr. Levy said. With interest and attorney's fees, the original judgment has grown to about $5 million.

In addition, Mr. Levy said, the plaintiffs sought to invoke a resolution passed by Hawkeye's board in 1984, indemnifying Mr. Dunlap from losses in connection with the case. According to *The Des Moines Register*, Hawkeye's board voted on July 11 to revoke that indemnification "but to again consider such indemnification when litigation is finally concluded."

Hawkeye said the settlement will be charged against third-quarter earnings. Second-quarter earnings were $3 million. ■

FROM THE REGIONS

THE MIDWEST

Lenders Expect Farm Income to Lag, Survey Says

▸ Continued from Page 2

quarter. Since then, drought conditions worsened in many parts of the states in the Minneapolis district.

Stanley L. Graham, an economist at the Minneapolis Fed who wrote the report, said the bankers' outlook may be too pessimistic for several reasons:

- Farmers can sell grain stored in facilities at the higher prices brought on by the drought.
- Many farmers have crop insurance to cover losses.
- Most rural banks are in far better financial condition than in recent years. In 1987, banks in the district reported increased profits, their nonperforming loans fell, and loan-loss reserve and equity capital positions strengthened.
- Congress has provided new forms of disaster relief.

Since the survey was completed, Congress passed and President Reagan signed the Drought Assistance Act of 1988. The law, signed on Aug. 11, requires the secretary of Agriculture to guarantee operating loans to farmers and ranchers affected by the drought and to encourage commercial lenders participating in the guaranteed farm lending program to exercise forbearance before declaring such loans in default.

The disaster relief legislation comes a year after another landmark agricultural assistance law took effect. The Agricultural Credit Act of 1987, among other things, established a secondary market for farm and rural housing mortgages.

Economy Had Been on Upswing

The farm economy, after six years of a deep recession, was rebounding strongly until this summer's drought. Most experts predict that the drought, despite its severity, will temporarily delay the recovery but not end it.

According to another report, the turnaround in the farm economy and last year's legislative package begins a new era in farm lending that "could revolutionize farm lending by changing the competitive balance among new and existing farm lenders."

The report, titled "A New Era in Farm Lending: Who Will Prosper?" was done by staff members at the Kansas City Fed. The study is reported in the June 1988 *Economic Review*, a publication of the Kansas City Fed.

The report says traditional farm banks and the Farm Credit System are losing market share in farm lending. Meanwhile, larger and better-diversified banks and the Farmers Home Administration have gained share.

"Current trends suggest some winners and losers in the farm lending market of the future," the report concludes. "Large nonagricultural banks appear likely to increase their market share, while small agricultural banks lose share." ■

New York Thrift Creates Bank for Kids, Following Example of Parent Company

By **LINDA ELLIS**

NEW YORK — A Long Island savings bank wants to turn small spenders into small savers.

By setting up the Bank for Kids at its Walt Whitman Mall branch in Huntington, Williamsburgh Savings Bank hopes to teach children to save money, whether it comes from paper routes or birthday bonuses. Williamsburgh, a unit of Republic New York Corp., will open the Bank for Kids on Sept. 7 — the first day of school on Long Island.

Republic New York has a similar facility for savers under the age of 18 at its New City branch in Rockland County. As in New City, youngsters at Williamsburgh's branch will be able to open an account for as little as $2.

Savings accounts will carry a 5.5% interest rate with no service charges and no minimum balance, said John Tamberlane, Williamsburgh's president.

"Our theme is to encourage and help parents teach their children how to save," said Mr. Tamberlane, who is responsible for retail operations at branch offices owned by Republic New York.

"Republic New York's mission has always been to protect depositors' assets," he said. "This especially applies to teaching children of the communities we serve that there is more to money than just spending it."

The pilot program at the New City branch has proved successful, with more than 500 accounts opened, said Mr. Tamberlane.

Each Bank for Kids customer will receive a membership card — a simulated cash machine card — and a passbook. Unlike custodial accounts, Bank for Kids' accounts give children full access to their money once parents sign release forms.

The unit is a self-contained 150-square-foot facility, complete with its own teller. Members can make deposits and withdrawals during the branch's regular hours or during special after-school hours when only youngsters are allowed in the bank.

Educational materials — including computers, interactive videocassette recorders, writing boards, and toy calculators — have been placed in the facility to help teach young depositors how banking can work for them

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New York State Bankers Plan Education Seminar

NEW YORK — A business and education seminar will be hosted by the New York State Bankers Association in Syracuse, N.Y., on Sept. 19. It will focus on the challenge of encouraging teenagers to complete high school and the difficulty of meeting the growing demand for entry-level employees at a time when the teen population is shrinking. The seminar will explore successful joint business-education ventures and student perceptions of the business world. For information call 212-949-1173. ■

Texas Thrift Trims Branches

PHOENIX — Merabank will close seven Texas branches of First Financial Savings Association, El Paso, that it purchased in June under the Southwest plan.

The closures are scheduled for Sept. 9. Merabank is a unit of Pinnacle West Capital Corp., which has assets of approximately $13.6 billion. It acquired 13 branches of the El Paso thrift and one of Brownfield Federal Savings and Loan Association, Brownfield, Tex., in the June as a result of the June transaction. ■

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Today

NEWS MONDAY

Insider abuse is becoming less of a factor in bank fraud. Officers and employees of financial institutions took part in 62% of fraud cases investigated by the FBI last year, down from 72% in 1986 and 81% in 1985, writes Bart Fraust in Perspective. ______ 5

The final rules on risk-based capital will be in bankers' hands by yearend with luck. Some of the largest U.S. banks will have to scramble to meet the new guidelines by raising equity and shrinking assets, while many smaller institutions are going to find themselves overcapitalized. ______ 6

The Week Ahead includes a meeting of the Federal Open Market Committee. ______ 6

Mark J. Riedy, the new president of the National Council of Savings Institutions, held his media coming-out party. ______ 6

INSIDE

Participants in the IMF-World Bank conference will have to come to grips with the concept of "debt fatigue." Determining the kind of relief that can or should be given heavily indebted countries is likely to be the dominant theme in West Berlin this week.2

Henry C. Wallich, the former Federal Reserve Board governor who died last Thursday, left behind a wide range of admirers. He was especially noted for his expertise in international economics along with his personal wit and intensity. ______ 2

The banking industry's hopes for new securities powers were dealt a blow as House Energy and Commerce Committee Chairman John D. Dingell asked his panel to support a bill that does not permit underwriting of corporate debt or mutual funds. A few members were said to be pressing for additional powers, but Rep. Dingell and Rep. Edward J. Markey are expected to hold firm against corporate debt and mutual funds. ______ 3

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COMMENT

The sale of mortgages offers tremendous advantage to the public as well as participating financial institutions, writes Dr. Paul S. Nadler. Among the benefits is increased availability in small markets and downward pressure on prices. ______ 4

Signs of economic slowdown, rising interest rates, and restraint by the Federal Reserve Board may be misleading in light of rising personal consumption, business investment, and exports, says H. Erich Heinemann. 4

To Our Texas Readers:

The chartered airplane delivering the *American Banker* to Dallas skidded off the runway during takeoff last week, delaying delivery of the Sept. 16 issue of the newspaper until today. (There were no injuries.) We regret any inconvenience late delivery may have caused.

UNRESERVED OPINION /COMMENTARY

The Dangers of Misreading Fed Signals

By BEN WEBERMAN

THE bullish euphoria that has blanketed fixed-income markets since early September may soon come to an end. Interest rates have been falling for weeks on the assumption that monetary restraint is cooling economic activity. Don't believe it.

The Federal Reserve Board's Open Market Committee, meeting this week, will use its powers to keep growth steady and noninflationary. The central bankers will use seasonal bank reserve fluctuations to create conditions that help stabilize public opinion about prospects for the economy and for interest rates.

The goal will be to prevent market exuberance — with concomitant lower interest costs — from touching off renewal of capital expansion or heightened consumer demands.

The central bank's objective: Keep the expansion alive, but without greater inflationary pressures.

Before the Open Market Committee meeting, bank reserve targets have called for net daily borrowings in a $600 million to $650 million range. This is consistent with federal funds trading close to 8⅛%.

Following the meeting, the directive to the manager of the open market trading desk will remain unchanged. It will call for conditions that hold the federal funds rate close to the 8⅛% level that has prevailed since mid-August.

Pitfalls for the Unwary

Market prospects are apparently clear-cut for the period immediately ahead. But there may be interest rate traps for the unwary.

Plans based on misconceptions could be costly. The traps will be baited by misinterpreted economic data and Fed reserve operations. At the outset, it is important to realize that business has not slackened.

Please see UNRESERVED: Page 12 ▸

FSLIC Near Ceiling On Notes: GAO Aide

By JIM McTAGUE
Washington Bureau

WASHINGTON — The Federal Savings and Loan Insurance Corp. could exhaust the lion's share of its resources for eliminating troubled thrifts by the end of next week, based on a government estimate.

Frederick D. Wolf, director of the accounting and financial management division of the General Accounting Office, told the *American Banker* last week that it is possible the FSLIC could have notes totaling $16 billion outstanding by Sept. 30. He based the projection on the current pace of FSLIC case resolutions.

In a telephone interview Friday, Federal Home Loan Bank Board member Roger Martin said he had "no problems with Mr. Wolf's numbers."

Please see GAO: Page 2 ▸

WASHINGTON BRIEFING

Industry Seeks Unity on Bank Bill

By ROBERT M. GARSSON

WASHINGTON MONDAY

Section Begins on Page 6

With the moment of truth fast approaching for bank deregulation legislation, the industry is scrambling to define and deliver a coherent message to Capitol Hill.

Is the industry for or against a bill? Officially, the major bank trade groups say they want the process to continue, though most acknowledge that the emerging legislation is looking steadily less acceptable.

The American Bankers Association vehemently opposes the bill approved by the House Banking Committee, though it still holds out the hope of seeing a measure similar to the one passed by the Senate enacted into law.

The message that has been picked up on Capitol Hill, according to staffers and bank lobbyists, is that the industry — represented by the ABA — wants the legislative process to stop, and the sooner the better.

Within the portion of the industry that hopes to see legislation this year, that message has touched a raw nerve. One result was the formation of a coalition of about 30 banks — inevitably dubbed "the gang of 30" — to serve as a counterweight to the ABA.

Bank industry lobbyists say the issue exploded to life at a meeting two weeks ago of the Legislative Liaison Advisory Committee (known by its acronym LLAC, pronounced "Lilac").

"A lot of people from midwestern

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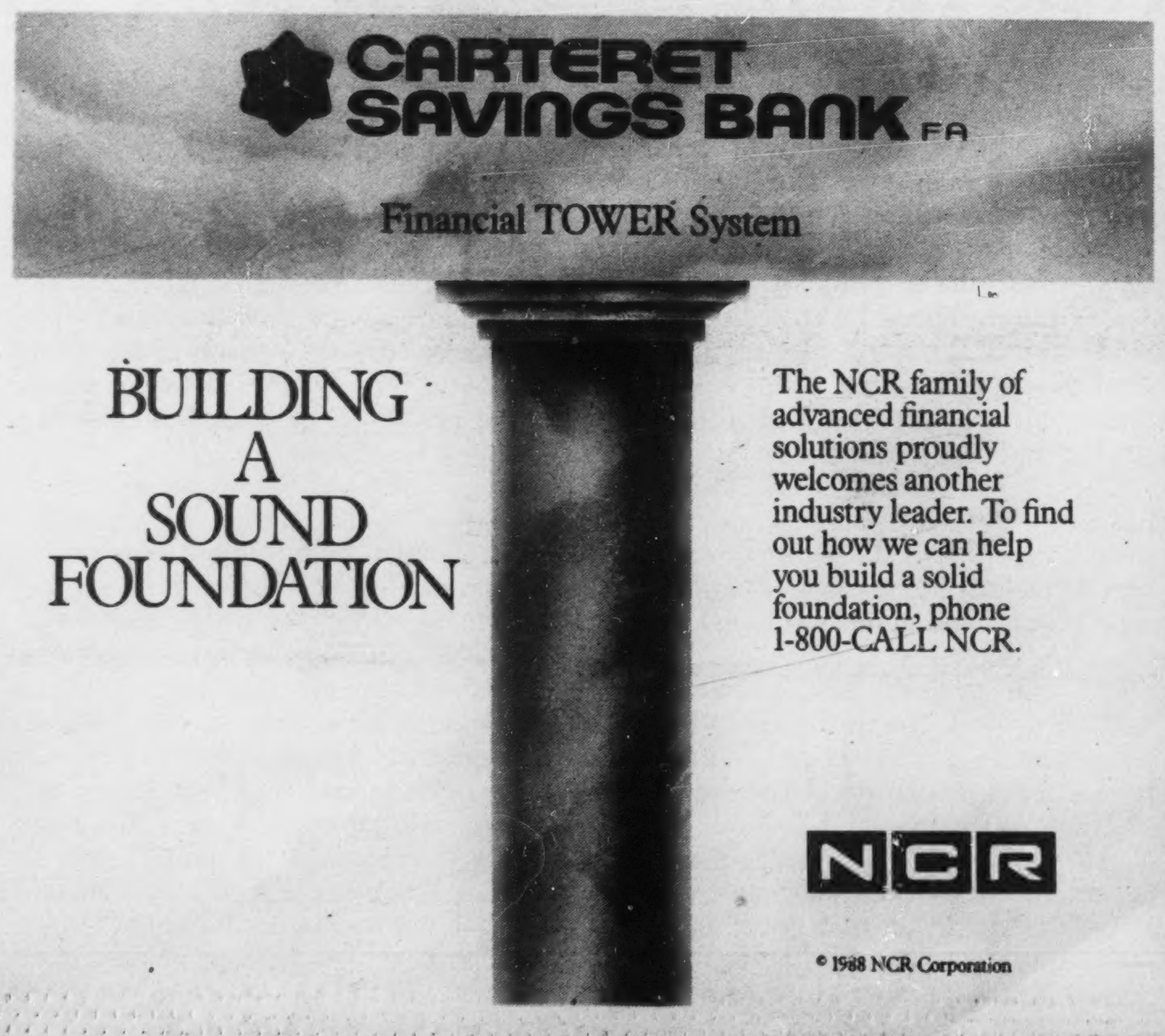

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BANKING TRENDS /COMMENTARY

Rooting Out the Problems in Mortgage Servicing

By DR. PAUL S. NADLER

I could not help but think of the old adage, "The government never comes in until the private sector fails, but once it is in it never leaves," as I looked at two stories on mortgage servicing in the newspapers this month.

The first was a report that some people have been losing their homes or at least been subject to heavy penalties by local governments. The culprit is a bank or mortgage company that holds the owner's real estate taxes in escrow but has failed to make payment — or failed to make payment on time.

The second was an article by John LaFalce, D-N.Y., in *The New York Times* complaining about certain practices in the origination and sale of mortgages. He reports that some banks and thrifts have sold mortgages to companies that have altered the terms and made it difficult or impossible to get relief on complaints. The result is late payments of insurance and taxes.

Nadler Says:

'By being able to sell mortgages, the local institution will be more aggressive in pricing these loans.'

In sum, Mr. LaFalce believes people often pick a mortgage lender because they know the institution and are willing to sacrifice best rate for service. Then the mortgage is sold, and the customer is left with neither the service nor the rate.

The obvious conclusion from both stories is that we need new legislation to make sure the mortgage borrower is protected.

What is so bothersome to outside observers of the banking scene is that the origination and sale of mortgages offers tremendous advantage to the public as well as participating financial institutions. So if the practice is outlawed or severely restricted, the public probably will suffer more than the few protected people will gain.

But, as is often the case, legislation is proposed to handle the exceptions, and the general loss to the public caused by the restraints goes unpublicized.

Look at the good that the sale of mortgages provides our nation and its communities.

First, consider the local institutions that want to serve their communities with mortgage loans but lack the funds or capital. By originating and selling loans, the bank or thrift is able to serve the community and still get its money back to serve other people.

Institutions do not need to halt mortgage lending after a certain number of loans have been made. There is no limit to the number that can be originated, just as long as the loans made are of the caliber that can be securitized and sold in the national money capital markets. This certainly benefits the local community.

Think also of the benefits of the securitization process — to both borrowers and lenders.

By being able to sell mortgages, the local institution will be more aggressive in pricing these loans than if it had only a limited amount of money to ration out.

And if the local institution is not offering competitive rates, other institutions will come in to make the loans either directly or through mortgage companies.

Anyone who ever tried to get a mortgage from the only institution in town making home liens would appreciate the competition that the origination and sale process makes possible and the subsequent downward pressure on mortgage rates.

On the other side, think of the saver who formerly had little choice but to place funds in his local bank or thrift no matter the return offered.

The aggressive selling of Fannie Maes, Ginnie Maes, and other mortgage-backed instruments to the public brings new competition for savings. The result is that local banks and thrifts

Please see TRENDS: Page 11 ▸

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

OVERVIEW /COMMENTARY

The Perils Dr. Pangloss Faced May Resurface in the Economy

By H. ERICH HEINEMANN

THE long, hot summer of 1988 is over. In the Midwest, the drought has broken. Snow is starting to fall in the Rockies. Even the downtrodden denizens of Wall Street are enjoying a brief encounter with truly delightful living.

However, a lot more than the weather has changed. Fear of inflation, which pervaded the financial community only a few weeks ago, has started to fade. A new consensus is forming: The economy will slow, but not stall. Prices will remain relatively stable.

The Federal Reserve will be able to lower interest rates. The economic expansion will continue well into the 1990s — albeit well below the 4.3% growth rate that has been typical since the end of the recession in 1982.

Whatever a slow-growth economy may portend for the average working person, in the way of higher unemployment or lower wages, the prospect is positively panglossian to the financial community. According to Barton Biggs, who calls the tune for investment strategy at Morgan Stanley, "the signs of the slowdown in the U.S. economy were welcome. . . . A worldwide boom plagues investors because it means a bust follows."

As a result, values of stocks, bonds, and the U.S. dollar have rebounded smartly from their summertime lows — the latter two quite substantially. More and more, analysts appear convinced that Federal Reserve Chairman Alan Greenspan will keep interest rates stable — not only through the election, but in 1989 as well.

Voltaire May Have Been Right

Maybe Dr. Pangloss, the character in Voltaire's great farce, "Candide," was right when he said that "All is for the best in this best of all possible worlds." Perhaps.

But just to be safe, don't bet the family farm quite yet. The gurus of groupthink who inhabit Lower Manhattan — and the news publications that cater to their manic-depressive style of thinking — like nothing better than to find a new long-term trend in each government statistic. In the real, workaday world of Detroit, Dayton, or Duluth, things don't change so quickly.

True, a number of important business indicators — employment, retail sales, and industrial production among others — suggest that the pace of activity slowed during August. But careful analysis indicates that this pause is likely to be temporary.

Over the next six to nine months, total spending should be quite strong. By late 1989, however, business is likely to slow. Recession in 1990 is a distinct

Please see OVERVIEW: Page 10 ▸

Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., a New York investment banking firm.

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MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 10.

1. Seasoned felon Joseph E. Lucas, veteran of 20 years in prison, had been down on his luck. Mr. Lucas, 58, recently tried to rob three banks in Chicago without success — he couldn't even get arrested. His luck changed last week at the downtown St. Louis branch of Mercantile Bank, where he handed a note to a teller demanding $10,000. What unusual aspect of Mr. Lucas's behavior, after passing the note, made it certain that his luck would change?

2. Organized in 1973, the National Association of Urban Bankers represents about 1,600 individuals employed in the U.S. financial services industry. What is the common link among these members, and what overall corporate strategy does the association want senior management in the banking industry to define?

3. The third annual survey sponsored by the American Association of Equipment Lessors, Washington, shows that U.S. banks are willing to hold long-term new-finance leases, while none of the banks responding to the survey participate in the much more vigorous market for short-term operating leases. According to the association, operating leases for what type of big-ticket corporate assets constitute the fastest-growing segment of the new-equipment-leasing industry?

4. In those dimly remembered Dark Ages when computer memories were merely two-dimensional, capacity was measured in gigabytes, or billions of bytes. With the advent of IBM's Enterprise Systems Architecture/370, the three-dimensional addressable memory space has been expanded a thousandfold and is measurable in kilogigabytes or KGBs. In the constantly evolving language of technology, what whimsical nickname has been derived from this acronym?

5. The Federal Deposit Insurance Corp. reports a growth of $37.5 billion in bank assets during the second quarter. According to the FDIC, the direction this growth has taken reinforces a trend of recent years that is changing the profile of bank loan portfolios and the risks associated with them. Which category of outstandings is now dominant, commercial loans or real estate loans?

6. On the savings and loan side of the financial services industry, the risks and returns of various investments were plotted over five years by Wharton Econometrics. The study was performed by the Alliance for Capital Access, acting on a request from the General Accounting Office. By measuring the level of return an average thrift could have realized through a range of investment vehicles, the study found that consumer credit cards yielded the best return, 4.1%, compared with only 1.8% from adjustable-rate mortgages. What category of investment provided the second-best average return for savings and loans, 2.7%?

— **Robert Paul Molay**

NEWS MONDAY

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

> *We're upset and angry that we're having to pay for expenses we have no control over.*
>
> U.S. League of Savings Institutions chairman Theo Pitt, reacting to the hefty FSLIC premiums paid by healthy thrifts

Also in the News

Greenspan Backs Reform

Federal Reserve Board Chairman Alan Greenspan told a House Judiciary subcommittee last week that Congress should not attempt to limit mergers between the nation's largest banks and securities firms as part of its effort to overhaul the Glass-Steagall Act. However, Mr. Greenspan added, action on Glass-Steagall is so important that the Fed would rather see legislation enacted, including the restraints, than no bill at all. Mr. Greenspan testified last Wednesday as omnibus banking legislation moved into the House Judiciary Committee's subcommittee on monopolies and commercial law. *(For further information, see the story on page 3 of the Sept. 15 issue.)*

Allied Irish Seeks First Maryland

Allied Irish Banks, Dublin, which two years ago discussed selling its controlling stake in First Maryland Bancorp., has now offered to buy the remainder of the stock of the Baltimore banking company for about $340 million. Allied Irish, Ireland's largest banking organization, said last Monday it would pay $35.25 per share for the 50.3% of First Maryland it does not own. First Maryland responded that a special committee of its board will review the offer. Banking analysts were not surprised by the development, but said they felt the price was a bit lower than expected. *(Sept. 13, page 1.)*

Chase Eyes New Jersey Office

Chase Manhattan Corp.'s board of directors this week will consider a management recommendation that almost a third of Chase's New York City employees be moved to New Jersey, according to an article published in last Wednesday's *Wall Street Journal.* The relocation, involving 5,000 employees, would be the biggest business exodus from the city in recent years. A spokesman for Chase said the company has been looking at sites in New York and in New Jersey, but that no final decision has been reached.

Affinity Checking from Citicorp

Citicorp Savings of Illinois has launched a checking account aimed at fans of the Chicago Bears. It is the first affinity checking account to be offered in the Chicago area or by Citicorp, the thrift's New York holding company. The thrift unveiled the account, aimed at fans of the professional football team, at a press conference last Tuesday. It links Citicorp's Citi-One account and Bears promotions and will be offered through Dec. 3. *(Sept. 14, page 1.)*

Texas Card Unit Gets High Price

The former First RepublicBank Corp. credit card business sold for a higher price than expected. Citicorp said it will pay $782 million for $623 million in credit-card receivables, or a premium of $159 million. A lower purchase price was anticipated because NCNB Texas, which has managed the credit card unit since Aug. 2, was told it could solicit the credit card customers even if it lost in the bidding process. NCNB Texas bid for the business, but its offer was lower than the one by Citibank (Delaware). *(Sept. 13, page 3.)*

Fleet/Norstar CEO Kiernan Dies

Peter D. Kiernan, chairman and chief executive officer of the Fleet/Norstar Financial Group, died last Wednesday from complications following surgery to repair an aneurysm in his aorta. He was 65 years old. J. Terrence Murray, president and chief administrative officer, will succeed Mr. Kiernan, who was scheduled to retire on Dec. 31. Mr. Kiernan was stricken on Aug. 18 while vacationing with his family on Cape Cod. He underwent emergency surgery at Falmouth Hospital in Falmouth, Mass., and was later transferred to the intensive care unit at Massachusetts General Hospital in Boston, where he was being treated when he died. *(Sept. 16, page 13.)*

Perspective/Insider Abuse Down, but Losses Rose in '87, FBI Says

By BART FRAUST

Mixed News in Bank Crime Report

INSIDER abuse is a declining factor in bank fraud. Officers and employees of financial institutions took part in 62% of fraud cases investigated by the Federal Bureau of Investigation last year, according to the agency's recently released report on bank crime.

This was down from 72% in 1986 and 81% in 1985.

The federal government, believing that fraud has been a major contributor to bank and thrift failures, has cracked down on white-collar bank crime in recent years. An interagency task force has been established on bank fraud, drawing members from the Justice Department and bank regulatory agencies.

"I'd like to say that this is the result of the effectiveness of our efforts to beat insider fraud," said Anthony Adamski Jr., chief of the FBI's financial crimes unit. "But it looks like a statistical quirk."

He said the enactment of legislation to combat bank fraud has made it easier to charge outsiders with the crime.

Data for 1985 — when insider abuses peaked — included $500 million in fraud-related losses relating to the 1982 failure of Penn Square Bank in Oklahoma City. This tended to bloat the numbers in 1985.

In addition, many recent cases have involved real estate fraud, and these typically involve large numbers of outsiders.

The decline in the insider factor was about the only good news in the FBI report, though.

Losses due to fraud and embezzlements totaled a record $860.6 million in 1987, up 41.9% from the $606.1 million in losses the year before.

The FBI had earlier reported that the 1986 losses totaled more than $1 billion, but the agency now says that number was incorrect due to a error in entering the data on its computers. The correct 1986 total represented a 28% decline in losses from 1985. Losses had more than doubled between 1984 and 1985, buoyed by fraud-related red ink at Penn Square.

Fraud-related losses at commercial banks last year increased 44.2% to $690.7 million. At savings and loan associations, losses rose 49.1% to $154.5 million. Victimization of credit unions dropped sharply, however, with losses at those institutions falling by 36% to $15.4 million.

Bank Fraud Losses

During 1987

	No. of Cases	Losses ($Mil.)
Banks	9,316	$690.7
S&Ls	1,993	154.5
Credit Unions	498	15.4
Total	**11,807**	**$860.6**

Source: FBI statistics

The FBI completed 11,807 fraud and embezzlement investigations last year, up from 10,416 in 1986. About 79% of the cases involved banks; 16.9%, savings and loans; and 4.1%, credit unions. Investigations leading to convictions totaled 1,701, down from 1,957 in 1986.

The report also included fuel for regulators and others who argue that fraud and failures go hand in hand. Texas, which had the greatest number of bank failures last year, ranked No. 2 in terms of bank frauds committed. The FBI completed 1,069 fraud and embezzlement cases in the state last year, including 727 involving commercial banks and 284 at savings and loan associations.

California, the nation's most populous state, also had the greatest number of fraud and embezzlement cases. The FBI completed 2,277 investigations in the state, including 1,631 at banks, 585 at savings and loans, and 61 at credit unions.

The number of old-fashioned bank heists increased 7.3% last year to 6,577. Sixty-four percent took place at commercial banks, 32.6% at thrifts, and 3% at credit unions. There were 20 robberies of armored carriers.

A total of $42.6 million in cash, securities, and other property was seized. About $8.1 million was recovered.

> While insider abuse was off signfificantly last year, the FBI found that losses due to fraud and embezzlement rose 42% to record highs.

Investigations have resulted in the identification of 4,867 people believed to be involved in the robberies. Of these, 2,940 were determined to be narcotics users and 832 had previous convictions for bank robbery, burglary, or larceny, the FBI said.

Bank robberies most often occurred on Fridays between 1 p.m. and 3 p.m. at a branch office located in the commercial district of a metropolitan area, the FBI data showed. The overwhelming majority of robberies took place at the teller window.

Heists at automated teller machines — a much publicized area of concern — occurred in just 68 cases investigated by the FBI, or about 1% of all robberies.

Guards continued to be the most effective deterrents against robberies. Only 312 robberies occurred with a guard present. In contrast, over 5,000 heists took place at institutions with alarm systems and surveillance cameras.

The report also covered injuries, deaths, and hostage taking during bank robberies. Acts of violence occurred during 191 of the robberies last year. Those resulted in 118 injuries, 14 deaths, and 47 people taken hostage.

Bank employees other than security guards were the most likely to be injured during a heist. Of the 118 injured last year, 50 were employees. Twelve customers were injured.

Perpetrators accounted for 12 of the 14 people killed, with most of the cases occurring outside the bank during the person's attempted escape. No customers died in robberies last year.

However, 9 customers and 31 employees other than guards were taken hostage, the FBI said. ■

GAO: $50 Billion May Be Needed to Bail Out Thrifts

THE General Accounting Office told Congress last Thursday that it has raised its estimate of how much it will cost the Federal Savings and Loan Insurance Corp. to resolve the financial crisis gripping the nation's thrift industry.

The FSLIC will need between $40 billion and $50 billion to close about 400 insolvent thrifts, according to Frederick D. Wolf, director of the GAO's accounting and financial management division. Mr. Wolf was appearing before the House Banking Committee, which is weighing a proposal to give the FSLIC the authority to issue notes explicitly guaranteed by the federal government.

Last December, the GAO — an investigative arm of Congress — put the projected cost at $26 billion to $36 billion.

Mr. Wolf said the FSLIC seriously underestimated the magnitude of its problems. It also underestimated the amount of capital it could attract from purchasers of troubled thrifts, he said.

GAO statistics show that the FSLIC has contributed 98.99% of the money in the six deals cut to revive insolvent Texas thrifts. Investors put up $105 million for institutions with $12.3 billion in assets. The FSLIC put up $10.3 billion in assistance in those deals, the GAO said.

Mr. Wolf recommended that Congress pass a resolution guaranteeing FSLIC notes as a stopgap measure. The FSLIC, however, should be limited to issuing a specific amount, he said, and the amount of guarantees on assets by the FSLIC also should be limited.

Speaking to reporters after his testimony, Mr. Wolf said the GAO believes that the notes already have the full faith and credit of the U.S. government. Federal Home Loan Bank Board Chairman M. Danny Wall originally asked Congress for the guarantees, but withdrew the request last week after the Reagan administration said the notes already have an implicit guarantee.

— Jim McTague

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SPECIAL REPORT

American Banker

TRANSACTION CARDS: With the credit card market increasingly saturated, banks have been looking for new ways to increase business. Today's special section examines the escalating battle for market share. ________ 13

Today

VOICE OF CONSUMERS

***American Banker* begins reporting** results from its fifth annual national poll to gauge how consumer America perceives the changing financial services industry. Over the next few weeks, articles will cover confidence in the health of the banking system, government bailout of failing institutions, the purchase of mutual funds and financial planning services at banks, satisfaction with the quality of banking service, ATM usage, and banking in the workplace. A special magazine containing the complete survey findings will be mailed free to subscribers at the end of October. Today's installment covers the growing preference for Visa over MasterCard. ________ 1

NEWS MONDAY

Leveraged management buyouts are under consideration at a handful of major bank holding companies, writes Bart Fraust in the Perspective column. ________ 34

A panel on financial issues offered ideas for the next President to consider. ________ 37

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Evon Emerson, during her tenure as president of the NABW, has focused attention on the issue of child care in the financial industry. ________ 2

West German banks are irritated that German bond futures will be offered on the the London stock exchange. 2

Home Box Office Inc. is promoting the affinity Visa card for Vietnam veterans. ________ 3

Morgan Guaranty has imposed a wholesale restructuring on its domestic corporate lending group. ________ 3

Departing chairman William C. Buckingham touts the effectiveness of the Consumer Bankers Association. __ 44

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COMMENT

Hawaii may not be the ideal spot for the ABA convention, given the rate of bank failures and the thrift industry crisis, writes Dr. Paul S. Nadler. ____ 4

Attempts to resolve the thrift crisis are reviewed by H. Erich Heinemann. ________ 4

AN AMERICAN BANKER SURVEY

Poll: Consumers Prefer Visa to MasterCard

By JEFFREY KUTLER

THE American public shows no sign of ending its love affair with credit cards, but it is not shy to express a preference for one card over another.

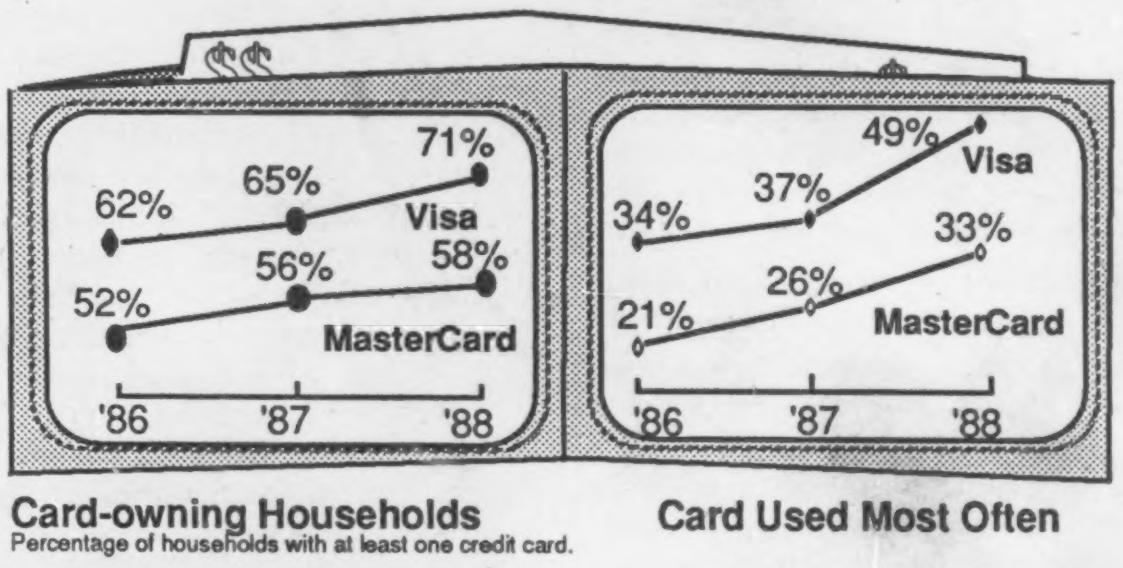
Consumers heap the most affection on Visa, and by a growing margin over MasterCard, according to the *American Banker*'s fifth annual consumer survey.

Consumer Survey

While Visa has an advantage, both bank cards are well established as mass-market consumer products. This gives them a strong numerical edge over the more upscale-oriented American Express card and the market's two upstarts: the Sears Discover card and American Express Optima card.

Here's to the Blue, White, and Gold

Visa is in 22% more cardholding households than MasterCard, and tends to be used more often.



Bases: 723 in 1986, 851 in '87, 763 in '88,

Source: *American Banker* survey, 1988

Visa has penetrated into a majority of American households: 53%, compared with 44% for MasterCard and 20% for American Express. In 1987 Visa was in 49% of households, and in 1986, 44%. In both those years, it was 7 percentage points ahead of MasterCard, compared with 9 points in 1988.

These are among the findings of the *American Banker*'s fifth annual survey

Please see SURVEY: Page 42 ➤

Credit Card Lending Soars at 3 Nonbank Banks

By L. MICHAEL CACACE

NEW YORK — Three limited-service banks scored the largest gains last year inbank credit card and related lending, according to an *American Banker* survey.

The banks, which now rank among the top 25 in the credit card field, are subsidiaries of three of the nation's diversified financial service giants — American Express Co.; Household International Inc.; and Sears, Roebuck and Co.

American Express Centurion Bank, Newark, Del., scored the largest percentage gain in credit card loans last year, according to this newspaper's third annual study of credit card lending at banks and thrifts.

Loans grew more than sevenfold, from $220.5 million on Dec. 31, 1986, when it ranked 78th among the top 100, to $1.65 billion on Dec. 31, 1987, when it ranked 12th.

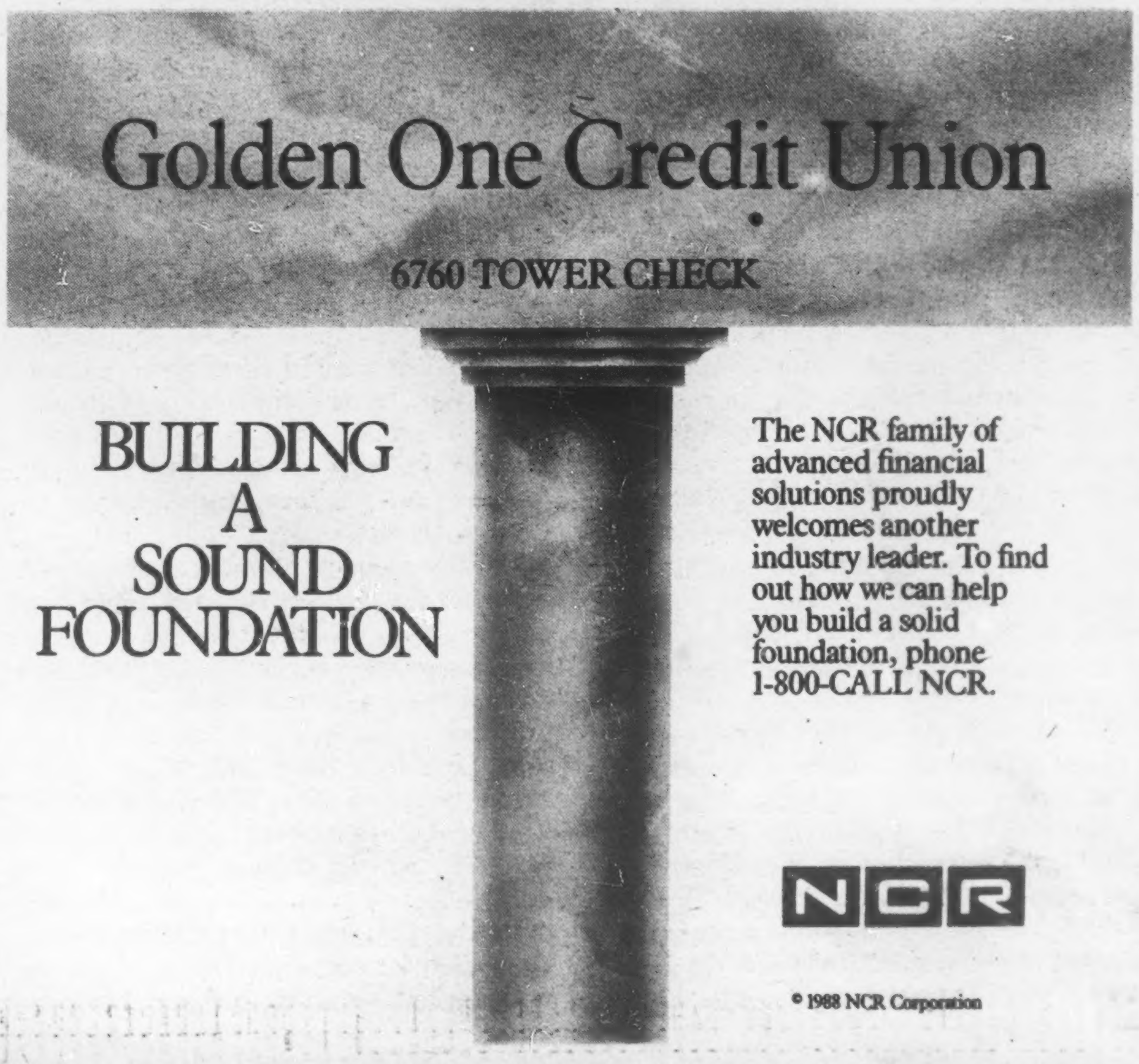
Lists Are on Pages 30-33 and 40

The bank, a direct subsidiary of American Express Travel Related Services, was created in 1985 and began operations in 1986. In the spring of 1987, it began issuing the Optima card. To date, Optima has been offered only to a select group of the approximately 30 million American Express green, gold, and platinum cardholders.

Only people who have held cards for at least one year and who are "in good standing" were offered the Optima card. Platinum cardholders, who pay an annual fee of $300, receive Optima free. Green and gold card customers pay $15 on top of their annual $45 or $65 membership fee. Brittain Associates Inc., Atlanta, has estimated that there are more than one million Optima cardholders.

In addition to issuing the Optima card, the bank also provides "Sign & Travel" credit to American Express cardmembers and supplies lines of credit for the American Express gold

Please see CREDIT: Page 6 ➤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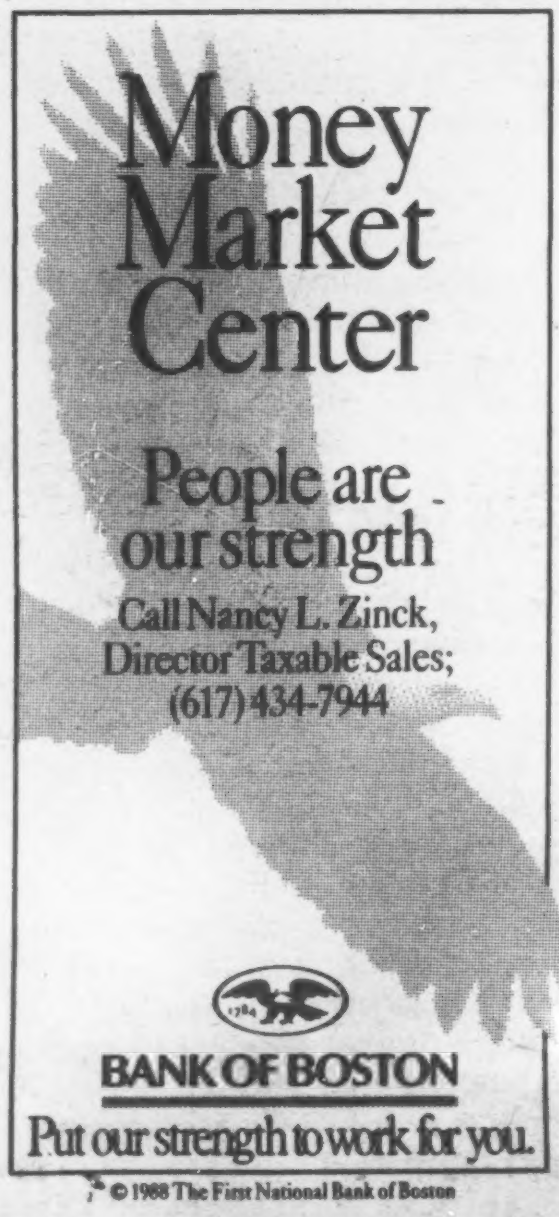
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BANKING TRENDS

Honolulu: The Right Place at the Wrong Time?

By DR. PAUL S. NADLER

THE old adage, "If you have a choice between luck and brains, take luck," comes to mind as the American Bankers Association convention in Hawaii approaches. If a trip there could come at the wrong time, this is it.

ABA
1988
HAWAII

The gathering will take place on Oct. 8-12. The convention people at the ABA have every right to respond: "Look, we have to schedule these conventions at least five years in advance to get the number of hotel rooms we need and all the other facilities that are necessary to make a convention a success."

Be that as it may, it sure looks bad when bankers head for Hawaii while the newspapers are full of stories of bank and thrift failures and of the possibility of a taxpayer bailout of savings and loans.

Nadler Says:

'We must recognize that fewer bankers want to attend general conventions, no matter what the location.'

(In this regard, we must remember that the average person doesn't know the difference between a bank and an S&L. Thus, as thrifts face difficulty, and the talk of a taxpayer bailout is rife, the news hurts banking's image as well as that of the thrift industry.)

The convention's location not only creates image problems, but it also looks as if attendance will be extremely low.

At this writing, the ABA expects 7,000 to attend, far fewer than the 11,000 who attended the 1983 convention in the same city. So the convention may be a financial disappointment.

Fewer Attendees

Why is the number of attendees expected so low? Several reasons come to mind.

First, there are the bankers who look at the troubles in the financial sector and conclude that it doesn't look good for them to go to Hawaii at the present time, no matter how important the convention may be. It simply would not be understood by the public and would probably lead to some unpleasant reports in the local media.

Second, there are many banks that just cannot afford the trip anymore. The halcyon days of U.S. banking are over, and the several thousands of dollars that it would cost to transport a banker and spouse to Hawaii and then feed and house them during the convention are funds that could well be used elsewhere.

Third, most of the banks that are sending people are sending far fewer than before. Some banks that used to send 30 people may well be represented by 2 or 4 this year.

There are several reasons.

Again, cost is an issue. And on top of that, the ABA convention is no longer the center for correspondent banking activity. Major banks don't throw as many big parties to entertain thousands of bankers. And with fewer parties, the banks don't need to send as many hosts to press the flesh.

A fourth factor limiting attendance is the pace of mergers. When a bank is bought out and a healthy price is paid, there is little need for the acquirer to subsidize a trip to the ABA convention in Hawaii for the acquiree's officers and directors. Their attendance would probably do little to further the fortunes of the surviving bank.

And, finally, we must recognize that fewer bankers want to attend general conventions, no matter what the location.

Please see TRENDS: Page 7 ➤

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

OVERVIEW /COMMENTARY

Pious Phrases Aside, Cause of S&L Crisis Was Fraud, Greed, and Mismanagement

By H. ERICH HEINEMANN

The following is an update of a column that appeared in the *American Banker* on Oct. 12, 1987. The column warned of the massive crisis then confronting the thrift industry. Since that time, the crisis has become far more serious — and potentially far more costly to taxpayers.

□

AT the eleventh hour, Washington is finally awakening to the magnitude of the disaster that faces the nation's savings institutions — a disaster that government itself has helped to create.

At stake is not only a monumental federal bailout of depositors — almost certain to cost taxpayers well in excess of $50 billion — but also a complete overhaul of the entire system of deposit insurance for both commercial banks and thrift institutions.

The crisis promises to be a top priority in the new administration, whoever is elected. The overwhelming consensus, both inside and outside government, is that a general loss of confidence in the banking system is unthinkable, no matter how shaky savings and loan associations may become. Even so, the crisis, and the overall decline in the quality of credit that it represents, are likely to cast a pall over U.S. financial markets for the indefinite future.

Heinemann Says:

'Assets have been shuffled from one government agency to another, or from one S&L to another, without dealing with the underlying difficulties in the industry.'

The Federal Home Loan Bank Board said last week that savings and loan associations lost $7.5 billion during the first six months of 1988, on top of a $7.8 billion loss in 1987. The Bank Board added that 497 operating S&Ls were insolvent at midyear, down from 509 three months earlier.

However, at least 853 thrifts with more than $400 billion in assets were "hopelessly insolvent" at the end of last year, according to Bert Ely, an Alexandria, Va., consultant who has long been one of the best sources on the S&L crisis. The number of insolvent cases has likely increased since year-end 1987.

The Bank Board has announced numerous bailouts of distressed institutions in recent weeks, particularly in

Please see OVERVIEW: Page 7 ➤

Mr. Heinemann is chief economist of Ladenburg, Thalmann & Co., a New York investment banking firm.

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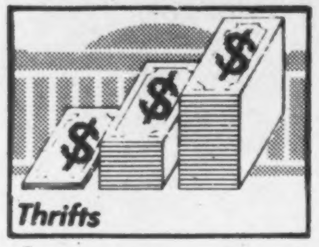
MEMORY BANK

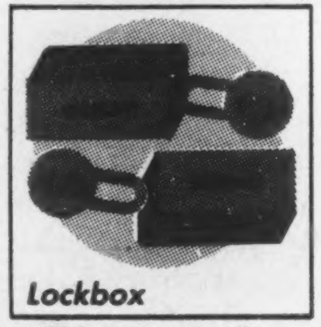
The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 38.

1. The Federal Savings and Loan Insurance Corp. uses notes in lieu of cash to finance the sale of failed thrift institutions. M. Danny Wall, chairman of the Federal Home Loan Bank Board, has said the FSLIC will not issue notes in excess of $16 billion, because that figure represents the limit of principal and interest the agency is capable of repaying over the next 11 years. According to the General Accounting Office — confirmed by a Bank Board member — when is the FSLIC likely to reach its debt ceiling?



2. Very much in the air at last week's 43d annual meetings of the International Monetary Fund and the World Bank in West Berlin were the equally unsettling concepts of debt fatigue and debt populism. Debt fatigue signifies the acknowledged incapability of debtor nations to grow their way out of their present difficulties without some kind of relief from their creditors. Where are debt populists found, and what do they advocate?

3. Wholesale and retail lockbox services, in which payments are directly received and collected for corporate customers, have retained their status as core products offered by 75% of the nation's top 100 banks. But a recent study by Trans Data Corp., this newspaper's research affiliate, finds a 10% drop in the number of wholesale lockbox customers per bank for 1988. What factor does Trans Data blame for this decline?



4. The Large Dollar Payment Systems Advisory Group, an industry committee representing 12 member banks, has taken a firm position on the best way to lower bank and corporate demand for risky intraday credits. Given a choice between the current regulatory approach, setting debit caps on the daylight overdrafts banks may incur, and the market approach, charging fees for these overdrafts, which strategy does the advisory group think most likely to reform the electronic funds transfer behavior of banks?

5. No overview of the affinity credit card market would be complete without mention of the potentially collectible and rather pricey "first edition" piece of plastic introduced by Leader Federal Savings and Loan, Memphis. What American folk hero is depicted on this colorful card, against a jukebox background?

6. The International Conference for Financial Planning, meeting in New York, took full notice of the changing market for planning services when it advised planners to abandon commissions and set a value on their time by charging fees in a manner similar to attorneys and certified public accountants. According to Gail Cook, founder and president of Perimeter Financial Group Inc., Atlanta, what segment of the American consumer market now represents the brightest hope for the financial planning industry?

— Robert Paul Molay

The Top 25 Firms in Bank Credit Cards

Based on the Combined Credit Card Loans Outstanding at Commercial Bank and Thrift Subsidiaries (in millions of dollars)

Rank	Rank		Credit Card Loans Outstanding At Bank & Thrift Subsidiaries				Card Loans Outstanding	
12/87	12/86	Parent Company	12/31/87	12/31/86	% Chg.	Bank & Thrift Subsidiaries	12/31/87	12/31/86
1	1	**Citicorp, New York**	17,747	15,319	+15.8%	Citibank of Arizona, Phoenix	$40.2	$41.5
						Citicorp Savings, FS&LA, San Francisco	38.4	16.6
						Citicorp Savings of Florida, FS&LA, Miami	51.3	10.5
						Citicorp Savings of Illinois, FS&LA, Chicago	171.4	73.0
						Citibank (Maryland) NA, Towson	966.3	984.7
						Citibank (Nevada) NA, Las Vegas	3,191.8	2,561.1
						Citibank NA, New York	1,537.0	1,557.0
						Citibank (New York State), Perinton	186.3	271.6
						Citibank South Dakota NA, Sioux Falls	11,564.8	9,803.3
2	3	**Chase Manhattan Corp., New York**	6,345	5,449	+16.4%	Chase Manhattan Bank (USA) NA, Wilmington	5,907.7	5,080.8
						Chase Manhattan Bank NA, New York	171.6	133.3
						Chase Lincoln First Bank NA, Rochester	265.8	234.5
3	2	**BankAmerica Corp., San Francisco**	5,121	6,065	-15.6%	Bank of America NT & SA, San Francisco	4,122.0	5,247.0
						Seattle-First National Bank	999.0	817.6
4	4	**First Chicago Corp.**	4,036	3,504	+15.2%	FCC National Bank, Wilmington, Del. † (a)	2,311.5	1,130.0
						First National Bank, Chicago	1,724.1	3,504.3
5	16	**Sears, Roebuck & Co., Chicago**	3,136	1,004	+212.4%	Greenwood Trust Co., New Castle, Del. (b)	3,135.8	1,004.4
6	5	**Wells Fargo & Co., San Francisco**	2,670	2,816	—5.2%	Wells Fargo Bank NA, San Francisco	2,670.4	2.815.7
7	7	**Manufacturers Hanover Corp., New York**	2,611	2,029	+28.7%	Manufacturers Hanover Trust Co.	2,611.0	2,029.0
8	6	**First Interstate Bancorp., Los Angeles**	2,335	2,409	—3.1%	First Interstate Bank of Arizona NA, Phoenix	300.0	324.7
						First Interstate Bancard NA, Simi Valley, Calif.	317.9	355.3
						First Interstate Bank, Los Angeles	996.9	994.4
						First Interstate Bank NA, Denver	44.3	48.3
						First Interstate Bank Idaho NA, Boise	36.3	37.6
						First Interstate Bank Nevada NA, Reno	115.9	122.4
						First Interstate Bank Oregon NA, Portland	227.3	207.2
						First Interstate Bank Utah NA, Salt Lake City	39.3	42.0
						First Interstate Bank Washington NA, Spokane	257.0	277.4
9	8	**MNC Fincancial Corp., Baltimore**	2,223	1,706	+30.3%	Maryland Bank NA, Newark, Del.	1,829.4	1,392.0
						American Security Bank NA, Washington, D.C. † (c)	41.7	37.9
						Maryland National Bank, Baltimore	352.1	314.3
10	...	**Bank of New York Co., Inc.**	2,103	824	+155.2%	Bank of New York/Delaware, Wilmington	2,041.7	749.4
						Bank of New York	60.8	74.7
11	10	**Security Pacific Corp., Los Angeles**	1,843	1,432	+28.7%	Arizona Bank, Phoenix	196.6	205.7
						Security Pacific National Bank, Los Angeles	1,158.2	1,182.1
						Oregon Bank, Portland	38.4	44.2
						Rainier National Bank, Seattle †	449.5	445.0
12	...	**American Express Co., New York**	1,671	405	+312.6%	American Express Centurion Bank, Newark, Del.	1647.5	220.5
						Boston Safe Deposit & Trust Co. (d)	24.0	184.4
13	12	**Chemical Banking Corp., New York**	1,598	1,314	+21.6%	Texas Commerce Bank, Newark, Del. †	49.2	53.5
						Chemical Bank NA, Jericho, N.Y.	76.4	56.0
						Chemical Bank, New York	1,472.0	1,258.0
14	9	**Marine Midland Banks, Buffalo, N.Y.**	1,359	1,447	—6.1%	Marine Midland Bank (Del.) NA, Wilmington	733.8	563.2
						Marine Midland Bank NA, Buffalo	625.0	883.6
15	14	**BancOne Corp., Columbus, Ohio**	1,273	1,112	+14.5%	Bank One Indianapolis NA	208.3	247.2
						Bank One Lafayette NA, Ind.	170.8	160.2
						Bank One Akron NA, Ohio	61.9	65.4
						Bank One Cleveland NA	44.5	53.9
						Bank One Columbus NA, Ohio	459.6	302.4
						Bank One Dayton NA, Ohio	174.3	172.0
						Bank One Mansfield, Ohio	34.0	N.A.
						Bank One Youngstown NA	119.8	111.4
16	11	**First Wachovia Corp., Winston-Salem, N.C.**	1,257	1,330	—5.5%	First Atlanta Bank NA, New Castle, Del.	97.1	90.6
						First National Bank, Atlanta	854.2	865.9
						Wachovia Bank & Trust Co., Winston Salem	305.4	373.8
17	...	**Signet Banking Corp., Richmond**	1,138	932	+22.1%	Signet Bank/Maryland, Baltimore † (e)	39.0	117.1
						Signet Bank/Virginia, Richmond (f)	1,099.0	931.7
18	...	**Lomas & Nettleton Financial Corp., Dallas**	1,087	653	+66.5%	Lomas Bank USA, Wilmington, Del. (g)	1,087.2	652.8
19	15	**NCNB Corp., Charlotte, N.C.**	1,021	1,086	+6.0%	NCNB National Bank of Florida, Tampa	146.1	135.8
						NCNB National Bank of North Carolina, Charlotte	472.4	622.8
						NCNB South Carolina, Columbia	402.1	327.7
20	...	**CoreStates Financial Corp., Philadelphia**	996	831	+19.9%	CoreStates Bank of Delaware NA, Wilmington	995.6	830.6
21	...	**Sovran Financial Corp., Norfolk, Va.**	988	852	+16.0%	Sovran Bank/Delaware, Dover	213.1	191.8
						Sovran Bank/Central South, Nashville, Tenn. † (h)	85.4	83.1
						Sovran Bank NA, Richmond	689.9	660.0
22	...	**Household International Inc., Prospect Heights, Ill.**	972	246	+294.9%	Household Bank NA, Salinas, Calif. (i)	936.5	207.1
						Household Bank FSB, Newport Beach, Calif.	35.8	39.1
23	...	**Chevy Chase Savings Bank FSB, Chevy Chase, Md.**	948	300	+216.3%	....	.....	.....
24	...	**Michigan National Corp., Farmington Hills**	907	728	+24.5%	Michigan National Bank, Farmington Hills	906.6	727.9
25	...	**Mellon Bank Corp., Pittsburgh**	892	740	+20.5%	Mellon Bank (Delaware) NA, Wilmington	622.9	485.5
						Commonwealth National Bank, Harrisburg, Pa.	38.3	40.9
						Mellon Bank (Central) NA, Mapleton Depot, Pa.	44.2	34.2
						Mellon Bank (East) NA, Philadelphia	42.1	45.6
						Mellon Bank NA, Pittsburgh	144.6	133.8

Sources of Data: Federal Regulatory Report of Condition for all FDIC-insured commercial and savings banks; and the Federal Home Loan Bank Board's Quarterly Financial Report. These data were provided to American Banker by **ADP Data Services Division, New York.** ADP restates its 1986 data on a pro forma basis for mergers in 1987. **Credit card loans outstanding:** For commercial banks and FDIC-insured savings banks, these loans are defined to include all extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. For thrifts reporting to the FHLBB, these loans include credit extended in connection with credit cards plus overdrafts on NOW accounts plus any other open-ended credit extended to consumers. **Commercial banks** include "nonbank" banks, and **thrifts** include both FSLIC-insured and FDIC-insured savings institutions. Industrial banks are excluded. The data were provided **by ADP Data Services Division, New York. (a)—** In July 1987, First Chicago Corp. completed its purchase of Beneficial National Bank USA from Beneficial Corp. for about $250 million. The bank's name was then changed to FCC National Bank. **(b)—** A direct subsidiary of Dean Witter Financial Services Group, which is in turn a subsidiary of Sears, Roebuck and Co. Greenwood Trust handles the "Discover" credit card operations for Sears. **(c)—** Acquired by MNC Financial on March 16, 1987. **(d)—** A subsidiary of Shearson Lehman Hutton Inc., which in turn, is a subsidiary of American Express. **(e)—** Formerly Union Trust Co. of Maryland, name was changed in March 1987. **(f)—** Formerly Bank of Virginia, name was changed in March 1987. **(g)—** Acquired by Lomas & Nettleton Financial Corp. from MCorp, Dallas, in Dec. 1986. The bank's name was changed (from MBank USA) in Nov. 1987. **(h)—** Formerly Commerce Union Bank, name was changed in Nov. 1987. **(i)—** In 1987 the bank acquired the credit card operations of Avco National Bank, Irvine Calif. Avco had $342.3 million in credit card loans outstanding at yearend 1986. Also in 1987, the bank acquired about $320 million in credit card receivables from Colonial National Bank USA, Wilmington. And last July, the bank acquired the credit card operations of Beverly Hills Savings, FS&LA, for approximately $36 million. Beverly Hills Savings had $41 million in credit card loans outstanding at yearend 1987. **(†)—** Bank acquired in 1987 and is not included in the 1986 total

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Bank Credit Card Operations of Diversified Financial Service Companies

Rank	Rank			Credit Card Loans (thousands of dollars)			Date of
12/87	12/86	Name of Bank	Name of Parent	12/31/87	12/31/86	% Chg.	Acq./Start
154	219	**Associates National Bank, Concord, Calif.**	Gulf & Western Corp., New York	89,056	$ 49,658	79.3%	1980
...	50	**Avco National Bank, Irvine, Calif. (a)**	Avco Corp., Greenwich, Conn.	0	342,331	-100.0	1982
22	82	**Household Bank NA, Salinas, Calif. (b)**	Household International Inc., Prospect Heights, Ill.	936,497	207,142	+352.1	1981
70	118	**J.C. Penney National Bank, Harrington, Del.**	J.C. Penney & Co., New York	257,823	131,444	+96.1	1983
5	13	**Greenwood Trust Co., Newcastle, Del.**	Sears, Roebuck & Co., Chicago	3,135,774	1,004,362	+212.2	1985
12	78	**American Express Centurion Bank, Newark, Del.**	American Express Travel Related Services (c)	1,647,475	220,513	+647.1	1985
..	12	**Beneficial National Bank, Wilmington (d)**	Beneficial Corp., Wilmington	......	1,130,044	....	1952
35	36	**Colonial National Bank USA, Wilmington**	ADVANTA Corp, Horsham, Pa. (e)	521,896	433,683	+20.3	1982
56	58	**First National Bank, Wilmington**	Commercial Credit Corp., Baltimore	323,056	294,474	+9.7	1984
	92	**Boston Safe Deposit & Trust Co.**	Shearson Lehman Hutton Inc., New York (c)	23,990	184,397	—87.0	1981
25	48	**First Deposit National Bank, Tilton, N.H.**	Capital Holding Corp., Louisville, Ky.	853,630	345,590	+147.0%	1984

Credit credit loans— See the definition of credit card loans outstanding for commercial banks in the footnotes to the table on page 30. **(a)—** Sold credit card operations to Household Bank NA, Salinas, Calif., in 1987. **(b)—** Formerly Valley National Bank Household Bank, changed title during first quarter of 1988. In 1987 the bank acquired the credit card operations of Avco National Bank, Irvine Calif., and about $320 million in credit card receivables from Colonial National Bank USA, Wilmington, Del. Last July, it acquired the credit card operations of Beverly Hills Savings,FS&LA. **(c)—** A subsidiary of American Express Co., New York. **(d)—** In July 1987, First Chicago Corp. completed its purchase of Beneficial National Bank USA from Beneficial Corp. The bank's name was then changed to FCC National Bank. **(e)—** Formerly known as TSO Financial Corp.

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Top 100 Banks in Credit Card Operations

Credit Card Loans Outstanding on Dec. 31, 1987, Compared with Dec. 31, 1986 (In Thousands of Dollars)

Rank 12/87		Credit Card and Related Loans Outstanding 12/31/87	12/31/86	% Chg.	Total Loans 12/31/87	Ratio: Credit Cards to Total Loans	Gross Interest Revenue From Credit Card Opeations 1987	1986	% Chg.	Net Chargeoffs (Card Related) 1987	1986	Chargeoffs as % Of Credit Card Loans 1987	1986
1	**Citibank South Dakota NA, Sioux Falls**	11,664,760	9,803,251	18.0	11,707,264	98.8	1,737,584	1,617,540	7.4	522,603	468,391	4.5	4.8
2	**Chase Manhattan Bank (USA) NA, Wilmington, Del.**	5,907,687	5,080,808	16.3	5,946,258	99.4	832,735	811,769	2.6	230,483	225,498	3.9	4.4
3	**Bank of America NT&SA, San Francisco**	4,122,000	5,247,000	-21.4	55,570,000	7.4	715,000	875,000	-18.3	132,000	149,000	3.2	2.8
4	**Citibank (Nevada) NA, Las Vegas**	3,191,800	2,561,077	24.6	3,197,881	99.8	485,311	358,005	35.6	81,886	51,739	2.6	2.0
5	**Greenwood Trust Co., Newcastle, Del.**	3,135,774	1,004,362	212.2	3,158,115	99.3	335,072	N.A.	...	80,813	6,839	2.6	0.7
6	**Wells Fargo Bank NA, San Francisco**	2,670,350	2,815,700	-5.2	34,950,423	7.6	460,522	426,419	8.0	100,470	96,541	3.8	3.4
7	**Manufacturers Hanover Trust Co., New York**	2,611,000	2,029,000	28.7	41,512,000	6.3	376,000	288,000	30.6	87,000	43,000	3.3	2.1
8	**FCC National Bank, Wilmington, Del. (a)**	2,311,520	1,130,044	104.6	2,313,839	99.9	241,522	192,880	25.2	64,152	57,271	2.8	5.1
9	**Bank of New York (Delaware), Wilmington**	2,041,747	749,399	172.5	2,212,089	92.3	177,088	86,730	104.2	27,092	7,514	1.3	1.0
10	**Maryland Bank NA, Newark, Del.**	1,829,360	1,391,967	31.4	1,914,668	95.5	239,329	168,192	42.3	33,501	20,358	1.8	1.5
11	**First National Bank of Chicago**	1,724,056	3,504,260	-50.8	23,270,504	7.4	531,907	601,560	-11.6	112,430	115,662	6.5	3.3
12	**American Express Centurion Bank, Newark, Del.**	1,647,475	220,513	647.1	1,650,443	99.8	104,308	N.A.	...	17,227	2,711	1.0	1.2
13	**Citibank NA, New York**	1,537,000	1,557,000	-1.3	95,014,001	1.6	296,000	304,000	-2.6	17,000	15,000	1.1	1.0
14	**Chemical Bank, New York**	1,472,000	1,258,000	17.0	36,012,000	4.1	209,000	219,000	-4.6	30,000	38,000	2.0	3.0
15	**Security Pacific National Bank, Los Angeles**	1,158,182	1,185,231	-2.3	31,414,702	3.7	182,242	195,488	-6.8	26,988	30,763	2.3	2.6
16	**Signet Bank/Virginia, Richmond**	1,099,045	931,730	18.0	4,176,394	26.3	158,731	154,386	2.8	33,537	27,414	3.1	2.9
17	**Lomas Bank USA, Wilmington, Del. (b)**	1,087,210	652,689	66.6	1,099,127	98.9	140,397	103,214	36.0	31,037	27,075	2.9	4.1
18	**Seattle-First National Bank**	998,979	817,618	22.2	8,355,511	12.0	151,882	140,761	7.9	18,729	21,127	1.9	2.6
19	**First Interstate Bank of Calif., Los Angeles**	996,946	994,354	0.3	13,721,005	7.3	163,400	180,310	-9.4	33,363	27,730	3.3	2.8
20	**CoreStates Bank of Delaware NA, Wilmington**	995,566	830,578	19.9	995,566	100.0	143,515	125,760	14.1	22,943	18,075	2.3	2.2
21	**Citibank (Maryland) NA, Towson**	966,260	984,693	-1.9	1,058,437	91.3	184,998	201,420	-8.2	60,490	85,102	6.3	8.6
22	**Household Bank NA, Salinas, Calif. (c)**	936,497	207,142	352.1	936,497	100.0	90,652	26,152	246.6	31,200	6,596	3.3	3.2
23	**Michigan National Bank, Farmington Hills (d)**	906,558	727,914	24.5	5,738,650	15.8	142,060	154,402	-8.0	26,561	20,721	2.9	2.8
24	**First National Bank, Atlanta**	854,207	868,251	-1.6	4,579,735	18.7	154,893	164,979	-6.1	30,280	43,872	3.5	5.1
25	**First Deposit National Bank, Tilton, N.H.**	853,630	345,590	147.0	866,863	98.5	111,997	N.A.	...	11,213	1,095	1.3	0.3
26	**BancOhio National Bank, Columbus**	769,559	580,711	32.5	3,390,175	22.7	127,310	90,566	40.6	44,053	25,205	5.7	4.3
27	**Southeast Bank NA, Miami**	741,512	699,366	6.0	8,019,618	9.2	90,567	88,919	1.9	16,176	17,364	2.2	2.5
28	**Marine Midland Bank (Delaware) NA, Wilmington**	733,764	563,229	30.3	1,726,264	42.5	129,146	37,348	245.8	35,262	907	4.8	0.2
29	**Sovran Bank NA, Richmond**	689,910	659,992	4.5	7,883,594	8.8	89,799	89,303	0.6	13,936	12,338	2.0	1.9
30	**Marine Midland Bank NA, Buffalo, N.Y.**	624,973	883,592	-29.3	17,228,417	3.6	114,939	191,481	-40.0	9,103	41,595	1.5	4.7
31	**Mellon Bank (Delaware) NA, Wilmington**	622,891	485,452	28.3	952,237	65.4	78,291	73,642	6.3	10,329	11,460	1.7	2.4
32	**First City Bank Sioux Falls NA, S.D.**	583,950	587,949	-0.7	584,284	99.9	94,033	91,554	2.7	26,057	26,111	4.5	4.4
33	**Crestar Bank, Richmond**	540,764	524,541	3.1	6,780,105	8.0	93,057	90,808	2.5	14,652	10,343	2.7	2.0
34	**First National Bank of Boston**	526,932	559,246	-5.8	17,942,732	2.9	76,641	74,215	3.3	16,095	22,862	3.1	4.1
35	**Colonial National Bank USA, Wilmington, Del.**	521,896	433,683	20.3	947,505	55.1	170,326	88,085	93.4	32,871	11,342	6.3	2.6
36	**Valley National Bank, Phoenix, Ariz.**	478,291	451,464	5.9	6,915,617	6.9	69,426	56,081	23.8	11,319	8,253	2.4	1.8
37	**First Omni Bank NA, Millsboro, Del.**	473,395	462,409	2.4	480,847	98.5	81,694	67,344	21.3	23,587	14,811	5.0	3.2
38	**NCNB National Bank of North Carolina, Charlotte**	472,441	622,830	-24.1	9,268,329	5.1	91,617	80,452	13.9	9,384	9,340	2.0	1.5
39	**Bank One Columbus NA, Ohio**	459,558	302,417	52.0	2,408,821	19.1	61,239	64,238	-4.7	19,990	24,389	4.3	8.1
40	**Rainier National Bank, Seattle**	449,506	444,986	1.0	5,804,564	7.7	91,821	92,109	-0.3	9,105	9,994	2.0	2.2
41	**NCNB South Carolina, Columbia**	402,122	328,003	22.6	2,063,059	19.5	72,455	66,615	8.8	25,698	28,812	6.4	8.8
42	**Barclays Bank of Delaware NA, Wilmington**	387,196	248,634	55.7	395,297	98.0	59,565	30,944	92.5	25,495	11,636	6.6	4.7
43	**National Westminster Bank USA, New York**	386,440	393,358	-1.8	8,508,044	4.5	60,247	69,504	-13.3	8,929	11,505	2.3	2.9
44	**Security Bank & Trust Co., Southgate, Mich.**	383,963	360,248	6.6	854,838	44.9	62,911	61,608	2.1	5,298	4,566	1.4	1.3
45	**Citizens & Southern National Bank, Atlanta**	379,179	284,658	33.2	7,499,096	5.1	55,661	53,903	3.3	5,581	7,338	1.5	2.6
46	**RepublicBank Delaware, Newark (e)**	377,442	374,574	0.8	377,442	100.0	56,175	18,876	197.6	17,209	4,009	4.6	1.1
47	**United States National Bank, Portland, Ore.**	376,359	336,488	11.8	5,246,566	7.2	57,566	56,445	2.0	7,891	6,101	2.1	1.8
48	**Harris Trust & Savings Bank, Chicago**	369,167	358,992	2.8	4,942,185	7.5	66,905	62,026	7.9	8,351	10,386	2.3	2.9
49	**First Wisconsin National Bank, Milwaukee**	360,392	358,388	0.6	2,618,031	13.8	48,510	47,733	1.6	4,670	4,076	1.3	1.1
50	**Equibank Delaware NA, Wilmington (f)**	356,919	......	...	357,312	99.9	40,675	......	...	10,139	......	2.8	...
51	**NBD Delaware Bank, Wilmington**	352,939	343,357	2.8	352,939	100.0	53,653	48,534	10.5	7,506	5,931	2.1	1.7
52	**Maryland National Bank, Baltimore**	352,111	314,300	12.0	5,868,648	6.0	34,811	71,111	-51.0	5,983	6,626	1.7	2.1
53	**First National Bank, Omaha, Neb.**	343,812	220,799	55.7	666,519	51.6	60,179	39,613	51.9	8,296	4,548	2.4	2.1
54	**Norwest Bank Des Moines NA, Iowa**	330,104	249,154	32.5	795,684	41.5	37,166	39,586	-6.1	5,460	6,772	1.7	2.7
55	**PNC National Bank, Wilmington, Del.**	324,460	300,826	7.9	407,749	79.6	44,018	42,270	4.1	5,796	4,257	1.8	1.4
56	**First National Bank of Wilmington, Del.**	323,056	294,474	9.7	334,647	96.5	42,449	42,843	-0.9	10,981	7,122	3.4	2.4
57	**First Interstate Bancard NA, Simi Valley, Calif.**	317,879	355,283	-10.5	317,879	100.0	63,401	75,359	-15.9	29,371	46,419	9.2	13.1
58	**Indiana National Bank, Indianapolis**	314,954	290,587	8.4	2,969,033	10.6	45,003	54,757	-17.8	7,016	9,904	2.2	3.4
59	**First Union National Bank, Charlotte, N.C.**	313,746	356,600	-12.0	8,719,737	3.6	41,624	45,625	-8.8	2,930	2,360	0.9	0.7
60	**Equitable Bank NA, Baltimore**	309,968	222,977	39.0	2,230,824	13.9	43,154	44,905	-3.9	5,852	10,065	1.9	4.5
61	**Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.**	305,442	373,789	-18.3	7,307,740	4.2	37,746	40,371	-6.5	1,815	2,051	0.6	0.5
62	**First Interstate Bank of Arizona NA, Phoenix**	300,022	324,728	-7.6	4,594,063	6.5	49,236	50,899	-3.3	11,498	10,498	3.8	3.2
63	**State Street Bank & Trust Co., Boston**	297,736	294,068	1.2	2,157,380	13.8	39,733	33,178	19.8	8,665	5,307	2.9	1.8
64	**Sun Bank NA, Orlando, Fla.**	296,526	304,217	-2.5	2,505,800	11.8	51,058	44,137	15.7	8,751	14,164	3.0	4.7
65	**Mercantile Bank NA, St. Louis, Mo.**	284,265	405,779	-29.9	3,089,459	9.2	64,747	56,859	13.9	21,618	13,395	7.6	3.3
66	**Connecticut Bank & Trust Co. NA, Hartford**	272,550	255,379	6.7	6,389,883	4.3	33,716	32,145	4.9	3,123	2,480	1.1	1.0
67	**Central Bank, Denver**	271,236	285,283	-4.9	732,216	37.0	63,518	70,671	-10.1	9,538	9,930	3.5	3.5
68	**Chase Lincoln First Bank NA, Rochester, N.Y.**	265,822	234,498	13.4	4,819,052	5.5	35,215	35,381	-0.5	3,647	3,107	1.4	1.3
69	**First National Bank of Commerce, New Orleans**	260,019	232,160	12.0	1,193,503	21.8	33,868	31,629	7.1	5,278	5,567	2.0	2.4
70	**J.C. Penney National Bank, Harrington, Del.**	257,823	131,444	96.1	283,073	91.1	30,712	13,692	124.3	9,262	5,209	3.6	4.0
71	**First Interstate Bank Washington NA, Seattle**	256,968	277,389	-7.4	2,076,894	12.4	41,406	42,266	-2.0	20,854	13,544	8.1	4.9
72	**AmeriTrust Co. NA, Cleveland**	255,872	259,586	-1.4	5,738,965	4.5	43,625	43,368	0.6	8,220	5,812	3.2	2.2
73	**Central Fidelity Bank, Richmond**	252,181	271,419	-7.1	2,810,875	9.0	39,443	43,503	-9.3	6,656	6,799	2.6	2.5
74	**Comerica Bank-Detroit**	247,023	266,800	-7.4	4,831,012	5.1	44,942	47,836	-6.0	5,564	7,878	2.3	3.0
75	**Banco Popular de Puerto Rico, San Juan**	244,833	196,501	24.6	2,772,473	8.8	29,595	25,378	16.6	3,674	3,017	1.5	1.5
76	**Meridian Bank, Reading, Pa.**	242,932	195,221	24.4	4,767,607	5.1	23,937	27,195	-12.0	3,008	1,754	1.2	0.9
77	**First Tennesee Bank NA, Memphis**	240,252	226,872	5.9	3,518,625	6.8	42,322	43,431	-2.6	7,174	6,422	3.0	2.8
78	**Barnett Bank of South Florida NA, Miami**	233,217	202,472	15.2	3,687,148	6.3	30,466	24,720	23.2	4,880	4,038	2.1	2.0
79	**First Bank NA, Minneapolis (g)**	233,102	230,889	1.0	9,179,276	2.5	40,843	31,162	31.1	5,198	3,544	2.2	1.5
80	**Irving Trust Co., New York**	231,109	142,089	62.7	12,429,265	1.9	28,680	20,106	42.6	4,357	2,553	1.9	1.8
81	**First Interstate Bank of Oregon NA, Portland**	227,267	207,175	9.7	3,237,463	7.0	33,127	30,018	10.4	2,879	3,078	1.3	1.5
82	**Society National Bank, Cleveland**	226,514	221,060	2.5	3,289,039	6.9	27,058	28,095	-3.7	3,357	4,978	1.5	2.3
83	**Connecticut National Bank, Hartford**	220,767	217,647	1.4	6,418,463	3.4	20,421	19,893	2.7	1,783	1,951	0.8	0.9
84	**Comerica-Midwest NA, Toledo, Ohio**	216,718	172,196	25.9	216,718	100.0	30,001	27,905	7.5	8,010	9,662	3.7	5.6
85	**Sovran Bank/Delaware, Dover**	213,145	191,846	11.1	213,145	100.0	27,385	26,578	3.0	2,610	1,936	1.2	1.0
86	**Bank One Indianapolis NA**	208,349	247,179	-15.7	2,538,009	8.2	44,041	42,522	3.6	14,090	11,138	6.8	4.5
87	**Colorado National Bank, Denver**	207,120	199,050	4.1	710,594	29.1	31,478	28,489	10.5	6,039	4,335	2.9	2.2
88	**European American Bank, New York**	206,475	292,015	-29.3	3,999,782	5.2	43,508	55,851	-22.1	7,331	12,873	3.6	4.4
89	**South Carolina National Bank, Charleston**	196,614	191,174	2.8	3,361,749	5.8	36,704	43,892	-16.4	2,981	2,985	1.5	1.6
90	**Arizona Bank, Phoenix**	196,558	207,168	-5.1	3,679,385	5.3	18,651	20,106	-7.2	4,460	3,314	2.3	1.6
91	**Shawmut Bank NA, Boston**	192,117	167,602	14.6	4,886,974	3.9	25,670	28,789	-10.8	2,509	1,044	1.3	0.6
92	**Barclays Bank of California, San Francisco**	190;760	134,136	42.2	923,992	20.6	28,426	21,814	30.3	7,594	5,055	4.0	3.8
93	**Citibank (New York State), Perinton**	186,341	271,649	-31.4	3,069,237	6.1	34,344	52,700	-34.8	5,430	35,680	2.9	13.1
94	**Fidelity Bank NA, Malvern, Pa.**	181,182	189,570	-4.4	5,991,036	3.0	26,753	24,527	9.1	4,065	2,347	2.2	1.2
95	**First American National Bank, Nashville, Tenn.**	178,746	134,089	33.3	1,895,007	9.4	22,521	24,880	-9.5	3,645	2,145	2.0	1.6
96	**United Bank of Denver NA**	176,860	185,766	-4.8	1,332,390	13.3	28,649	36,387	-21.3	4,209	4,056	2.4	2.2
97	**Bank One Dayton NA, Ohio**	174,273	171,980	1.3	1,305,803	13.3	44,768	40,971	9.3	8,730	5,921	5.0	3.4
98	**Chase Manhattan Bank NA, New York**	171,598	133,325	28.7	49,221,260	0.3	14,528	14,094	3.1	3,023	2,379	1.8	1.8
99	**First Pennsylvania Bank (Delaware), Wilmington**	171,398	168,575	1.7	171,398	100.0	N.A.	6,423	-100.0	4,020	25	2.3	0.0
100	**Bank One Lafayette NA, Ind.**	170,801	160,239	6.6	313,067	54.6	23,854	31,625	-24.6	4,431	5,281	2.6	3.3
	TOTALS FOR TOP 100‡	81,533,692	70,737,325	15.3	718,889,430	11.3	12,238,874	11,046,125	10.8	2,617,345	2,305,413	3.2	3.3

Data Source: Federal Regulatory Report of Condition and Report of Income for all FDIC-insured commercial banks provided to American Banker by **ADP Data Services Division, New York.** ADP restates its 1986 data on a pro forma basis for mergers in 1987. **Credit Cards and Related Loans Outstanding** are from Schedule RC-C, item 6a, of the Report of Condition and include all extensions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. **Total loans** are from RC-Balance Sheet, item 4.a.—"Loans and leases, net of unearned income". **Gross Interest Income from Credit Card Operations** are from the Report of Income, item 1.a.(1).(f).(1)—"Credit Cards and related plans" and include all interest, fees, and similar charges levied against or associated with domestically-booked credit card (and related plan) loans. **Net Chargeoffs** are gross chargeoffs on credit cards and related plans less recoveries on credit cards and related plans. The data are from Schedule RI-B of the Report of Income, item 5(a) Column A less item 5(a) Column B. **(a)**— Formerly Beneficial National Bank USA. Changed title 7/87.**(b)**— Formerly MBank USA, changed title 11/87. **(c)**— Formerly Valley National Bank Household Bank, changed title during first quarter of 1988. **(d)**— The 1986 data are pro forma. Bank merged 15 of its parent's (Michigan National Corp.) bank affiliates on 3/1/87. **(e)**— Seized by the FDIC on 8/3/88; declared insolvent; and renamed Delaware Bridge Bank. On 9/9/88, FDIC announced that Citibank (Delaware), New Castle, won the bidding for the bank. **(f)**— Began operations on 3/19/87. **(g)**— Formerly First National Bank. Changed title on 12/31/87 after merging 12 of its parent's (First Bank System, Inc.) affiliate banks. The 1986 data are pro forma. **(‡)**— The 1986 totala are for the top 100 banks that year.

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Geographic Listing of Top 100 Credit Card Banks

Shown by State with Credit Card Loans on Dec. 31, 1987, Compared with Dec. 31, 1986 and Dec. 31, 1985 (In Thousands of Dollars)

	Rank		Credit Card and Related Loans Outstanding			Percent Change		Rank	
	12/87		12/31/87	12/31/86	12/31/85	'86-'87	'85-'87	12/86	12/85
Arizona	36	**Valley National Bank, Phoenix**	$478,291	$451,464	$387,263	5.9	23.5	34	36
	62	**First Interstate Bank of Arizona NA, Phoenix**	300,022	324,728	299,887	-7.6	0.0	53	48
	90	**Arizona Bank, Phoenix**	196,558	207,168†	172,250	-5.1	14.1	83	77
California	3	**Bank of America NT&SA, San Francisco**	4,122,000	5,247,000	5,362,000	-21.4	-23.1	2	2
	6	**Wells Fargo Bank NA, San Francisco (a)**	2,670,350	2,815,700	3,071,283	-5.2	-13.1	5	5
	15	**Security Pacific National Bank, Los Angeles**	1,158,182	1,185,231†	1,136,478	-2.3	1.9	11	12
	19	**First Interstate Bank of Calif., Los Angeles**	996,946	994,354	1,018,345	0.3	-2.1	14	15
	22	**Household Bank NA, Salinas (b)**	936,497	207,142	62,624	352.1	1395.4	82	..
	57	**First Interstate Bancard NA, Simi Valley**	317,879	355,283	534,817	-10.5	-40.6	46	25
	92	**Barclays Bank of California, San Francisco (a)**	190,760	134,136	76,247	42.2	150.2	114	...
Colorado	67	**Central Bank, Denver**	271,236	285,283	294,907	-4.9	-8.0	62	51
	87	**Colorado National Bank, Denver**	207,120	199,050	85,259	4.1	142.9	85	..
	96	**United Bank of Denver NA**	176,860	185,766	17,015	-4.8	939.4	91	..
Connecticut	66	**Connecticut Bank & Trust Co. NA, Hartford**	272,550	255,379†	228,604	6.7	19.2	69	66
	83	**Connecticut National Bank, Hartford**	220,767	217,647	186,973	1.4	18.1	80	75
Delaware	2	**Chase Manhattan Bank (USA) NA, Wilmington**	5,907,687	5,080,808	3,301,356	16.3	78.9	3	4
	5	**Greenwood Trust Co., Newcastle**	3,135,774	1,004,362	20,799	212.2	14976.6	13	..
	8	**FCC National Bank, Wilmington**	2,311,520	1,130,044	1,045,727	104.6	121.0	12	13
	9	**Bank of New York (Delaware), Wilmington**	2,041,747	749,399	392,591	172.5	420.1	21	35
	10	**Maryland Bank NA, Newark**	1,829,360	1,391,967	1,033,182	31.4	77.1	9	14
	12	**American Express Centurion Bank, Newark, Del.**	1,647,475	220,513	.....	647.1	...	78	..
	17	**Lomas Bank USA, Wilmington**	1,087,210	652,689	507,869	66.6	114.1	24	26
	20	**CoreStates Bank of Delaware NA, Wilmington**	995,566	830,578	703,053	19.9	41.6	19	20
	28	**Marine Midland Bank (Delaware) NA, Wilmington**	733,764	563,229	.....	30.3	...	28	..
	31	**Mellon Bank (Delaware) NA, Wilmington**	622,891	485,452	478,598	28.3	30.1	31	28
	35	**Colonial National Bank USA, Wilmington**	521,896	433,683	168,700	20.3	209.4	36	80
	37	**First Omni Bank NA, Millsboro**	473,395	462,409	234,132	2.4	102.2	32	64
	42	**Barclays Bank of Delaware NA, Wilmington**	387,196	248,634	33,457	55.7	1057.3	71	..
	46	**RepublicBank Delaware, Newark**	377,442	374,574	N.A.	0.8	...	40	..
	50	**Equibank Delaware NA, Wilmington (c)**	356,919	......	......	...	...	..	..
	51	**NBD Delaware Bank, Wilmington**	352,939	343,357	282,255	2.8	25.0	49	53
	55	**PNC National Bank, Wilmington**	324,460	300,826	275,397	7.9	17.8	57	57
	56	**First National Bank, Wilmington**	323,056	294,474	278,213	9.7	16.1	58	56
	70	**J.C. Penney National Bank, Harrington**	257,823	131,444	47,168	96.1	446.6	118	...
	85	**Sovran Bank/Delaware, Dover**	213,145	191,846	170,968	11.1	24.7	88	78
	99	**First Pennsylvania Bank (Delaware), Wilmington**	171,398	168,575	N.A.	1.7	...	98	..
Florida	27	**Southeast Bank NA, Miami**	741,512	699,366	679,964	6.0	9.1	22	21
	64	**Sun Bank NA, Orlando**	296,526	304,217	291,949	-2.5	1.6	55	52
	78	**Barnett Bank of South Florida NA, Miami**	233,217	202,472	128,255	15.2	81.8	84	97
Georgia	24	**First National Bank, Atlanta**	854,207	868,251	1,013,985	-1.6	-15.8	18	16
	45	**Citizens & Southern National Bank, Atlanta**	379,179	284,658	267,108	33.2	42.0	63	59
Illinois	11	**First National Bank, Chicago**	1,724,056	3,504,260	3,361,867	-50.8	-48.7	4	3
	48	**Harris Trust & Savings Bank, Chicago**	369,167	358,992	369,891	2.8	-0.2	43	37
Indiana	58	**Indiana National Bank, Indianapolis**	314,954	290,587	282,112	8.4	11.6	61	54
	86	**BankOne Indianapolis NA**	208,349	247,179	200,087	-15.7	4.1	72	72
	100	**Bank One Lafayette NA, Ind.**	170,801	160,239	160,761	6.6	6.2	101	86
Iowa	54	**Norwest Bank Des Moines NA**	330,104	249,154	254,774	32.5	29.6	70	61
Louisiana	69	**First National Bank of Commerce, New Orleans**	260,019	232,160	199,186	12.0	30.5	74	74
Maryland	21	**Citibank (Maryland) NA, Towson**	966,260	984,693	959,614	-1.9	0.7	15	17
	52	**Maryland National Bank, Baltimore**	352,111	314,300	295,415	12.0	19.2	54	50
	60	**Equitable Bank NA, Baltimore**	352,111	222,977	234,544	57.9	50.1	76	63
Massachusetts	34	**First National Bank, Boston**	526,932	559,246	447,134	-5.8	17.8	29	31
	63	**State Street Bank & Trust Co., Boston**	297,736	294,068	206,448	1.2	44.2	59	70
	91	**Shawmut Bank NA, Boston**	192,117	167,602†	72,365	14.6	165.5	104	..
Michigan	23	**Michigan National Bank, Farmington Hills**	906,558	727,914†	......	24.5	...	..	
	44	**Security Bank & Trust Co., Southgate**	383,963	360,248	330,244	6.6	16.3	42	43
	74	**Comerica Bank-Detroit**	247,023	266,800	305,319	-7.4	-19.1	67	47
Minnesota	79	**First Bank NA, Minneapolis**	233,102	230,889†	......	1.0	...	..	..
Missouri	65	**Mercantile Bank NA, St. Louis**	284,265	405,779	309,592	-29.9	-8.2	37	46
Nebraska	53	**First National Bank, Omaha**	343,812	220,799	161,903	55.7	112.4	77	85
Nevada	4	**Citibank (Nevada) NA, Las Vegas**	3,191,800	2,561,077	1,610,967	24.6	98.1	6	6
New Hampshire	25	**First Deposit National Bank, Tilton**	853,630	345,590	30,993	147.0	2654.3	48	..
New York	7	**Manufacturers Hanover Trust Co., New York**	2,611,000	2,029,000	1,532,217	28.7	70.4	7	7
	13	**Citibank NA, New York**	1,537,000	1,557,000	1,450,000	-1.3	6.0	8	8
	14	**Chemical Bank, New York**	1,472,000	1,258,000	1,369,713	17.0	7.5	10	9
	30	**Marine Midland Bank NA, Buffalo**	624,973	883,592	1,233,159	-29.3	-49.3	17	10
	43	**National Westminster Bank USA, New York**	386,440	393,358	399,075	-1.8	-3.2	39	33
	68	**Chase Lincoln First Bank NA, Rochester**	265,822	234,498	215,085	13.4	23.6	73	67
	80	**Irving Trust Co., New York**	231,109	142,089	110,353	62.7	109.4	107	...
	88	**European American Bank, New York**	206,475	292,015	336,194	-29.3	-38.6	60	42
	93	**Citibank (New York State), Perinton**	186,341	271,649	881,169	-31.4	-78.9	65	18
	98	**Chase Manhattan Bank NA, New York**	171,598	133,325	54,956	28.7	212.2	117	...
North Carolina	38	**NCNB National Bank of North Carolina, Charlotte**	472,441	622,830	506,760	-24.1	-6.8	25	27
	59	**First Union National Bank, Charlotte**	313,746	356,600	314,145	-12.0	-0.1	45	44
	61	**Wachovia Bank & Trust Co. NA, Winston Salem**	305,442	373,789	337,022	-18.3	-9.4	41	41
Ohio	26	**BancOhio National Bank, Columbus**	769,559	580,711	399,399	32.5	92.7	27	34
	39	**Bank One Columbus NA**	459,558	302,417	356,038	52.0	29.1	56	38
	72	**AmeriTrust Co. NA, Cleveland**	255,872	259,586	233,684	-1.4	9.5	68	65
	82	**Society National Bank, Cleveland**	226,514	221,060†	203,388	2.5	11.4	79	71
	84	**Comerica-Midwest NA, Toledo**	216,718	172,196	169,358	25.9	28.0	95	79
	97	**Bank One Dayton NA**	174,273	171,980	163,360	1.3	6.7	96	82
Oregon	47	**United States National Bank, Portland**	376,359	336,488	312,849	11.8	20.3	51	45
	81	**First Interstate Bank of Oregon NA, Portland**	227,267	207,175	143,394	9.7	58.5	81	91
Pennsylvania	76	**Meridian Bank, Reading**	242,932	195,221	111,634	24.4	117.6	87	..
	94	**Fidelity Bank NA, Malvern**	181,182	189,570	176,003	-4.4	2.9	94	...
Puerto Rico	75	**Banco Popular de Puerto Rico, San Juan**	244,833	196,501	160,540	24.6	52.5	86	87
South Carolina	41	**NCNB South Carolina, Columbia**	402,122	328,003	279,091	22.6	44.1	52	55
	89	**South Carolina National Bank, Charleston**	196,614	191,174	199,891	2.8	-1.6	89	73
South Dakota	1	**Citibank South Dakota NA, Sioux Falls**	11,564,760	9,803,251	8,048,981	18.0	43.7	1	1
	32	**First City Bank Sioux Falls NA**	583,950	587,949	627,460	-0.7	-6.9	26	23
Tennessee	77	**First Tennesee Bank NA, Memphis**	240,252	226,872	212,972	5.9	12.8	75	68
	95	**First American National Bank, Nashville, Tenn.**	178,746	134,089	122,199	33.3	46.3	115	...
Virginia	16	**Signet Bank/Virginia, Richmond (d)**	1,099,045	931,730	861,529	18.0	27.6	16	19
	29	**Sovran Bank NA, Richmond**	689,910	659,992	586,838	4.5	17.6	23	24
	33	**Crestar Bank, Richmond (e)**	540,764	524,363	475,936	3.1	13.6	30	29
	73	**Central Fidelity Bank, Richmond**	252,181	271,419	296,893	-7.1	-15.1	66	49
Washington	18	**Seattle-First National Bank**	998,979	817,618	671,481	22.2	48.8	20	22
	40	**Rainier National Bank, Seattle**	449,506	444,986	446,250	1.0	0.7	35	32
	71	**First Interstate Bank of Washington NA, Spokane**	256,968	277,389	80,327	-7.4	219.9	64	..
Wisconsin	49	**First Wisconsin National Bank, Milwaukee**	360,392	358,388	348,120	0.6	3.5	44	40

Data Source: Federal Regulatory Report of Condition for all insured commercial banks and were provided to American Banker by **ADP Data Services Division, New York.** ADP restates its 1986 data on a pro forma basis for mergers in 1987. **(a)**— Wells Fargo Bank acquired Barclays Bank of California on 6/1/88. **(b)**— Acquired Avco National Bank, Irvine, Calif., last year. Avco ranked 50th in last year's survey with $ 342.3 million in credit card loans outstanding on Dec. 31, 1986. Also, last July, Household Bank acquired the Visa credit card operations of Beverly Hills Savings, FS&LA, for approximately $36 million. Beverly Hills Savings ranks 59th among thrifts in credit card loans in this year's survey with $41 million in outstandings on Dec. 31, 1987. **(c)**— A subsidiary of Equimark Corp., Pittsburgh, established in 1987. In last year's survey, Equibank, Pittsburgh, ranked 38th with $400 million in credit card loans on Dec. 31, 1986. **(d)**— Formerly known as Bank of Virginia. **(e)**— Formerly known as United Virginia Bank. **(†)**— The 1986 data have been restated for 1987 mergers, but the 1986 rank is based on the actual data for 1986 that has not been restated for mergers.

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Top 100 Thrifts in Credit Card Operations

Credit Card Loans Outstanding on Dec. 31, 1987, Compared with Dec. 31, 1986 (In Thousands of Dollars)

Rank 12/87		Credit Card Loans			Total Consumer Loans			Credit Card Loans /Consumer Loans (%)	
		12/31/87	12/31/86	% Chg.	12/31/87	12/31/86	% Chg.	12/31/87	12/31/86
1	**Chevy Chase Savings Bank FSB, Chevy Chase, Md.**	948,343	299,842	216.28	969,946	318,911	204.14	97.77	94.02
2	**Atlantic Financial Federal, Bala Cynwyd, Pa.**	518,204	462,434	12.06	1,152,340	782,257	47.31	44.97	59.12
3	**Meritor Savings Bank, Philadelphia**	468,805	348,652	34.46	1,356,783	1,102,191	23.10	34.55	31.63
4	**Great Western Bank, FSB, Beverly Hills**	357,164	261,717	36.47	699,695	633,749	10.41	51.05	41.30
5	**Great American First Savings Bank, San Diego, Calif. (a)**	296,501	265,247	11.78	594,609	631,854	-5.89	49.86	41.98
6	**Carteret Savings Bank FA, Newark, N.J.**	281,761	7,470	3,671.90	452,989	143,946	214.69	62.20	5.19
7	**Society for Savings, Hartford, Conn.**	276,482	132,098	109.30	654,460	358,285	82.66	42.25	36.87
8	**Home Federal Savings & Loan Assn., San Diego, Calif.**	267,804	227,349	17.79	402,162	363,078	10.76	66.59	62.62
9	**Western Savings & Loan Assn., Phoenix**	263,328	225,791	16.62	1,001,147	1,045,240	-4.22	26.30	21.60
10	**Peoples Bank, Bridgeport, Conn.**	246,528	110,195	123.72	445,265	448,790	-0.79	55.37	24.55
11	**AmeriFirst Bank, FSB, Miami**	244,911	357,778	-31.55	633,572	463,048	36.83	38.66	77.27
12	**Dollar-Dry Dock Savings Bank, Bronx, New York**	241,772	145,619	66.03	430,709	287,897	49.61	56.13	50.58
13	**Avondale Federal Savings Bank, Chicago**	236,588	238,493	-0.80	236,667	238,577	-0.80	99.97	99.96
14	**First Financial Savings Assn., Stevens Point, Wis.**	210,655	142,049	48.30	546,082	467,095	16.91	38.58	30.41
15	**Bank Western Federal Savings Bank, Denver**	204,665	197,598	3.58	415,643	424,804	-2.16	49.24	46.52
16	**California Federal Savings & Loan Assn., Los Angeles**	202,176	173,086	16.81	808,018	901,926	-10.41	25.02	19.19
17	**Empire of America FSB, Buffalo, N.Y.**	183,613	73,170	150.94	1,671,765	602,507	177.47	10.98	12.14
18	**Citicorp Savings of Illinois, FS&LA, Chicago**	171,384	73,023	134.70	428,343	409,496	4.60	40.01	17.83
19	**First Nationwide Bank, FSB, San Francisco**	156,665	123,328	27.03	1,365,466	1,771,203	-22.91	11.47	6.96
20	**Howard Savings Bank, Newark, N.J.**	143,553	0	...	338,151	332,560	1.68	42.45	0.00
21	**Northeast Savings FA, Hartford, Conn.**	143,160	21,373	569.82	363,841	269,887	34.81	39.35	7.92
22	**Standard Federal Bank, Troy, Mich.**	140,752	31,281	349.96	283,290	253,614	11.70	49.68	12.33
23	**Anchor Savings Bank FSB, Northport, N.Y.**	135,121	47,237	186.05	815,344	534,837	52.45	16.57	8.83
24	**Freedom Savings & Loan Assn., FS&LA, Tampa**	129,449	120,786	7.17	249,129	N.A.	...	51.96	...
25	**Far West Federal Bank, SB, Portland, Ore.**	128,327	151,118	-15.08	160,822	191,850	-16.17	79.79	78.77
26	**Imperial Savings Assn., San Diego, Calif.**	125,094	155,694	-19.65	616,627	281,221	119.27	20.29	55.36
27	**Merabank, FSB, Phoenix**	121,207	117,249	3.38	524,562	411,522	27.47	23.11	28.49
28	**Gem Savings Assn., Dayton, Ohio**	113,924	64,174	77.52	273,836	186,749	46.63	41.60	34.36
29	**Goldome, Buffalo, N.Y. (b)**	110,891	153,511	-27.76	N.A.	N.A.	...	...	..
30	**Home Savings of America FA, Los Angeles**	107,574	88,284	21.85	200,921	193,409	3.88	53.54	45.65
31	**Leader Federal Savings & Loan Assn., Memphis**	106,164	68,033	56.05	248,294	186,875	32.87	42.76	36.41
32	**Lincoln Federal Savings & Loan Assn., Westfield, N.J.**	106,064	53,633	97.76	149,092	111,582	33.62	71.14	48.07
33	**Ohio Savings Bank, Cleveland**	100,435	58,408	71.95	106,571	65,613	62.42	94.24	89.02
34	**Pima Savings & Loan Assn., Tucson, Ariz.**	98,279	55,322	77.65	109,229	67,074	62.85	89.98	82.48
35	**First Federal Bank of Connecticut FSB, New Haven**	96,142	0	...	145,932	101,293	44.07	65.88	0.00
36	**First Federal Savings Bank, Cleveland**	93,524	72,060	29.79	135,390	119,332	13.46	69.08	60.39
37	**Commercial Federal Savings & Loan Assn., Omaha, Neb.**	75,005	31,934	134.88	212,190	102,677	106.66	35.35	31.10
38	**Security Savings & Loan Assn., Milwaukee**	70,556	18,768	275.94	246,570	179,997	36.99	28.61	10.43
39	**Dollar Bank FSB, Pittsburgh**	66,205	26,964	145.53	236,003	177,637	32.86	28.05	15.18
40	**First Federal Savings & Loan Assn., Lincoln, Neb.**	65,616	53,172	23.40	99,368	84,767	17.22	66.03	62.73
41	**Wilmington Saving Fund Society FSB, Del.**	64,905	40,164	61.60	110,888	78,663	40.97	58.53	51.06
42	**First Federal Assn., Orlando, Fla.**	61,467	45,998	33.63	115,032	84,945	35.42	53.43	54.15
43	**Glendale Federal Savings & Loan Assn., Calif.**	59,177	415	14,159.52	619,415	442,129	40.10	9.55	0.09
44	**First Minnesota Savings Bank FSB, Minneapolis**	58,443	34,719	68.33	298,999	228,744	30.71	19.55	15.18
45	**Perpetual Savings Bank FSB, McLean, Va.**	58,248	38,459	51.45	208,319	139,958	48.84	27.96	27.48
46	**First Federal Savings Bank, Santurce, P.R.**	57,728	44,438	29.91	421,140	296,765	41.91	13.71	14.97
47	**First Federal Savings & Loan Assn., Greenville, S.C.**	56,401	17,659	219.39	322,592	275,631	17.04	17.48	6.41
48	**First American Savings Bank FSB, Greensboro, N.C.**	54,421	1,067	5,000.37	83,414	45,284	84.20	65.24	2.36
49	**Citicorp Savings of Florida, FS&LA, Miami**	51,272	10,462	390.08	263,379	364,722	-27.79	19.47	2.87
50	**First Indiana Federal Savings Bank, Indianapolis**	51,012	37,685	35.36	53,136	39,804	33.49	96.00	94.68
51	**Home Unity Savings & Loan Assn., Lafayette Hill, Pa.**	50,525	0	...	59,152	43,711	35.33	85.42	0.00
52	**First Federal Savings & Loan Assn., Rochester, N.Y.**	50,331	19,570	157.18	197,817	182,400	8.45	25.44	10.73
53	**Atlantic Federal Savings & Loan Assn., Fort Lauderdale, Fla.**	50,136	21,448	133.76	179,993	89,259	101.65	27.85	24.03
54	**ABQ Bank, FSB, Albuquerque, N.M.**	48,674	62,495	-22.12	120,285	171,820	-29.99	40.47	36.37
55	**Florida Federal Savings & Loan Assn., St. Petersburg**	48,505	48,235	0.56	874,981	833,358	4.99	5.54	5.79
56	**Centrust Savings Bank, Miami**	48,491	17,629	175.06	605,560	365,507	65.68	8.01	4.82
57	**Palmetto Federal Savings Bank, Aiken, S.C.**	48,451	38,479	25.92	100,191	67,931	47.49	48.36	56.64
58	**Great American First Savings Bank FSB, Tucson, Ariz.**	47,490	34,849	36.27	117,525	92,925	26.47	40.41	37.50
59	**Columbia Savings & Loan Assn., Fair Lawn, N.J.**	45,306	29,973	51.16	91,074	78,572	15.91	49.75	38.15
60	**Beverly Hills Savings, FS&LA (c)**	40,989	34,950	17.28	53,464	54,603	-2.09	76.67	64.01
61	**American Savings & Loan Assn., Stockton, Calif.**	40,926	8,016	410.55	115,618	97,631	18.42	35.40	8.21
62	**First Federal Savings & Loan Assn., Charleston, S.C.**	40,484	11,758	244.31	75,984	46,233	64.35	53.28	25.43
63	**Citicorp Savings, FS & LA, San Francisco**	38,356	16,567	131.52	869,331	898,139	-3.21	4.41	1.84
64	**Naples Federal Savings & Loan Assn., Fla.**	37,346	31,210	19.66	75,604	72,729	3.95	49.40	42.91
65	**First Federal Savings & Loan Assn., Jacksonville, Fla.**	36,722	27,286	34.58	64,094	56,257	13.93	57.29	48.50
66	**Community Federal Savings & Loan Assn., St. Louis**	36,241	17,381	108.51	186,842	165,588	12.84	19.40	10.50
67	**Household Bank FSB, Newport Beach, Calif.**	35,827	39,063	-8.28	503,259	105,306	377.90	7.12	37.09
68	**Loyola Federal Savings & Loan Assn., Baltimore**	34,922	39,135	-10.77	303,645	195,549	55.28	11.50	20.01
69	**Georgia Federal Bank FSB, Atlanta**	33,468	19,653	70.29	350,007	277,548	26.11	9.56	7.08
70	**Vermont Federal Bank FSB, Burlington**	33,141	20,311	63.17	59,802	47,735	25.28	55.42	42.55
71	**Eureka Federal Savings & Loan Assn., San Carlos, Calif.**	32,330	32,814	-1.47	195,256	70,198	178.15	16.56	46.74
72	**First Home FS&LA of the Carolinas FA, Greensboro, N.C.**	32,050	10,720	198.97	78,463	59,119	32.72	40.85	18.13
73	**Apple Bank for Savings, New York**	31,545	24,740	27.51	338,804	72,771	365.58	9.31	34.00
74	**Old Stone Bank, FSB, Providence, R.I.**	31,488	16,997	85.26	250,411	194,178	28.96	12.57	8.75
75	**Champion Federal Savings & Loan Assn., Bloomington, Ill.**	30,949	12,466	148.27	414,197	343,072	20.73	7.47	3.63
76	**Metropolitan Federal Savings & Loan Assn., Nashville, Tenn.**	30,940	1,882	1,544.00	72,461	41,153	76.08	42.70	4.57
77	**Cardinal Federal Savings Bank, Cleveland**	30,524	19,175	59.19	86,834	71,291	21.80	35.15	26.90
78	**Key Federal Savings Bank, Randallstown, Md.**	30,497	27,356	11.48	48,173	32,695	47.34	63.31	83.67
79	**TCF Banking and Savings FA, Minneapolis**	30,118	2,720	1,007.28	657,224	343,621	91.26	4.58	0.79
80	**Bankers First Federal Savings & Loan Assn., Augusta, Ga.**	29,645	22,204	33.51	50,228	49,544	1.38	59.02	44.82
81	**First Federal Savings & Loan Assn., Harrisburg, Pa.**	28,766	21,221	35.55	51,209	40,473	26.53	56.17	52.43
82	**Dime Savings Bank of New York FSB, Garden City**	28,246	16,113	75.30	109,282	135,001	-19.05	25.85	11.94
83	**Butterfield Savings & Loan Assn., FS&LA, Santa Ana, Calif.**	28,200	31,193	-9.60	40,663	40,428	0.58	69.35	77.16
84	**Harris Savings, Harrisburg, Pa.**	28,190	17,878	57.68	41,312	30,273	36.46	68.24	59.06
85	**First Federal Savings Bank FSB, Nashua, N.H.**	27,890	19,271	44.73	59,475	39,984	48.75	46.89	48.20
86	**Goldome Savings Assn., St. Petersburg, Fla.**	27,824	18,891	47.29	60,676	59,641	1.74	45.86	31.67
87	**Collective Federal Savings Bank, Egg Harbor City, N.J.**	27,537	16,736	64.54	44,996	38,073	18.18	61.20	43.96
88	**Horizon Financial FA, Southampton, Pa.**	26,773	23,216	15.32	195,930	205,651	-4.73	13.66	11.29
89	**San Francisco Federal Savings & Loan Assn., San Francisco**	26,014	10,441	149.15	77,314	55,132	40.23	33.65	18.94
90	**Columbia Banking Federal Savings & Loan Assn., Rochester, N.Y.**	25,472	13,955	82.53	47,330	37,374	26.64	53.82	37.34
91	**Continental Federal Savings Bank, Fairfax, Va.**	24,402	21,668	12.62	109,073	87,656	24.43	22.37	24.72
92	**Roma Savings & Loan Assn., Trenton, N.J.**	24,294	12,825	89.43	28,758	17,805	61.52	84.48	72.03
93	**State Savings Bank, Columbus, Ohio**	23,886	14,055	69.95	39,901	30,487	30.88	59.86	46.10
94	**United Savings & Loan Assn., Trenton, N.J.**	23,869	15,373	55.27	52,032	44,594	16.68	45.87	34.47
95	**First Federal Savings & Loan Assn., Waterbury, Conn.**	23,565	0	...	45,904	31,170	47.27	51.34	0.00
96	**Fidelity New York FSB, Floral Park**	23,293	552	4,119.75	54,921	31,021	77.04	42.41	1.78
97	**Investors Savings Bank, Richmond, Va.**	23,184	3,821	506.75	52,056	34,278	51.86	44.54	11.15
98	**Santa Barbara Savings & Loan Assn., Calif.**	22,936	5,212	340.06	76,898	51,865	48.27	29.83	10.05
99	**USAA Federal Savings Bank, San Antonio, Tex.**	22,449	0	...	76,606	40,054	91.26	29.30	0.00
100	**Cumberland Federal Savings Bank, Louisville, Ky.**	22,289	59	37,677.97	64,988	28,585	127.35	34.30	0.21
	TOTALS FOR THE TOP 100‡	10,293,652	6,496,568	58.44	30,802,740	23,543,983	30.83	33.06	26.94

Sources of Data: The Federal Home Loan Bank Board's Quarterly Financial Report and the Federal Deposit Insurance Corp.'s Consolidated Report of Condition for FDIC-insured Savings Banks. **ADP Data Services Division, New York** provided these data to American Banker. **Credit card loans**, as defined by the FHLBB, include credit extended in connection with credit cards plus overdrafts on NOW accounts plus any other open-ended credit extended to consumers. **Credit card loans**, as defined by the FDIC, include all extentions of credit to individuals for household, family, and other personal expenditures arising from bank credit cards or special prearranged overdraft plans. **Total consumer loans**, as defined by the FHLBB, include: loans on deposits; home improvement loans; education loans; consumer auto loans; other closed-end consumer loans; credit cards and other open-end credit extended to consumers; and retail mobile home loans. **Total consumer loans**, as defined by the FDIC, include: credit card loans and other consumer loans, including installment loans, single payment loans, and all student loans. **Credit Card Loans/Consumer Loans** is the ratio of credit card loans to total consumer loans, expressed as a percentage. **(a)**— Completed the sale of its Visa and Master Card credit card operations (about 188,000 accounts) to Household Bank NA, Salinas, in September. **(b)**— Converted from a FSLIC-insured federal savings bank to a state chartered FDIC-insured savings bank in 1987. Yearend 1987 data are from the FDIC's Report of Condition and the yearend 1986 data are from the FHLBB's Quarterly Financial Report. **(c)**— Sold its Visa credit card operations to Household Bank NA for approximately $36 million in July. **(‡)**— 1986 totals are for top 100 thrifts in 1987. **N.A.**— Not available.

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The Daily Financial Services Ne

TOP 100 BANK COMPANIES
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Today

Delegates gathering for the IMF and World Bank meetings find that industrial countries appear pleased with the current economic situation, while developing countries seem more disaffected than ever. ____ 2

First Bancorp. of Ohio's performance makes it a tempting acquisition target as Ohio's borders open to nationwide interstate banking next month. ____ 2

When California First merges with Union Bank, the resulting institution will be run as an 'emerging superregional,' bank, officials said. ____ 2

The Kroger Co. has arranged for Citibank, Chemical Bank, and First National Bank of Chicago to act as agents for a group of banks to provide $3.6 billion of senior financing for the retailer's restructuring. ____ 2

Banks are making do with less at the ABA meeting — traditionally, the commercial banking industry's single most important gathering. ____ 2

Attendance at the ABA's meeting in Honolulu is expected to be way down from the '83 convention there. ____ 11

Consumers are increasingly paying their card bills in full each month, prompting banks to take steps to compensate for the loss of interest income, an ABA survey shows. ____ 3

Emily-May Richards, incoming president of the National Association of Bank Women, sees the need for balancing the demands of professional and personal activities. ____ 24

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William Clark's travels will continue as he leads the Fleet/Norstar Financial group's new private placement unit. 23

Worth Repeating

You can only go to so many luaus. How about a fire walk? Bankers are pretty quick on their feet, and they'd remember that.

Paul Yamashige, Central Pacific Bank, commenting on planned activities for the ABA convention in Honolulu. [Page 11]

COMMENT

The Limits of Local Diversification

By SANFORD ROSE

Many banks bristle at the suggestion that their loan portfolios are underdiversified. "We are well diversified in our particular service area," they proclaim. "Of course, we don't stray too far from that area because of lack of knowledge and difficulties of loan administration."

But is such a statement reasonable? Can a bank that essentially confines its lending activities to one geographic area, however diverse and variegated that area may be, call itself adequately diversified?

As noted in a recent publication of the Association of Reserve City Bankers, the risk in a portfolio of assets depends on three factors: the risk of each individual asset; the share of the portfolio devoted to each asset; and the correlation among asset returns.

A bank can prudently hold assets that are individually quite risky, provided that it obtains sufficient gains from diversification. This requires it to avoid concentrating the portfolio in a relatively few assets or in assets whose returns have high positive correlations.

Positive correlation refers to the tendency of returns or asset values

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AN AMERICAN BANKER SURVEY

Discover Faces Profitability Test

By LISABETH WEINER
Midwest Bureau

IF Sears, Roebuck and Co. has achieved nothing else with Discover, its general-purpose credit card has been a remarkable marketing success.

Consumer Survey

The *American Banker*'s fifth annual survey on "How Consumer America Views the Changing Financial Services Industry" finds Discover held by 19% of U.S. households. This represents impressive growth from 13% in 1987 and only 7% in 1986.

The survey, based on 1,007 telephone interviews of a random cross-section of the American public, was conducted in May by Trans Data Corp., Salisbury, Md., a research affiliate of this newspaper.

But Discover is still far overshadowed by Visa and MasterCard. Officials of Dean Witter, the Sears subsidiary responsible for Discover, are determined to narrow the gap separating them from their chief competitors.

Discover cannot afford to rest on its laurels as a marketing prodigy, analysts observe. The card must become a financial success. To maintain credibility in the industry, Discover must meet its objective of solid profitability in 1989.

"If we're not profitable then,"

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Check Rules Increase Float At Fed Banks

Return-Item Errors Stall Automated Processing

By YVETTE D. KANTROW

NEW YORK — The new law that limits the holds banks may place on checks has yielded an unexpected side effect — increased float in the Federal Reserve System.

Since Labor Day, float at the Fed has been close to $1 billion a day, compared with an average of $400 million to $500 million, according to officials at the Federal Reserve Bank of New York. The bank is attributing the rise to Regulation CC — rules that went into effect Sept. 1 to enforce the Expedited Funds Availability Act.

As the Fed was reporting an increase in float, many Federal Reserve banks were reporting problems in processing return items — checks dishonored by the banks they were drawn on for insufficient funds or other reasons of nonpayment — under Reg CC, a spokesman at the New York Fed said. Revamping the return-item process, which is notoriously slow and inefficient, is a major objective of the new regulation.

The return process has always been a small contributor to Federal Reserve float, the New York Fed spokesman explained, and recent disruptions to this process can be the cause of the float figure's sudden increase. Federal Reserve float is the unintentional addition to bank reserve accounts that occurs when Fed banks clear checks for their members.

Louise Roseman of the Federal Reserve Board's operations division in Washington confirmed that there have

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COMMENT

▸ Continued from Page 1

to move together. That is, suppose the portfolio contains only two assets. These are positively correlated when high returns on one are associated with high returns on the other and when low returns on one are likewise associated with low returns on the other.

Perils of Positivity

Positive correlation reduces the extent to which diversification circumscribes risk. What's the use of diversifying if changes in the economic environment tend to have the same impact on the portfolio's various components?

In the extreme case of perfect positive correlation (a plus 100% association), there is no gain whatsoever from diversification. In most instances, however, positive correlations are less than perfect, meaning that while, on average, the asset returns move together, on occasion, they can move in opposite directions. So there is still some benefit in diversifying.

Negative correlation refers, quite obviously, to an inverse movement in returns or asset values. That is, when returns on one asset are low, those on another are high, and vice versa.

Negative correlation increases the power of asset diversification. The greater the degree of negative correlation, the greater is the reduction in risk. In the extreme and unlikely case of perfect negative correlation (a minus 100% association), diversification is optimal.

It is admittedly quite difficult for banks to measure the correlations —positive or negative — in their borrower populations. But few banks make formal efforts to do so, relying instead on such comforting bromides as "avoiding undue loan concentrations" or "lending to a great variety of customers in our service area."

As the Reserve City Bankers report points out, such approaches are inadequate. There is no substitute for an attempt, however arduous, "to quantify prospective relationships among different types of obligors."

Indeed, the evidence suggests that banks that do no measurements but instead rely on prudent attention to a given service area are apt to be cruelly disappointed in the extent of realized diversification. That's because, in most areas of the country, asset returns tend to be positively correlated, and, in some areas, this positive association is quite strong.

A Disquieting Association

The evidence is derived from an analysis of the relationship between losses on commercial and industrial loans and losses on "other" loans in the 12 Federal Reserve districts for an eight-year period, from the late '70s to the mid-'80s. It was found that C&I loan losses were positively correlated with losses on other loans in nine of the 12 districts. That is, when some commercial borrowers in these districts got into trouble, so did a fair number of real estate, farm, and individual borrowers (not to speak of other commercial customers).

Losses on C&I and other loans were between 52% and 94% correlated in the Chicago, Kansas City, San Francisco, and Minneapolis districts (the 94% correlation in Chicago reflects, of course, Continental Illinois' slipshod loan underwriting practices). Correlations were less elevated in the Philadelphia, Dallas, Atlanta, Richmond, and Boston districts.

Of course, in none of the nine districts was the positive correlation a perfect 100%, indicating that banks in these areas could still derive benefits from diversifying within their local markets. But the implication is that they couldn't get the same sort of benefits as those in the Cleveland, St. Louis, and New York districts, where correlations between C&I and other loan losses were actually negative.

And, most significantly, they couldn't get the same kind of benefits as they would have if some method had been found to cross district lines. For the country as a whole, the correlation between C&I and other loan losses was a negative 28%.

Because loss correlations tend to be positive intraregionally but negative interregionally, many banks should obviously look beyond their primary service areas, exploring ways to obtain loan business originated in many different parts of the country.

Given the limits of regional diversification, banks should be paying far more attention than they hitherto have to the nascent attempts to organize nationwide pools of loan assets — attempts reviewed periodically if not ad nauseam in this column.

A Boon to the Big . . .

This advice would appear sound even for those banks located in the districts that showed negative correlations between C&I and other loan losses. In New York, for example, the correlation was minus 40%, which seems quite healthy. This result, however, was for all banks and was heavily influenced by the giant institutions, which, given their worldwide scope, have the potential for more adequate diversification than smaller institutions.

Even the big New York banks, however, have considerable latitude for improving diversification by altering loss correlations. Although the association between C&I and other loan losses may be negative for these banks, the loss correlations within the C&I portfolio are likely to be strongly positive.

In last week's column, it was shown that overall risk for the top 50 banks in the country could be reduced by substituting a pool of high-grade assets for existing C&I extensions. This reduction in risk came about because the loss correlation between the pool and the existing C&I portfolio was lower than that within the portfolio itself. In fact, since the companies in the high-grade pool sustained practically no losses, the correlation approached zero.

But the smaller banks in the New York district — those with assets of between $1 billion and $5 billion — face a different situation. For such banks, the association between C&I and other loan losses was a positive 30%.

. . . But Especially the Small

Unlike the big banks, these smaller institutions are rather closely tied to the economic vicissitudes of their service area and could therefore benefit to an even greater extent from an infusion of assets originated outside their Federal Reserve district. This would seem especially desirable in the light of the current problems in the New York financial sector. Retrenchment in this sector has crimped the demand for commercial office space, threatening to reduce rents and thereby diminish the capacity of local real estate borrowers to service bank debt.

By diversifying outside of the New York Federal Reserve district, small and medium-size banks can materially reduce their standard deviations of loan loss — that is, the year-to-year variation in their loan-loss experience. This reduction in risk should cause a rational marketplace to be satisfied with a thinner layer of protective capital than would otherwise have been necessary. ■

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LETTERS TO THE EDITOR

Federal Home Loan Bank of Dallas Closely Monitors Growth of Sick S&Ls

To the Editor:

On Sept. 14, the *American Banker* published a lead article, "Growth Curbs Set for Shaky Texas S&Ls," which included an example purporting to prove the point that "operators of troubled thrifts are digging deeper holes for themselves in the act of trying to grow out of their problems."

The article correctly pointed out that Guaranty Federal Savings and Loan Association increased its liabilities $829 million during 1987 and concluded that the funds "in turn were used to fuel a 32% growth in assets."

The facts are that the reported growth in liabilities was part of a plan approved by the Federal Home Loan Bank of Dallas to replace high-cost wholesale deposits with lower-cost core deposits at the institution.

During the latter part of 1987, Guaranty Federal, with our approval, acquired 14 branches and the core deposits that went with them from another FSLIC-insured institution. The debit side of this transaction was cash and short-term investments readily convertible into cash, which were to be used to replace high-cost wholesale deposits maturing during the first six months of 1988.

The facts are that Guaranty Federal's balance of high-cost wholesale deposits declined $892 million during the first six months of 1988, successfully accomplishing our objective.

The truth is that the Federal Home Loan Bank of Dallas carefully monitors the growth of all institutions that do not meet its regulatory capital requirements and allows such growth only when it fosters the preservation of the franchise value of the institution or is used to preserve or enhance the value of existing assets for the benefit of the FSLIC.

George M. Barclay
President
Federal Home Loan Bank of Dallas

Something to Say? We Want to Hear

The *American Banker* welcomes letters from our readers.

We would like our pages to reflect as wide a range of views and opinions as possible — no matter how provocative or controversial. The key goal is to factor your views into our own thinking so that both our newspaper and the executives who read us can do a better job running our organizations.

In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number.

Summary of Survey Findings

Top 100 Bank Holding Companies

Summary statistics (dollar amounts in billions)

	June 30, 1988	June 30, 1987	% Chg.
Total Assets	$2,084.5	$1,954.3	+ 6.7%
Total Deposits	$1,456.6	$1,366.3	+ 6.6
Primary Capital	$173.5	$153.1	+13.3
Ratio of Primary Capital to Total Assets	8.32%	7.84%	
Total Capital	$214.6	$190.3	+12.8
Ratio of Total Capital to Total Assets	10.30%	9.73%	
Net Income First Half of Year	$6.930	($9.302)	+174.5
Domestic Banks Controlled	1,152	1,421	- 18.9
Domestic Bank Branches	22,120	21,911	+ 1.0

Top 25 Earners in Banking

Based on net income for the first half of 1988, compared with first half of 1987 (in millions of dollars)

Rank 1988	Rank 1987		Net Income 1988 (6 mo)	Net Income 1987 (6 mo)
1	...	**Citicorp, New York**	717.0	(2,321.0)
2	...	**Manufacturers Hanover Corp., New York**	543.4	(1,292.0)
3	...	**J.P. Morgan & Co., Inc., New York**	510.0	(360.0)
4	...	**Chase Manhattan Corp., New York**	501.0	(1,274.3)
5	...	**Security Pacific Corp., Los Angeles**	301.5	(73.8)
6	...	**Bankers Trust New York Corp.**	300.1	(429.7)
7	...	**BankAmerica Corp., San Francisco**	271.0	(1,070.0)
8	...	**First Chicago Corp.**	264.4	(633.3)
9	...	**Chemical Banking Corp., New York**	253.2	(1,016.9)
10	...	**Wells Fargo & Co., San Francisco**	244.8	(215.4)
11	...	**Irving Bank Corp., New York**	222.3	(113.4)
12	4	**PNC Financial Corp, Pittsburgh**	217.1	98.5
13	...	**First Interstate Bancorp., Los Angeles**	199.8	(386.3)
14	60	**Banc One Corp., Columbus, Ohio**	164.2	18.7
15	...	**Bank of Boston Corp.**	160.4	(13.0)
16	3p	**Fleet/Norstar Financial Group, Inc., Providence, R.I.**	153.6	111.2p
17	2	**First Union Corp., Charlotte, N.C.**	153.2	138.7
18	1	**SunTrust Banks, Inc., Atlanta**	151.9	141.0
19	42	**First Fidelity Bancorporation, Newark, N.J.**	138.4	24.5
20	10	**Bank of New England Corp., Boston**	135.4	65.3
21	3	**NCNB Corp., Charlotte, N.C.**	129.3	108.4
22	...	**Continental Illinois Corp., Chicago**	128.7	(433.8)
23	6	**First Wachovia Corp., Winston-Salem, N.C.**	118.2	79.9
24	16	**Shawmut National Corp., Hartford, Conn.**	113.3	55.8
25	7	**Sovran Financial Corp., Norfolk, Va.**	113.0	78.6
		Totals for the Top 25	6,205.3	(8,712.3)
		Dropping out of the Top 25		
	5	**Barnett Banks, Inc., Jacksonville, Fla.**	109.1	81.1
	8	**CoreStates Financial Corp., Philadelphia**	87.3	78.2
	9	**Midlantic Corp., Edison, N.J.**	105.6	73.8
	11	**MNC Financial, Inc., Baltimore**	84.5	65.2
	12	**Boston Safe Deposit & Trust Co.**	70.7	63.7
	13	**NBD Bancorp., Inc., Detroit**	107.6	63.6
	14	**Citizens & Southern Corp., Atlanta**	98.4	61.4
	18	**National City Corp., Cleveland**	80.9	45.6
	19	**Society Corp., Cleveland**	47.7	44.1
	20	**U.S. Bancorp., Portland, Ore.**	57.8	42.0
	21	**KeyCorp, Albany, N.Y.**	50.4	41.5
	22	**United Jersey Banks, Princeton, N.J.**	57.6	41.5
	23	**Boatmen's Bancshares, Inc., St. Louis, Mo.**	41.5	40.1
	24	**State Street Boston Corp.**	44.3	39.9
	25	**BayBanks, Inc., Boston**	43.0	38.6

Data Source: American Banker questionnaire. List includes both (U.S.) holding companies and banks not controlled by holding companies. **Net Income** is income after taxes and minority interest, but before preferred dividends, extraordinary items and significant transactions. Excluded is income from discontinued operations. The 1987 data are as reported last year and have not been restated, unless otherwise noted. **(p)**— Pro forma. **( )**— Indicates net loss.

Primary Capital-to-Asset Ratios At Top 100 Bank Holding Companies

Largest ratios on June 30, 1988 (Dollar amounts in millions)

		Primary Capital	Total Assets	Cap. Asset Ratio (%)	Asset Rank
1	**Fifth Third Bancorp, Cincinnati**	$505	$4,480	11.26%	98
2	**First Alabama Bancshares, Inc., Montgomery**	475	4,670	10.16	96
3	**National Westminster Bancorp., Inc., New York**	1,829	18,238	10.03	38
4	**Bankers Trust New York Corp.**	5,221	55,521	9.4	9
5	**J.P. Morgan & Co., Inc., New York**	7,587	81,467	9.31	4
6	**First Virginia Banks, Inc., Falls Church**	424	4,612	9.19	97
7	**First National Cincinnati Corp.**	453	4,933	9.18	92
8	**Wells Fargo & Co., San Francisco**	4,131	45,100	9.16	10
9	**Meridian Bancorp., Inc., Reading, Pa.**	791	8,732	9.06	61
10	**Fleet/Norstar Financial Group Inc., Providence**	2,277	25,128	9.06	25

Smallest ratios on June 30, 1988 (Dollar amounts in millions)

		Primary Capital	Total Assets	Cap. Asset Ratio (%)	Asset Rank
1	**Texas American Bankshares, Inc., Ft. Worth**	$224	$5,047	4.44%	88
2	**First RepublicBank Corp., Dallas**	1,358	26,849	5.06	23
3	**Equitable Bancorp., Baltimore**	350	5,307	6.59	84
4	**First City Bancorp. of Texas, Inc., Houston**	747	11,296	6.61	47
5	**BayBanks, Inc., Boston**	582.2	8,668.2	6.72	63
6	**NCNB Corp., Charlotte, N.C.**	1,938	28,610	6.77	18
7	**First Interstate Bancorp., Los Angeles**	3,943	58,124	6.78	8
8	**MCorp Dallas**	1,374	20,106	6.83	36
9	**Signet Banking Corp., Richmond**	778	11,346	6.86	46
10	**Hibernia Corp., New Orleans, La.**	366	5,253	6.98	85

Primary capital ratio is calculated by American Banker by dividing primary capital by assets, unless otherwise indicated.

Superregional Banking Firms

Listed in Order of Assets on June 30, 1988

Asset Rank		Assets 6/30/88
3	**BankAmerica Corp., San Francisco**	$94.3
6	**Security Pacific Corp., Los Angeles**	75.6
8	**First Interstate Bancorp., Los Angeles**	58.1
10	**Wells Fargo & Co., San Francisco**	45.1
12	**PNC Financial Corp, Pittsburgh**	36.6
13	**Bank of Boston Corp.**	34.0
15	**Mellon Bank Corp., Pittsburgh**	31.2
16	**First Fidelity Bancorporation, Newark, N.J.**	30.1
17	**Bank of New England Corp., Boston**	30.0
18	**NCNB Corp., Charlotte, N.C.**	28.6
19	**First Union Corp., Charlotte, N.C.**	28.4
20	**SunTrust Banks, Inc., Atlanta**	27.5
21	**Shawmut National Corp., Conn.**	27.2
22	**Marine Midland Banks, Inc., Buffalo, N.Y.**	26.9
24	**First Bank System, Inc., Minneapolis**	25.9
25	**Fleet/Norstar Financial Group, Inc., Providence, R.I.**	25.1
28	**Barnett Banks, Inc., Jacksonville, Fla.**	24.2
32	**Sovran Financial Corp., Norfolk, Va.**	21.7
34	**Citizens & Southern Corp., Atlanta**	20.8
35	**First Wachovia Corp., Winston-Salem, N.C.**	20.3
29	**NBD Bancorp., Inc., Detroit**	23.8
30	**Banc One Corp., Columbus, Ohio**	23.7
33	**Norwest Corp., Minneapolis**	21.0

American Banker defines a superregional banking firm to include any non-money center banking company that ranks among the nation's 10 largest in assets plus any banking firm with $20 billion or more in total assets that has merged across state lines to establish a full commercial banking presence in another state.

Top 100 Bank Holding Companies

In Order of Total Assets on June 30, 1988, Compared with June 30, 1987 (Dollar Amounts in Millions)

Asset Rank 6/88		Total Assets 6/30/88	Total Assets 6/30/87	Rank 6/87	Gain In Rank	Total Deposits 6/30/88	Total Deposits 6/30/87	Domestic Banks Controlled 6/30/88	Domestic Bank Branches 6/30/88	Primary Capital 6/30/88	Total Capital 6/30/88	Ratio of Prim. Cap.: Tot. Assets 6/30/88	Net Income First Half 1988
1	Citicorp, New York	205,193.0	194,400.0	1		120,465.0	117,200.0	7†	350†	16,900.0	24,300.0	8.24%	717.0
2	Chase Manhattan Corp., New York	96,296.2	98,860.1	2		66,197.8	67,001.3	7	339	7,923.0	10,598.0	8.23	501.0
3	BankAmerica Corp., San Francisco	94,253.0	96,923.0	3		75,136.0	78,805.0	2	1,020	8,291.0	9,585.0	8.80	271.0
4	J.P. Morgan & Co., Inc., New York	81,467.0	74,681.0	5	+1	46,133.0	44,889.0	2	2	7,587.0	9,071.0	9.31	510.0
5	Chemical Banking Corp., New York	75,803.0	78,410.0	4		52,784.0	52,414.0	3	280†	6,248.0	7,197.0	8.24	253.2
6	Security Pacific Corp., Los Angeles	75,632.0	64,714.0	7	+1	46,633.0	38,790.0	8	950	5,579.0	7,199.0	7.38	301.5
7	Manufacturers Hanover Corp., New York	69,973.3	73,825.9	6		43,317.0	44,807.4	2	211	6,203.0	9,713.1	8.86	543.4
8	First Interstate Bancorp., Los Angeles	58,123.6	51,790.6	9	+1	43,667.3	37,570.9	55	1,035	3,943.3	5,084.0	6.78	199.8
9	Bankers Trust New York Corp.	55,521.0	54,700.0	8		29,035.7	28,800.0	2	6	5,221.0	6,075.0	9.40	300.1
10	Wells Fargo & Co., San Francisco	45,100.0	44,721.3	10		33,100.0	31,927.9	1	483	4,131.0	6,284.0	9.16	244.8
11	First Chicago Corp.	44,425.9	41,664.8	11		32,421.3	30,534.9	16	0	3,933.9	4,581.7	8.85	264.4
12	PNC Financial Corp, Pittsburgh	36,642.7	28,193.0	17	+5	24,320.0	17,389.7	23	475	2,909.2	3,232.0	7.94	217.1
13	Bank of Boston Corp.	33,966.7	30,463.6	15	+2	21,164.5	20,184.1	4	258	2,895.1	3,638.8	8.52	160.4
14	Continental Illinois Corp., Chicago	32,392.0	33,372.0	13		18,148.0	17,809.0	6	0	2,496.0	3,116.0	7.71	128.7
15	Mellon Bank Corp., Pittsburgh	31,234.0	33,164.7	14		21,171.0	23,080.7	7	556	2,704.0	3,220.0	8.66	53.0
16	First Fidelity Bancorporation, Newark, N.J.	30,091.5	15,367.7	35	+19	21,671.6	11,324.0	9	493	2,197.4	2,533.2	7.30	138.4
17	Bank of New England Corp., Boston	30,033.2	27,051.3	18	+1	22,528.9	21,171.5	10	470	2,266.2	2,489.2	7.55	135.4
18	NCNB Corp., Charlotte, N.C.	28,609.6	24,624.0	20	+2	19,659.0	17,710.0	6	621	1,938.2	2,272.9	6.77	129.3
19	First Union Corp., Charlotte, N.C.	28,374.5	24,523.9	21	+2	18,694.4	16,550.1	5	735	2,269.2	2,676.7	8.00	153.2
20	SunTrust Banks, Inc., Atlanta	27,544.8	25,560.6	19		22,771.6	21,131.8	53	620	2,309.9	2,794.9	8.39	151.9
21	Shawmut National Corp., Conn.	27,188.4	14,095.9	39	+18	18,345.8	9,917.8	16	440	2,093.5	2,618.3	7.70	113.3
22	Marine Midland Banks, Inc., Buffalo, N.Y.	26,914.8	24,395.4	22		17,590.5	17,655.6	2	324	2,402.8	2,875.4	8.93	72.4
23	First RepublicBank Corp., Dallas	26,849.0	34,400.0	12		20,244.0	27,000.0	41	54	1,358.0	2,069.0	5.06	(2,259.7)
24	First Bank System, Inc., Minneapolis	25,925.4	28,406.0	16		15,161.9	15,513.0	26	92	2,030.3	2,539.5	7.83	71.4
25	Fleet/Norstar Financial Group, Inc., Providence, R.I.	25,127.8	23,471.1p	24p		17,866.6	16,537.5p	8	537	2,277.3	2,830.8	9.06	153.6
26	Irving Bank Corp., New York	24,172.0	24,187.4	23		17,216.0	15,539.1	14	147	2,091.0	2,484.0	8.65	222.3
27	Republic New York Corp.	24,168.3	20,413.9	28	+1	16,256.7	13,830.1	2	42	1,735.7	2,393.6	7.18	80.9
28	Barnett Banks, Inc., Jacksonville, Fla.	24,168.1	20,680.8	27		20,844.2	17,666.2	35	511	1,923.5	1,938.8	7.96	109.1
29	NBD Bancorp, Inc., Detroit	23,802.2	22,564.8	24		18,926.7	17,242.3	31†	351†	1,739.1	2,019.7	7.31	107.6
30	Banc One Corp., Columbus, Ohio	23,730.4	17,692.7	32	+2	19,004.7	13,670.7	60	568	2,149.5	2,301.0	9.06	164.2
31	Bank of New York Co., Inc.	23,622.4	22,156.6	26		17,715.0	16,967.8	2	190	2,065.1	2,231.5	8.74	104.1
32	Sovran Financial Corp., Norfolk, Va.	21,714.9	16,443.1	34	+2	17,388.4	12,988.4	16	471	1,687.7	1,879.4	7.77	113.0
33	Norwest Corp., Minneapolis	21,019.0	20,295.9	29		13,363.8	13,022.4	42	204	1,731.2	2,869.4	8.24	101.4
34	Citizens & Southern Corp., Atlanta	20,770.9	18,819.3	30		15,501.7	14,325.0	3	473	1,574.5	1,869.3	7.58	98.4
35	First Wachovia Corp., Winston-Salem, N.C.	20,310.6	18,800.4	31		15,020.0	13,886.9	2	344	1,693.4	1,776.8	8.34	118.2
36	MCorp, Dallas	20,105.6	22,163.7	25		16,066.7	17,503.6	26	37	1,374.1	1,728.2	6.83	(12.0)
37	Midlantic Corp., Edison, N.J.	18,970.2	16,800.6	33		14,780.7	13,270.8	9	402	1,582.5	1,733.5	8.34	105.6
38	National Westminster Bancorp, Inc., New York	18,238.3	11,211.8(a)	...		14,764.7	6,083.8(a)	2	250	1,829.0	1,831.9	10.03	56.2
39	MNC Financial, Inc., Baltimore	17,106.9	14,966.6	36		11,075.4	10,407.2	3	182	1,370.3	1,452.6	8.01	84.5
40	CoreStates Financial Corp., Philadelphia	15,403.1	14,714.1	37		10,595.1	10,236.3	4	213	1,371.8	1,799.2	8.91	87.3
41	National City Corp., Cleveland	14,731.5	14,367.4	38		11,419.5	10,364.5	9	329	1,128.6	1,326.3	7.66	80.9
42	U.S. Bancorp., Portland, Ore.	14,067.3	9,032.5	56	+14	7,543.8	5,745.1	7	352	1,090.4	1,316.1	7.75	57.8
43	Southeast Banking Corp., Miami	13,174.5	12,648.0	40		9,960.4	9,274.0	6†	193	1,061.4	1,154.2	8.06	58.5
44	KeyCorp, Albany, N.Y.	12,445.8	9,280.2	55	+11	9,862.1	7,352.2	14	500	1,006.0	1,082.8	8.08	50.4
45	Harris Bankcorp, Inc., Chicago	11,369.6	9,979.5	50	+5	8,388.1	7,356.3	12	0	881.4	910.4	7.75	43.9
46	Signet Banking Corp., Richmond	11,346.4	10,508.4	48	+2	7,594.2	7,203.6	3	239	778.4	905.7	6.86	64.5
47	First City Bancorporation of Texas, Inc., Houston	11,296.0	12,243.5	41		9,143.7	9,955.5	59	4	746.8	799.3	6.61	17.2
48	Valley National Corp., Phoenix, Ariz.	11,085.9	11,030.5	46		9,592.7	9,507.5	3	294	786.4	993.1	7.09	29.9
49	United Jersey Banks, Princeton, N.J.	10,541.2	8,215.4	60	+11	8,505.2	6,654.1	14	242	865.2	931.5	8.21	57.5
50	AmeriTrust Corp., Cleveland	10,483.5	10,567.5	47		7,806.2	8,457.5	14	218	908.0	1,109.0	8.66	54.9
51	Comerica, Inc., Detroit	10,261.0	9,701.0	52	+1	8,498.1	8,089.7	11	191	855.8	1,010.8	8.34	54.7
52	Crestar Financial Corp., Richmond	10,216.4	9,490.4	54	+2	7,939.5	6,756.2	3	237	811.3	854.8	7.94	42.5
53	First American Bankshares, Inc., Washington, D.C.	10,200.9	7,267.8	67	+14	8,027.3	5,909.8	9	280	781.2	876.4	7.66	28.3
54	Boatmen's Bancshares, Inc., St. Louis, Mo.	9,591.8	9,742.2	51		7,070.8	7,035.7	35	149	760.4	917.2	7.93	41.5
55	Society Corp., Cleveland	9,411.3	8,931.1	57	+2	7,507.5	7,028.2	4	217	730.2	908.0	7.76	47.7
56	Union Bancorp, Los Angeles	9,411.1	12,229.3	42		6,460.0	8,921.1	1	32	794.2	1,062.2	8.44	(10.6)
57	First of America Bank Corp., Kalamazoo, Mich.	9,012.8	8,402.5	59	+2	7,985.1	7,340.5	43	355	747.9	836.3	8.30	39.3
58	Manufacturers National Corp., Detroit	8,960.1	7,678.5	64	+6	7,226.0	6,242.9	10	137	672.7	724.1	7.51	45.6
59	Northern Trust Corp., Chicago	8,865.2	8,078.8	62	+3	5,899.8	5,631.0	9	25	668.2	843.2	7.54	41.8
60	Huntington Bancshares, Inc., Columbus, Ohio	8,799.8	7,615.5	65	+5	6,802.9	5,974.2	12	213	626.6	777.0	7.12	42.2
61	Meridian Bancorp., Inc., Reading, Pa.	8,732.0	6,999.3	71	+10	6,889.3	5,464.3	3	185	791.0	805.8	9.06	40.2
62	Michigan National Corp., Farmington Hills	8,716.1	8,098.3	61		6,856.5	6,628.6	4	200	658.9	662.3	7.56	45.5
63	BayBanks, Inc., Boston	8,668.2	7,876.6	63		7,371.4	6,609.2	9	251	582.2	633.6	6.72	43.0
64	Dominion Bankshares Corp., Roanoke, Va.	8,630.9	7,267.4	68	+4	6,683.7	5,354.1	13	271	721.0	730.7	8.35	41.1
65	AmSouth Bancorporation, Birmingham, Ala.	7,906.7	6,463.5	74	+9	6,103.5	4,922.6	5	176	678.3	680.7	8.58	39.8
66	Florida National Banks of Florida, Inc., Jacksonville	7,857.5	7,352.9	66		5,738.1	5,655.4	2	185	652.9	652.9	8.31	18.8
67	State Street Boston Corp.	7,810.7	7,062.1	69	+2	4,696.7	4,484.7	1	6	563.1	658.3	7.21	44.3
68	First Wisconsin Corp., Milwaukee	7,212.5	7,010.8	70	+2	5,840.4	5,719.8	34	78	572.6	737.0	7.94	94.8
69	Old Kent Financial Corp., Grands Rapids, Mich.	6,817.7	5,674.0	79	+10	5,674.1	4,654.8	23	192	511.6	571.8	7.50	34.2
70	First American Corp., Nashville, Tenn.	6,736.7	6,059.7	76	+6	5,264.8	4,809.3	14	127	512.5	531.3	7.61	15.6
71	Riggs National Corp., Washington, D.C.	6,425.6	6,150.2	75	+4	4,993.2	4,626.1	3	42	486.0	593.4	7.56	18.6
72	Mercantile Bancorporation, Inc., St. Louis, Mo.	6,376.4	6,618.0	72		5,190.9	5,272.9	30	106	565.1	656.3	8.86	13.5
73	Marshall & Ilsley Corp., Milwaukee, Wis.	6,270.0	5,314.5	83	+10	4,935.5	4,062.0	43	121	561.8	628.8	8.96	35.7
74	SouthTrust Corp., Birmingham, Ala.	6,261.0	5,282.5	84	+10	4,959.2	4,085.0	37	180	545.9	622.1	8.72	32.4
75	First Maryland Bancorp., Baltimore	6,108.6	5,392.5	82	+7	4,269.5	4,054.0	2	146	541.4	675.7	8.86	26.9
76	First Pennsylvania Corp., Philadelphia	6,029.9	5,514.8	81	+5	4,338.8	3,885.7	3	79	491.7	556.7	8.15	30.1
77	European American Bancorp, New York	6,010.5	6,582.2	73		4,171.6	4,594.0	1	88	524.4	799.4	8.72	29.4
78	Bancorp Hawaii, Inc., Honolulu	5,969.0	5,269.4	85	+7	5,033.0	4,459.2	2	66	426.0	439.9	7.14	29.6
79	First Tennessee National Corp., Memphis	5,817.7	5,938.6	77		4,408.0	4,389.3	3	132	481.1	538.6	8.27	25.2
80	Trustcorp. Inc., Toledo, Ohio	5,724.9	4,653.8	93	+13	4,315.1	3,586.9	14	188	437.3	487.3	7.64	24.4
81	United Banks of Colorado, Inc., Denver	5,536.6	[illegible],764.7	78		4,374.0	4,589.7	40	0	495.2	535.2	8.94	4.7
82	South Carolina National Corp., Columbia	5,403.6	4,922.2	90	+8	3,680.8	3,311.5	1	161	417.4	465.9	7.73	26.9
83	First Empire State Corp., Buffalo, N.Y.	5,362.7	3,004.5	123	+40	4,577.4	2,383.9	3	76	418.4	427.6	7.80	23.4
84	Equitable Bancorporation, Baltimore	5,306.6	4,903.4	91	+7	3,492.3	3,283.1	3	120	349.7	399.7	6.59	22.9
85	Hibernia Corp., New Orleans, La.	5,253.2	4,542.5	96	+11	4,390.6	3,729.5	1	76	366.4	378.5	6.98	26.1
86	Indiana National Corp., Indianapolis	5,182.4	5,103.5	87	+1	3,934.7	3,772.6	6	88	420.1	470.3	8.11	26.6
87	Centerre Bancorporation, St. Louis, Mo.	5,108.6	5,198.5	86		3,774.1	4,005.8	13	68	424.3	482.2	8.30	14.8
88	Texas American Bankshares, Inc., Fort Worth	5,046.7	5,518.0	80		4,522.8	4,790.0	24	12	224.1	314.6	4.44	(153.0)
89	First Security Corp., Salt Lake City, Utah	5,021.7	5,052.0	88		3,821.6	3,770.6	3	163	449.9	599.9	8.96	15.1
90	Commerce Bancshares, Inc., Kansas City, Mo.	4,958.6	5,050.9	89		4,226.7	4,273.7	22	102	413.7	464.8	8.34	24.2
91	First Kentucky National Corp., Louisville	4,946.7	4,781.8	92	+1	3,560.9	3,638.4	7	98	390.6	477.1	7.90	26.6
92	First National Cincinnati Corp.	4,933.3	4,341.9	99	+7	4,064.1	3,508.9	17	149	452.8	486.0	9.18	30.3
93	First Florida Banks, Inc., Tampa	4,904.9	4,586.6	94	+1	4,033.1	3,925.6	2	142	406.7	406.7	8.29	23.2
94	BanCal Tri State Corp., San Francisco	4,860.2	4,549.2(b)	..		2,830.6	3,197.4(b)	1	26	404.4	410.4	8.32	15.3
95	Merchants National Corp., Indianapolis	4,758.7	3,865.5	105	+11	3,294.6	2,834.9	14	121	361.8	367.6	7.60	21.2
96	First Alabama Bancshares, Inc., Montgomery	4,670.4	4,205.3	101	+6	3,984.5	3,541.3	3	145	474.6	486.9	10.16	28.0
97	First Virginia Banks, Inc., Falls Church	4,612.1	4,197.9	102	+6	4,077.5	3,722.2	21	288	423.7	423.7	9.19	28.9
98	Fifth Third Bancorp, Cincinnati	4,479.8	3,642.5	108	+11	3,567.7	2,753.3	10	128	504.5	504.5	11.26	39.2
99	Central Fidelity Banks Inc., Richmond	4,478.2	3,971.1	104	+6	3,534.7	3,312.2	2	161	360.2	386.2	8.04	24.2
100	Bank South Corp., Atlanta	4,339.1	3,655.3	107	+8	3,157.4	2,782.4	9	129	341.8	351.4	7.88	18.0

Data Source: American Banker survey questionnaire. The 1987 data are as reported last year, unless otherwise noted. **Primary capital** is equity capital; the allowance for loan and lease losses; mandatory convertible debt; and the minority interest in equity accounts of consolidated subsidiaries. **Total capital** is primary capital plus secondary capital. **Secondary capital** is limited life preferred stock; subordinated notes and debentures not included in primary capital; and long-term debt of the parent company and its nonbank subsidiaries with an original maturity of seven years or more. **Primary capital ratio** is primary capital on 6/30/88 divided by total assets on 6/30/88, expressed as a percentage. **Note:** The American Banker ratio is not calculated in the same manner as the Federal Reserve Board ratio. The American Banker does not add the allowance for possible loan and lease losses to total assets, as the Fed does. For that reason, the American Banker ratio is from 5-to-15 basis points higher than the Fed ratio. **Net income** is income after taxes, loan loss provisions and minority interest, but before preferred dividends and extraordinary items. Income from discontinued operations is excluded. **(a)**— Data are for National Westminster Bank USA. **(b)**— Data are for Bank of California NA. **(p)**— Pro forma. **(†)**— Data are for 12/31/87. **( )**— Indicates a loss.

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Top 100 Bank Holding Companies by Region

Based on Total Assets on June 30, 1988 (in Millions of Dollars)

NEW ENGLAND

		Assets 6/30/88
13	Bank of Boston Corp. (S)‡	33,966.7
17	Bank of New England Corp., Boston (S)	30,033.2
21	Shawmut National Corp., Conn. (S)	27,188.4
25	Fleet/Norstar Financial Group, Inc., Providence, R.I. (S,a)	25,127.8
63	BayBanks, Inc., Boston	8,668.2
67	State Street Boston Corp.	7,810.7

MID-ATLANTIC

		Assets 6/30/88
1	Citicorp, New York (M)	205,193.0
2	Chase Manhattan Corp., New York (M)	96,296.2
4	J.P. Morgan & Co., Inc., New York (M)	81,467.0
5	Chemical Banking Corp., New York (M)	75,803.0
7	Manufacturers Hanover Corp., New York (M)	69,973.3
9	Bankers Trust New York Corp. (M)	55,521.0
12	PNC Financial Corp, Pittsburgh (S)	36,642.7
15	Mellon Bank Corp., Pittsburgh (S)‡	31,234.0
16	First Fidelity Bancorporation, Newark, N.J. (S)	30,091.5
22	Marine Midland Banks, Inc., Buffalo, N.Y. (F,S)	26,914.8
26	Irving Bank Corp., New York (M)	24,172.0
27	Republic New York Corp. (M)	24,168.3
31	Bank of New York Co., Inc.	23,622.4
37	Midlantic Corp., Edison, N.J.	18,970.2
38	National Westminster Bancorp, Inc., New York (F,b)	18,238.3
39	MNC Financial, Inc., Baltimore	17,106.9
40	CoreStates Financial Corp., Philadelphia	15,403.1
44	KeyCorp, Albany, N.Y.	12,445.8
49	United Jersey Banks, Princeton, N.J.	10,541.2
53	First American Bankshares, Inc., Washington, D.C.	10,200.9
61	Meridian Bancorp., Inc., Reading, Pa.	8,732.0
71	Riggs National Corp., Washington, D.C.	6,425.6
75	First Maryland Bancorp., Baltimore (F)	6,108.6
76	First Pennsylvania Corp., Philadelphia	6,029.9
77	European American Bancorp, New York (F)	6,010.5
83	First Empire State Corp., Buffalo, N.Y.	5,362.7
84	Equitable Bancorporation, Baltimore	5,306.6

SOUTHEAST

		Assets 6/30/88
18	NCNB Corp., Charlotte, N.C. (S)	28,609.6
19	First Union Corp., Charlotte, N.C. (S)	28,374.5
20	SunTrust Banks, Inc., Atlanta (S)	27,544.8
28	Barnett Banks, Inc., Jacksonville, Fla. (S)	24,168.1
32	Sovran Financial Corp., Norfolk, Va. (S)	21,714.9
34	Citizens & Southern Corp., Atlanta (S)	20,770.9
35	First Wachovia Corp., Winston-Salem, N.C. (S)	20,310.6
43	Southeast Banking Corp., Miami	13,174.5
46	Signet Banking Corp., Richmond	11,346.4
52	Crestar Financial Corp., Richmond	10,216.4
64	Dominion Bankshares Corp., Roanoke, Va.	8,630.9
65	AmSouth Bancorporation, Birmingham, Ala.	7,906.7
66	Florida National Banks of Florida, Inc., Jacksonville	7,857.5
70	First American Corp., Nashville, Tenn.	6,736.7
74	SouthTrust Corp., Birmingham, Ala.	6,261.0
79	First Tennessee National Corp., Memphis	5,817.7
82	South Carolina National Corp., Columbia	5,403.6
93	First Florida Banks, Inc., Tampa	4,904.9
96	First Alabama Bancshares, Inc., Montgomery	4,670.4
97	First Virginia Banks, Inc., Falls Church	4,612.1
99	Central Fidelity Banks Inc., Richmond	4,478.2
100	Bank South Corp., Atlanta	4,339.1

MIDWEST

		Assets 6/30/88
11	First Chicago Corp. (M)	44,425.9
14	Continental Illinois Corp., Chicago (M)	32,392.0
24	First Bank System, Inc., Minneapolis (S)	25,925.4
29	NBD Bancorp., Inc., Detroit (S)	23,802.2
30	Banc One Corp., Columbus, Ohio (S)	23,730.4
33	Norwest Corp., Minneapolis (S)	21,019.0
41	National City Corp., Cleveland	14,731.5
45	Harris Bankcorp, Inc., Chicago (F)	11,369.6
50	AmeriTrust Corp., Cleveland	10,483.5
51	Comerica, Inc., Detroit	10,261.0
54	Boatmen's Bancshares, Inc., St. Louis, Mo.	9,591.8
55	Society Corp., Cleveland	9,411.3
57	First of America Bank Corp., Kalamazoo, Mich.	9,012.8
58	Manufacturers National Corp., Detroit	8,960.1
59	Northern Trust Corp., Chicago	8,865.2
60	Huntington Bancshares, Inc., Columbus, Ohio	8,799.8
62	Michigan National Corp., Farmington Hills	8,716.1
68	First Wisconsin Corp., Milwaukee	7,212.5
69	Old Kent Financial Corp., Grands Rapids, Mich.	6,817.7
72	Mercantile Bancorporation, Inc., St. Louis, Mo.	6,376.4
73	Marshall & Ilsley Corp., Milwaukee, Wis.	6,270.0
80	Trustcorp. Inc., Toledo, Ohio	5,724.9
86	Indiana National Corp., Indianapolis	5,182.4
87	Centerre Bancorporation, St. Louis, Mo.	5,108.6
90	Commerce Bancshares, Inc., Kansas City, Mo.	4,958.6
91	First Kentucky National Corp., Louisville	4,946.7
92	First National Cincinnati Corp.	4,933.3
95	Merchants National Corp., Indianapolis	4,758.7
98	Fifth Third Bancorp, Cincinnati	4,479.8

SOUTHWEST

		Assets 6/30/88
23	First RepublicBank Corp., Dallas (c)	26,849.0
36	MCorp, Dallas	20,105.6
47	First City Bancorporation of Texas, Inc., Houston	11,296.0
81	United Banks of Colorado, Inc., Denver	5,536.6
85	Hibernia Corp., New Orleans, La.	5,253.2
88	Texas American Bankshares, Inc., Fort Worth	5,046.7
89	First Security Corp., Salt Lake City, Utah	5,021.7

WEST

		Assets 6/30/88
3	BankAmerica Corp., San Francisco (S)	94,253.0
6	Security Pacific Corp., Los Angeles (S)	75,632.0
8	First Interstate Bancorp., Los Angeles (S)	58,123.6
10	Wells Fargo & Co., San Francisco (S)	45,100.0
42	U.S. Bancorp., Portland, Ore.	14,067.3
48	Valley National Corp., Phoenix, Ariz.	11,085.9
56	Union Bancorp, Los Angeles (F,d)	9,411.1
78	Bancorp Hawaii, Inc., Honolulu	5,969.0
94	BanCal Tri State Corp., San Francisco (F,e)	4,860.2

New England is comprised of: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. **The Mid-Atlantic Region** is comprised of: Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, and Puerto Rico. **The Southeast Region** is comprised of: Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. **The Midwest Region** is comprised of: Iowa, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. **The Southwest Region** is comprised of: Colorado, Louisiana, New Mexico, Oklahoma, Texas, and Utah. **The Western Region** is comprised of: Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Washington, Wyoming. **(‡)**— Many bank analysts consider this a money center firm. The firm is often classified as a money center firm in comparative performance studies. **(F)**— Foreign-bank owned. **(M)— A money center firm.** American Banker defines a money center bank as a bank that has the following characteristics: large in asset size; oriented toward commercial and industrial lending; noncore funded (a high percentage of purchased money); and a large international, presence. **(S)— A Superregional banking firm.** American Banker defines a superregional banking firm to include any non-money center banking company that ranks among the nation's 10 largest in assets plus any banking firm with $20 billion or more in total assets that has merged across state lines to establish a full commercial banking presence in another state. **(a)**— On 1/1/88, Fleet Financial Group, Providence, and Norstar Bancorp., Albany, N.Y., merged to form Fleet/Norstar. **(b)**— The company was formed on Feb. 1, 1988, when National Westminster Bank Plc, London, acquired First Jersey National Corp., Jersey City, and transferred the ownership of that firm and the ownership of its U.S. commercial bank subsidiary, National Westminster Bank USA, New York, to the newly formed company. **(c)**— On 7/29/88, Federal regulators declared First Republic's 41 member banks insolvent and transferred them to a federally chartered bridge bank that will be managed and eventually purchased by NCNB Corp., Charlotte, N.C. The new bank is NCNB Texas National Bank. **(d)**— In process of being acquired by California First Bank, San Francisco, a Bank of Tokyo Ltd. subsidiary. **(e)**— Until the current quarter, no data have been available to the public since the acquisition of the company by Mitsubishi Bank Ltd., Tokyo in 1983. The company is the holding company for Bank of California NA. The bank is in the process of merging Mitsubishi Bank of California, Los Angeles.

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Large Banks Not Controlled by U.S. Bank Holding Companies

Banks with assets of $3 billion or more on June 30, 1988 (dollar amounts in millions)

Name of Bank	Assets 6/30/88	Deposits 6/30/88	Net Income First Half 1988	Primary Capital 6/30/88	Name of Parent Company
Boston Safe Deposit & Trust Co. (a)	16,238.5	14,269.7	70.7	935.0	Shearson Lehman Hutton, Inc., New York (b)
Bank of Tokyo Trust Co., New York	7,069.1	5,443.1	22.1	439.5	Bank of Tokyo Ltd., Japan
California First Bank, San Francisco	6,332.6	5,546.4	22.8	480.2	Bank of Tokyo Ltd., Japan
Sanwa Bank California, San Francisco	5,859.2	4,649.0	15.8	415.4	Sanwa Bank Ltd., Osaka, Japan
Banco Popular de Puerto Rico, San Juan	5,561.9	4,612.0	21.8	346.1	None
Greenwood Trust Co., New Castle, Del.	5,065.2	3,584.5	(2.8)	504.5	Sears, Roebuck & Co., Chicago
Fuji Bank & Trust Co., New York	4,619.3	2,654.3	7.9	270.2	Fuji Bank, Ltd., Tokyo, Japan
Industrial Bank of Japan Trust Co., New York	4,330.5	2,646.6	12.9	260.0	Industrial Bank of Japan, Ltd., Tokyo
Israel Discount Bank of New York	4,044.6	3,706.3	9.2	244.3	Israel Discount Bank Ltd., Tel Aviv
Sumitomo Bank of California, San Francisco	3,479.3	3,135.9	11.5	225.0	Sumitomo Bank Ltd., Osaka, Japan
National Community Bank, Rutherford, N.J.	3,339.7	2,942.3	19.6	204.2	None
Barclays Bank of New York NA	2,901.3	2,315.4	6.8	194.2	Barclays Bank Plc, London, U.K.
Bank Leumi Trust Co., New York	2,900.3	2,640.8	5.3	179.2	Bank Leumi le-Israel, Tel Aviv

Data Source: American Banker files. These banks do not appear on the listing of the Top Bank Holding Companies in the U.S., because parent companies are not U.S. bank holding companies. **(a)**—The bank is a wholly-owned subsidiary of Boston Co., Inc. That company, in turn, is owned by Shearson Lehman Hutton, Inc., New York. **(b)**—An American Express company. **( )**— Indicates a loss. **N.A.**— Not available.

Acquisitions Completed by Top 100 Firms in 1988

Firms Listed Geographically (Dollar Amounts in Millions)

Asset Rank 6/30/88	Name of Bank Holding Company	Type of Change	Banking Firms and Banks Acquired	Total Assets Of Merged Banks 12/31/87	Date Merger Completed
65	AmSouth Bancorp., Birmingham, Ala.	M	Gulf First Holding Corp., Panama City, Fla.	77	3/31
74	SouthTrust Corp., Birmingham, Ala.	M	Bank of Florida Corp., St. Petersburg, Fla.	121	1/19
		M	First National Bancshares, inc., Jacksonville, Fla.	11	2/12
		M	Latta Bank & Trust Co., S.C.	12	6/27
96	First Alabama Bancshares, Inc., Montgomery	M	Sunshine Bank, Ft. Walton Beach, Fla.	62	2/88
8	First Interstate Bancorp., Los Angeles	M	Allied Bancshares, Houston	7,996	1/29
6	Security Pacific Corp., Los Angeles	M	American Asian Bank, San Francisco	235	3/4
		M	Hibernia Bancshares Corp., San Francisco	2,367	8/19
10	Wells Fargo & Co., San Francisco	M	Barclays Bank of California, San Francisco	1,167	6/2
21	Shawmut National Corp., Hartford, Conn.[1]	M,N	Shawmut Corp., Boston	10,803	2/29
28	Barnett Banks, Inc., Jacksonville, Fla.	M	First Fulton Bancshares, Palmetto, Ga.	41	2/11
20	SunTrust Banks, Inc., Atlanta[2]	M	Lynn Haven Commercial Bank, Fla.	25	5/14
		M	Commercial Bank, Panama City, Fla.	185	5/14
		M	Springfield Commercial Bank, Fla.	28	5/14
45	Harris Bankcorp., Chicago	M	Commerical State Bank, Phoenix, Ariz.[6]	22	2/10
		M	First National Bank, Batavia, Ill.	48	7/1
		M	State Bank of St. Charles, Ill.	127	7/1
95	Merchants National Corp., Indianapolis	M	Elston Corp., Crawfordsville, Ind.	143	2/3
85	Hibernia Corp., New Orleans	M	United Mercantile Bank of Shreveport, La.[7]	67†	1/21
58	Manufacturers National Corp., Detroit	M	Wilson, Kemp & Associates, Inc., Detroit[8]	...	5/24
29	NBD Bancorp, Detroit	M	Charter Bank Group, Northfield, Ill.	401	8/31
62	Michigan National Corp., Farmington Hills, Mich.	M	Second Commercial Fund, Inc., Philadelphia[9]	...	9/88
24	First Bank System, Inc., Minneapolis	M	Marine Bank, Bloomington, Minn.	210	4/88
		M	Brown Deer Bank, Brown Deer, Wis.	91	6/88
37	Midlantic Corp., Edison, N.J.	M	County Bancorp., Lyndhurst N.J.	124	1/1
16	First Fidelity Bancorp, Newark, N.J.	M	Fidelcor, Philadelphia	12,650	2/29
49	United Jersey Banks, Princeton	M	First Valley Corp., Bethleham, Pa.	1,394	1/29
44	KeyCorp, Albany, N.Y.	M	First Northwest Bancorporation, Seattle, Wa.	109	7/31
1	Citicorp, New York[3]	M	United Bank of Arizona, Phoenix	2,386	6/88
38	National Westminster Bancorp., Inc., New York[4]	M	First Jersey National Corp., Jersey City	4,895	2/1
		M	National Westminster Bank USA, New York	11,571	2/1
19	First Union Corp., Charlotte, N.C.	M	Florida Commercial Banks, Inc., Miami	995	4/1
98	Fifth Third Bancorp., Cincinnati	M	C&H Bancorp., Miami	256	4/15
		M	Security Bank, Covington, Ky.	13	7/1
92	First National Cincinnati Corp.	M	First Sidney Bancorp., Ohio	179	2/1
		M	Aurora First National Bancorp., Ind.	55	2/1
41	National City Corp., Cleveland	M	First Kentucky National Corp., Louisville	5,132	7/28
30	Banc One Corp., Columbus, Ohio	M	Universal Corp., Ypsilanti, Mich.	108	3/31
		M	Marine Corp., Milwaukee	4,313	3/31
80	Trustcorp, Inc., Toledo, Ohio	M	Citizens Bank of Indianapolis	0.4	5/1
42	U.S. Bancorp., Portland, Ore.	M	Mt. Baker Bank, Bellingham, Wash.	175	7/1
12	PNC Financial Corp., Pittsburgh	M	Central Bancorp, Cincinnati	5,071	2/29
		M	First Bancorp, Mechanicsburg, Pa.	119	2/29
61	Meridian Bancorp, Reading, Pa.	M	Delaware Trust Co., Wilmington	977	2/10
25	Fleet/Norstar Financial Group, Inc., Providence, R.I.[5]	M	Norstar Bancorp, Albany, N.Y.	12,138‡	1/1
		M	Fleet Financial Group, Inc., Providence	11,333‡	1/1
79	First Tennessee National Corp., Memphis	M	Peoples & Union Bank, Lewisburg, Tenn.	66	4/12
70	First American Corp., Nashville	M	Northern of Tennessee Corp., Clarksville	118	6/30
		M	First National Bank, Rockwood, Tenn.	110	3/1
64	Dominion Bankshares Corp., Roanoke, Va.	M	Peoples National Bank of Shelbyville, Tenn.	97	4/29
		M	Merchants and Planters Bank, Newport, Tenn.	120	6/24
		M	Citizens Union Bank, Rogerville, Tenn.	170	6/24
68	First Wisconsin Corp., Milwaukee	M	Sahara Bancorp., New Brighton, Minn.	95	6/1

Source of Data: American Banker files. Banking firms are listed in geographic order, with their respective asset ranks shown in the left-hand column. Only acquisitions completed during 1988 are shown. **Type of Changes: (M)**— Merged the banking firm listed; **(N)**— Name of firm changed in 1988. **(1)**— Formerly Hartford National Corp. **(2)**—Lynn Haven Commercial Bank and Springfield Commercial Bank were merged into Commercial Bank, Panama City. The latter bank then changed its title to Sun Commercial Bank. **(3)**—Bank was acquired from its parent, Union Bancorp, Los Angeles in June 1988. **(4)**— The holding company was formed on Feb. 1, 1988, when National Westminster Bank Plc, London, acquired First Jersey National Corp., Jersey City, now called National Westminster Bancorp NJ, and transferred the ownership of that firm and the ownership of its U.S. commercial bank subsidiary, National Westminster Bank USA, New York, to the newly formed company. Data for both companies are reported by National Westminster Bancorp., Inc., New York. **(5)**— New company formed by the merger of the two companies listed. **(6)**— Merged this bank with Harris Trust Co. of Arizona to form Harris Trust Bank of Arizona. **(7)**— FDIC-assisted merger. **(8)**— An investment advisory firm. **(9)**— A small business commercial lending firm. **(‡)**— Data are for 6/30/87. **(†)**— Total deposits.

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Mergers Swell the Ranks of Superregional Banking Companies

By THERESIA TREPEL
and JANET MURTHA

NEW YORK — Mergers among the nation's top banking firms earlier this year have resulted in the emergence of three superregional firms. A firm that ranks among the nation's 40 largest also has been created.

These are some of the findings from the *American Banker*'s fourth annual midyear update of bank holding companies, published today.

The largest new superregional firm was created on Feb. 29, when $16.2 billion-asset First Fidelity Bancorp., Newark, N.J., acquired the $12.7 billion-asset Fidelcor, Philadelphia. Fidelity, which ranked 37th in assets at yearend, moved to 16th place on June 30 with assets of $30 billion.

A superregional is defined by the *American Banker* as any nonmoney center banking company that ranks among the nation's 10 largest in assets. Also included is any banking firm with $20 billion or more in total assets that has merged across state lines to establish a full commercial banking presence in another state.

The next largest superregional also was formed on Feb. 29, when the $15.7 billion-asset Hartford National Corp., Hartford, Conn., acquired the $10.8 billion-asset Shawmut Corp., Boston. The merged company, Shawmut National Corp., ranked 21st at midyear with $27.2 billion in assets.

The third largest superregional was formed on Jan. 1, when $12.1 billion-asset Norstar Bancorp, Albany, N.Y., merged with $11.3 billion-asset Fleet Financial Group, Providence, R.I. The new firm, Fleet/Norstar Financial Group Inc., ranked 25th at midyear with $25.1 billion in assets.

National Westminster Bancorp, New York, was the nation's 38th largest banking firm on June 30 with assets of $18.2 billion. It was created on Feb. 1. Its parent, National Westminster Bank PLC, London, transferred ownership of National Westminster Bancorp NJ, Jersey City, (formerly First Jersey National Corp.) and National Westminster Bank USA, New York, to the newly formed company.

Overall, 36 of the top 100 firms have completed acquisitions of 52 other banking firms in 1988. In 1987, 38 of the top 100 firms acquired 59 other banking companies.

Other Survey Findings

The *American Banker* surveyed approximately 200 U.S. banking firms to prepare the listings that appear on pages 6, 8, 10, and 12. Some of the more important survey findings:

- The top 100 bank holding companies had assets totaling $2,084.5 billion on June 30, up 6.7% from $1,954.3 billion a year earlier.
- These firms had $1,456.6 billion in deposits, up 6.6% from $1,366.3 billion a year earlier.
- Their primary capital rose 13.3% over the 12-month period ended June 30, to $173.5 billion. The ratio of primary capital to total assets for the top 100 rose 48 basis points to 8.32% from 7.84% a year earlier.
- Among the top 100 firms, 98th-ranked Fifth Third Bancorp, Cincinnati, had the highest primary-capital-to-assets ratio, 11.26%. The 88th-ranked Texas American Bankshares, Fort Worth, had the lowest ratio, 4.44%.
- Net income for the top 100 totaled $6.93 billion for the first half of 1988, up 174.5% from a loss of $9.3 billion posted by the top 100 firms over the first half of 1987.
- The number of domestic banks controlled by the top 100 bank holding companies decreased 18.9% to 1,152 at midyear from 1,421 on June 30, 1987. But the number of domestic bank branches controlled by the top 100 increased 1% to 22,120 at midyear 1988 from 21,911 at midyear 1987.
- A regional breakdown of the top 100 companies shows that 29 in the Midwest, 27 in the Mid-Atlantic states, 22 in the Southeast, 9 in the West, 7 in the Southwest, and 6 in New England.
- At midyear, 23 firms met the *American Banker*'s definition of superregionals. These firms are identified in a listing on page 6.
- The top 25 earners in banking — among bank holding companies and banks not controlled by a U.S. bank holding company — had first-half net income of $6.2 billion, or 90% of the net income posted by the top 100 bank holding companies.

A regional breakdown of the top 25 earners shows 9 are in the Mid-Atlantic states, 5 in the Southeast, 4 each are in the West and New England, and 3 in the Midwest.

- Citicorp, the nation's top banking firm in assets with $205 billion on June 30, earned $717 million in net income over the first half to rank as the top earner in banking. Last year's top earner, SunTrust Banks Inc., Atlanta, ranked 18th this year with $151.9 million in net income, up 7.7% from $141 million for first-half 1987.
- There are seven large banks not controlled by U.S. bank holding companies that had assets within the range of the top 100 bank holding companies. Four of these are controlled by Japanese institutions; two are limited-service banks controlled by large diversified financial services firms, and the last is a Puerto Rican bank. A complete listing of large banks not controlled by U.S. bank holding companies appears on page 10. ■

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NEWS MONDAY

Michael Dukakis has received all of $15 so far from the political action committees of the 10 top bank companies, notes Bart Fraust in Perspective. — 14

The head of the top thrift trade group has offered to promote a bill that would allow some 3,000 small commercial banks access to low-cost loans from the 12 Federal Home Loan banks — but the bankers aren't interested. — 17

INSIDE

A bid by Japan to assume the leadership role in the Third World debt process appears to have been effectively opposed by the United States at the IMF-World Bank meetings. — 2

The Supreme Court this fall is set to hear a Texas real estate developer's contention that it should be allowed to take its claim against an insolvent Arkansas thrift to federal court rather than the Federal Savings and Loan Insurance Corp., which is holding the troubled institution in receivership. — 2

A dispute between MasterCard and Visa over interchange pricing policies dominated the American Bankers Association's bank card conference. — 2

Sears, Roebuck and Co.'s move to test bank cards in some of its stores is no surprise to some analysts. — 6

The Bankers-TV Network's introduces its satellite-beamed programming Oct. 4. — 6

Swiss Bank Corp. has opened a New York-based private banking division that will offer global investment management to people with at least $1 million in investable assets. — 13

Merrill Lynch & Co. and a Los Angeles venture capital firm have a new method to raise funds for fledgling firms. — 22

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COMMENT

A growing bank can get the benefits of an acquisition while keeping a unit's local flavor, writes Dr. Paul S. Nadler. 4

Currency values appear to have stabilized thanks to massive government intervention in foreign exchange trading, but critics say the calm is illusory, writes H. Erich Heinemann. — 5

Excerpts from the text of a plan by the American Bankers Association to address the Federal Savings and Loan Insurance Corp. deficit. — 10

Worth Repeating

We're a small state with small banks. It's an incursion to come out of the Big Apple to hit us here.

West Virginia bank regulator David Mudie on Goldome FSB, Buffalo, which has been ordered to stop selling certificates of deposit in the state's discount stores. [Page 3]

WASHINGTON BRIEFING

Fed Got Plum in AMBAC Case

By ROBERT TRIGAUX

An Insider's Guide
To Capital Issues

If you're a banking lawyer, or are willing at least to admit you know one, then undoubtedly you're quite aware of the industry rumblings over the AMBAC court decision — and its dire implications.

If you're not a lawyer, read on. The case may very well affect the entire industry.

The court decision is rapidly being dubbed "Everything the Federal Reserve Wanted But Was Afraid To Ask For."

AMBAC is a subsidiary of Citibank that in turn is subsidiary of the holding company Citicorp. When Citibank won approval of its application to the Comptroller of the Currency to have AMBAC offer municipal bond insurance, the insurance industry sued. It argued that the bank subsidiary was really engaging in an insurance activity beyond the scope of currently permissible activities.

Don't yawn just yet and assume this is another banks-versus-insurance controversy.

Here's the curve ball. Lurking in the decision of the U.S. Court of Appeals in the District of Columbia (American Insurance Association v. Robert L. Clarke, Comptroller of the Currency)

Please see AMBAC: Page 16 ➤

UNRESERVED OPINION /COMMENTARY

Used-Car Loan Buyers, Beware

By BEN WEBERMAN

WOULD you make a highly leveraged loan to a used-car salesperson? No! How about lending money to a captive finance company that makes loans to buyers of used cars?

Would you make a highly leveraged loan to a finance subsidiary whose credits are backed by receivables of second-hand auto loans? A number of smaller, regional banks are starting to buy these asset-backed credits.

Their naivete has bank regulators upset, as indicated by a recent interview with one regulator who asked to remain anonymous. For the worst of the credits — some are private placements, fewer are offered publicly — the statements are unaudited or unavailable.

Billions of dollars of so-called structured financing credits are being arranged. Most are on the up and up. But the success of the honest deals is pulling in vultures. Those are the ones to avoid.

But how can the live securitized debt issues be separated from those that are dead at birth? There are certain things to avoid, says the bank regulator.

First of all, don't take a position in any security when the salesperson has a deal that "guarantees" principal.

"The examiners are starting to hear of securitized assets with verbal puts and with verbal buyback offers." That is a certain danger sign, says this regulator.

Please see UNRESERVED: Page 8 ➤

Deal to Rescue 2 Texas Banks May Fall Apart

Investor Pohlad Seeking More FDIC Aid: Sources

By STEVE KLINKERMAN
Southwest Bureau

DALLAS — A dispute between Minneapolis investor Carl Pohlad and the Federal Deposit Insurance Corp. is threatening to derail the proposed rescue and merger of Texas American Bancshares Inc. and National Bancshares Corporation of Texas.

On July 20, Fort Worth-based Texas American and San Antonio-based National Bancshares announced a preliminary agreement to merge. Financing for the merger was to come from Mr. Pohlad, who as the acquirer agreed to invest up to $200 million, and from the FDIC, which was to provide $475 million in assistance.

However, industry sources on Friday said the July proposal was flawed, because Mr. Pohlad did not thoroughly audit the books of Texas American and National Bancshares before making his bid.

Further clouding the proposed merger, sources said, were the generous assistance terms granted in the rescue of NCNB National Bank of Texas, the federally owned bridge bank that contains the 40 former Texas member banks of First RepublicBank Corp. On July 29, NCNB Corp., Charlotte, N.C., won a contract to manage and ultimately acquire NCNB Texas.

The NCNB transaction stands in sharp contrast to Mr. Pohlad's deal. Without thoroughly examining the books of Texas American and National Bancshares, Mr. Pohlad consented to a

Please see REVISION: Page 23 ➤

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BANKING TRENDS /COMMENTARY

Acquirers Should Accent Local Bank's Flavor

By DR. PAUL S. NADLER

THE LOCAL bank had just been acquired by a much larger organization when the chief executive of the local institution got the following instructions from his new boss, the chairman of the holding company:

"If you've been giving $1,000 to the Boy Scouts locally, this year give $2,000. And for heaven's sake, don't tell them you have to check with us first — just do it!"

This example helps explain how a growing organization can work to carry water on both shoulders — to get the benefits of taking over an organization and generating economies of scale while keeping the local flavor that makes a bank successful in its community.

Ironically, many people think that the large institutions can beat the pants off the community banks. Usually it is the other way around.

Recently, a community bank president was addressing my seminar on financial institutions and was asked, "Don't you worry about the large banks taking away your business?

The banker's eyes lit up, and he laughed as he responded: "I have never lost a loan to a large bank in my 10 years as president."

He then told the story of a man who had kept a major account at a large competitor, only to be told one day when he went into his branch that his old branch manager was gone, that no one knew his situation, and that he would have "to go down to explain his position to the officers at headquarters to continue the borrowing relationship.

"He bumped into me on the street at lunchtime that day in our town and asked me, 'Pete, what's my name?'

"I laughed and told him his name, since I would see him frequently at the places where I would eat lunch and at the community meetings we both attended.

"That afternoon, he came in and opened an account with $700,000, saying, 'Nobody at my old bank knows my name anymore.' "

Some Changes Are Needed

Stories like the above are told again and again. And that explains why the community bank survives, and why so many community bankers are delighted when the community bank across the street is bought by a larger company. Immediately, people are moved out. Policies, faces, and even bank names change, and it is not the same bank anymore.

Why do acquiring banks make these changes?

Sometimes they feel they have to.

Marketing costs are so much lower when you have one bank name instead of a number of different bank names within a holding company.

Sometimes you just don't need all the people, and it costs too much to duplicate the talent in several local offices that are now part of the same company.

And there is the high cost of keeping separate banks, separate boards, separate annual reports, and separate operations.

Thus the acquiring bank usually blends the newly bought organization into its own fold — changing its name, replacing the board with an advisory board, and gradually or quickly changing policies and faces until it is not the same bank it was when it was acquired.

But it does not always have to work this way. Take, for example, the banker who told the CEO of the newly acquired institution to make decisions on donations to local charities. The holding company chairman runs an organization that is trying to keep the local flavor. How is this done?

- The holding company never changes an acquired bank's name. It just adds "Member of the Schmidlap Bancorp." to advertisements.
- By keeping separate banks, local boards are kept intact. An effort is made to keep morale high by asking for no staff reductions except through attrition.
- It is recognized that a bank must be of a reasonable size before it can be left to run independently. But if the bank is run independently, decisions are all made locally on everything that affects the customers.
- Only in areas such as back-office efficiency, duplication of duties, and investment does the holding company play a role — and here there is no way of affecting local customers by what is done to develop efficiency.
- In essence, the holding company bought the banks because they were doing the job in their territory. And the holding company doesn't want to kill what it has bought by robbing the local institutions of their independent flavor and autonomy.

Pieces of the Bank Package

And, in this regard, one can sit back and ask, "What do you get when you buy a bank?"

First, you get the building — something that most of the acquirers would gladly tear down and build over again if they could.

Second, you get the old 5¼% mortgages that will stay on the books forever. (A 20-year, 12% mortgage stays on the books an average of 8 years. A 20-year, 50% mortgage stays on the books 20 years, plus the grace period, and then the borrower comes limping in, not running in, to pay it off.)

Nadler Says:

Loyalty is a thin reed. It takes work, selling, vision, and sensitivity to keep people happy after their bank has been acquired.

Third, you get the core deposits — both of them, Charlie and Sadie.

Fourth, and most important, you get the loyalty and talent of the board, the officers, and the staff. And when you rob your bank of this most important asset, you rob yourself of much of what you bought the bank to get.

Loyalty is a thin reed. It takes work, selling, vision, and sensitivity to keep people happy after their bank has been acquired. And it takes a willingness to sit back and let the bank keep running much as it ran in the past, even though your money is now in it and you have the right to do what you want.

But what has to be remembered is that, when you buy a bank, you are buying entry into a territory, and you are paying a good premium for deposits that the bank has already gleaned from that territory.

Depositors Are Not Captives

But the depositors are not captives. If they are unhappy with the new owner of the bank, they can leave, as Pete found out to his great joy when the $700,000 opening deposit came across his desk.

And one is reminded of the story of the man who dies and is asked by God, "Do you want heaven or hell?"

He says, "Let me see them."

He sees them both. In heaven, they are reading the Bible and drinking tea, while in hell they are playing golf and tennis, partying, and having fun.

"I'll take hell," he says. Immediately thereafter, the partying ends, and it becomes nothing but sweat and hard work.

"How come it looked so great before, but now it's so terrible?" he asks.

God's reply: "Then you were a tourist. Now you're an immigrant."

The lesson for bankers — don't treat acquired institutions like immigrants if you want to keep their customers. And if you make the new acquirees feel like part of the family, it will also make more tourists (in the form of other banks) eager to immigrate to your corporation instead of to the competition. This is a bonus that can be highly valuable. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 11.

1. In a retrospective of her recently completed term as president of the National Association of Bank Women, what issue did Evon Emerson cite as the main focus of her year in office?

2. The profitability of bank credit card operations depends, to a large extent, on interest income from unpaid consumer balances. A recent survey of 1,444 card-issuing banks, done by the American Bankers Association, indicates a significant change in the proportion of cardholders who pay their balances in full each month. Has this proportion been rising or falling since 1987?

Credit Cards

3. American Express Co. has announced a $50,000 program of assistance to flood-stricken Bangladesh, half of which will provide food and medical supplies through the International Red Cross. The other $25,000 in emergency funds is allocated to the International Child Health Foundation to control a potentially fatal disease that is the major medical problem resulting from the floods. Identify this medical problem.

4. Congress imposed a prohibition on new U.S. bank lending to the Republic of South Africa in November 1986. According to a report by the General Accounting Office, what was the effect of this ban on lending activities to South Africa in the first half of 1987?

5. Signet Banking Corp., Richmond, Va., is delivering telephone banking and MasterCard services to individuals with special needs through a telecommunications device known as a TTD. Signet says up to 14,000 residents in its Maryland-Washington-Virginia market could benefit from using this device. What is the special need of this market segment?

Home Banking

6. Shoppers at Sears, Roebuck and Co. retail outlets have long enjoyed the privilege of using the Sears credit card. Their options were expanded with introduction of Discover, the Sears all-purpose credit card. What new credit option for Sears shoppers will be tested this month at six stores in the Mid-Atlantic region?

7. The Bank of Boston's sports marketing program has been effective in building consumer recognition for this superregional institution through broadcast coverage of competitions in New England such as the U.S. Open golf tournament in Brookline, Mass., and sponsorship of the Boston Celtics basketball team and a rowing competition on the Charles River. At an estimated cost of less than $25,000, the Bank of Boston Sports Network has achieved a marketing coup by providing coverage of an event that is being carried by more than 50 radio stations throughout New England and in Denver, Detroit, Los Angeles, Pittsburgh, and New York. Identify this event.

— **Robert Paul Molay**

NEWS MONDAY

AN AMERICAN BANKER WEEKLY FEATURE

This Week's Quote

It's like poison gas. You can't smell or see it, but it is in the room.

An ex-Comptroller staffer, reacting to a recent court decision involving Citibank that extends the Fed's jurisdiction over national banks.

Also in the News

Debts, Quotas at IMF Meeting

The Third World debt crisis and capital quotas were the major issues at last week's joint annual meetings of the International Monetary Fund and the World Bank in West Berlin. The tension over quotas — the capital that IMF member nations deposit with the fund — has been between the United States, which opposes an increase, and Japan, which would like to see total IMF quotas rise sharply, as well as its own shareholding in the fund.

The U.S. delegation was also irked because Japan stole the limelight with two new plans for dealing with the debt crisis. Most of the attention has been grabbed by the Japanese proposal to recycle more of its trade surplus to middle-income debtor countries as loans with below-market interest rates. *(For further information, see the stories on page 1 and page 22 of the Sept. 28 issue.and on page 2 on Sept. 27.)*

Irving Lawsuit Surprised BCI

Banca Commerciale Italiana angrily insisted last week that it heard nothing from Irving Bank Corp. before Irving charged in a lawsuit that the Italian bank had secretly agreed to "share the spoils" of the hostile takeover bid for Irving. Irving has charged in federal court that the Bank of New York induced Banca Commerciale to drop its friendly offer for 51% of Irving so that the Bank of New York could buy Irving on its terms. The Milan bank is not an actual party to the case. The single defendant named by Irving is the Bank of New York, which has waged a yearlong battle to acquire Irving. The lawsuit is Irving's latest move to derail that effort. *(Sept. 30, page 2.)*

Insolvents Eye Home Loan Bank

Officers from three troubled Texas thrifts have been nominated as directors of the Federal Home Loan Bank of Dallas, sending regulators scrambling to disqualify them before an upcoming board election. On Oct. 25, the Texas thrift industry will elect three directors for the Dallas bank. Of 10 candidates, 3 come from Texas thrifts that had either substandard net worth or negative net worth on June 30. Thrift experts object to the prospect of seating operators of insolvent thrifts on the board. *(Sept. 30, page 1.)*

Sears to Test Visa, MasterCard

Sears, Roebuck and Co. — the nation's largest retailer, which has long resisted taking bank credit cards in its stores — will begin testing MasterCard and Visa cards this month. Russell E. Hogg, president of MasterCard International, disclosed Sears' long-awaited move in his speech last week to the American Bankers Association's national bank card conference in San Francisco. Mr. Hogg said Sears will begin accepting bank credit cards at six stores in the mid-Atlantic region. *(Sept. 29, page 1.)*

South Africa Loans Rise

U.S. bank lending to South Africa rose slightly during the first six months of 1987, despite a congressional ban on such activities. The increase, according to a recently released report by the General Accounting Office, followed the prohibition on new lending that took effect in 1986. The GAO said it is unable to explain the small increase, adding that the U.S. Treasury Department is now looking into reasons for the upswing. *(Sept. 28, page 3.)*

Texas Reserve Doubled

First Interstate Bancorp, Los Angeles, will more than double the loan-loss reserve of its Texas subsidiary, First Interstate Bank of Texas, adding $180 million in the third quarter to offset a rise in nonperforming assets. First Interstate also said it would move about $400 million in nonperforming assets into a special-purpose subsidiary in the first quarter of 1989. *(Sept. 23, page 3.)*

Perspective/Banks Have Trouble Picking Political Winners

Big-Bank PACs Balance the Handouts

By BART FRAUST

POLITICAL action committees of the 10 largest bank holding companies, which traditionally have leaned toward the Republican Party, have begun to divvy up their money more evenly between Democrats and Republicans. But the largesse does not extend to Massachusetts Gov. Michael Dukakis, the Democrats' presidential candidate.

As of early September, Mr. Dukakis had received a meager $15 for his campaign from the Chemical Bank Fund for Good Government, according to reports filed by the committee with the Federal Election Commission.

That was it.

He got zilch from the PACs of Citicorp, Chase Manhattan Corp., BankAmerica Corp., J.P. Morgan & Co., Security Pacific Corp., Manufacturers Hanover Corp., First Interstate Bancorp, Bankers Trust New York Corp., and Wells Fargo & Co.

But Dukakis supporters should not be disheartened. In the past, the bank PACs have been something less than clairovoyant.

For example, in the 1985 and 1986 Senate campaigns, more than one-third of the money contributed by the top 10 bank PACs to U.S. Senate candidates went to individuals who later were defeated in primaries or general elections. Of the 11 Senate candidates who received the most money in 1986, five lost. In fact, during those years, the Senate candidate who received the most money was Slade Gorton, a Washington Republican who lost a reelection in 1986 to Democrat Brock Adams. Mr. Adams got less money than Mr. Dukakis. He got nothing.

Sen. Lloyd Bentsen, the Texas Democrat who is Mr. Dukakis' running mate, is hedging his bets by also seeking reelection to the Senate. While Mr. Bentsen's vice presidential campaign has not lit any fires among the banks, his Senate campaign is very popular. He received $24,750, the fifth highest total for any Senate candidate.

GENERALLY, the banks stay away from presidential politics. Only three of the 10 — the Citicorp, Chemical, and Manufacturers Hanover PACs — contributed to presidential candidates. No candidate received the maximum $10,000 contribution from any of the banks.

Vice President George Bush, the Republican candidate, received the most money, the Federal Election Commission reports show. Mr. Bush got $5,445, compared to $3,615 for Sen. Bob Dole, R-Kan.; $2,300 for Sen. Albert Gore Jr., D-Tenn.; $2,173 to Democratic candidate Jesse Jackson; $2,090 for Rep. Jack Kemp,R-N.Y.; $2,000 apiece for Rep. Richard Gephardt, D-Mo., and Sen. Paul Simon, D-Ill.; and $150 to Gary Hart, the former Democratic senator from Colorado.

In the 1987-88 campaign years, the bank PACs have distributed their money more evenly between the two parties in federal elections than in the past, reflecting the Democrats' current control of both houses of Congress. A total of 462 Democratic candidates for president, senator, and congressman received a total of $670,688 from the 10 committees, equal to 59.4% of the money contributed. For the Republicans, 315 candidates got $458,273.

This is in stark contrast to the 1985-86 campaigns, when the GOP got 56.7% of the money contributed.

Average contributions to both parties have become more even. The average contribution for Democratic candidates was $1,451.71, compared to $1,454.84 for the GOP. In the 1985-86 campaigns, the average contribution to Republican candidates was $217.42 higher than for the Democrats.

The committees have cut the number of campaigns to which they contribute by about one-third from 1985-86. However, the average contributions were up sharply. Each candidate received an average of $1,460.49, compared with $1,053.39 in 1985-86.

The Citicorp Voluntary Political Fund continues to be the biggest contributor to campaigns for federal office. The PAC divided $352,655 among 169 candidates. But the Morgan Companies Political Action Committee provided the highest average contribution, giving nearly $3,000 a candidate. The Bankers Trust Political Action Committee showed the biggest increase in contributions, from $75,000 in 1985-86 to $128,200 in 1987-88. The Chase, BankAmerica, and Manufacturers Hanover PACs gave considerably less this time around.

Contributions by Top 10 Bank PACs

During 1987-1988 (through Sept. 9)

	Number	Amount	Average	Percent Of total
Citicorp	169	$352,655	$2,086.72	31.2%
Chase	84	66,020	785.95	5.8
BankAmerica	74	44,628	603.08	4.0
Morgan	87	260,050	2,988.08	23.0
Chemical	115	103,325	898.48	9.2
Security Pacific	48	37,933	790.27	3.4
Manufacturers Hanover	78	70,800	907.69	6.3
First Interstate	26	26,900	1,034.62	2.4
Bankers Trust	63	128,200	2,034.92	11.4
Wells Fargo	33	38,450	1,165.15	3.0

Source: Federal Election Commission

As usual, Banking Committee members were the big money-getters. In Senate races, Chic Hecht, R-Nev,. a Banking Committee member, led with contributions totaling $38,499. He was followed by Donald W. Riegle Jr., D-Mich., at $33,600 and David Karnes, R-Neb., with $32,850. Individual bank favorites were John Chafee, R-R.I., at Citicorp; Mr. Hecht at Chase and BankAmerica; Mr. Karnes at Morgan and Bankers Trust; Pete Wilson, R-Calif., at Security Pacific and Wells Fargo; Daniel P. Moynihan Jr., D-N.Y., at Chemical; and Bill Bradley, D-N.J., at Manufacturers Hanover.

Top money-getters in the House races were Stephen L. Neal, D-N.C., $30,000; Thomas R. Carper, D-Del., $25,728; Doug Barnard Jr., D-Ga., $17,500; Jim Cooper, D-Tenn., $16,966; and Joseph DioGuardi, R-N.Y., $13,525. Mr. Neal, Mr. Carper, Mr. Barnard, and Mr. DioGuardi are Banking Committee members. Mr. Cooper is a member of the subcommittee on technology and finance of the Energy and Commerce Committee.

Rep. Fernand J. St Germain, D-R.I., chairman of the Banking Committee, received a total of $8,000 from the 10 PACs. Rep. John D. Dingell, D-Mich., chairman of the Energy and Commerce Committee and a proponent of limits on bank securities powers, received only $500 — from Chemical. ■

Wall Says He Won't Seek Taxpayer Bailout of FSLIC

FEDERAL Home Loan Bank Board Chairman M. Danny Wall said he will not ask Congress for a taxpayer bailout of the Federal Savings and Loan Insurance Corp. next month when he restates the size of the agency's deficit.

He told reporters last Wednesday that the FSLIC's projected revenues might also be revised upward to reflect an improved rate of recovery in the value of repossessed assets.

The General Accounting Office recently placed the FSLIC's mounting losses between $40 billion and $50 billion, prompting Senate Banking Committee Chairman William Proxmire, D-Wis., to call for a taxpayer bailout. He joined a chorus of critics who believe the industry lacks the earnings to shoulder the total cost of the FSLIC's recovery.

"To suggest a taxpayer bailout [for the FSLIC] is predetermined is inappropriate," Mr. Wall said.

Even if he were to agree at a future date that the FSLIC's projected revenues were insufficient to cover its losses, "there's a long way between that point and tapping the taxpayer for a financial contribution," Mr. Wall said.

"I think there is a long list of options that could be utilized," he said. "Some might require new law. Some might be within our current authority. They all need to be investigated before we suggest using taxpayer dollars."

— Jim McTague

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Today

Last year's fight over a recapitalization plan for the FSLIC is scheduled to resume today as the House Banking Committee takes up legislation that would add $5 billion to the $10.8 billion package enacted in 1987. —— 2

AmeriTrust Co. is looking for two or three banks to join the syndicate providing a $108.75 million credit facility to Riser Foods Inc. —— 2

Manufacturers Hanover Corp. has halved its securities brokerage staff, leaving 11 people to service retail and institutional customers. —— 2

Arizona Commerce Bank said it expects to post a loss of $3 million to $5 million in fiscal 1988 because of a restructuring. —— 2

Paul A. Willax, Empire of America's CEO, is relentlessly upbeat about the pressures facing the $10.7 billion-asset Buffalo thrift. —— 3

Husband-and-wife teams in the financial arena are rare, and the bank turnaround team of Judith E. and Alan S. Fellheimer is rarer still. —— 24

Executive Changes —— 9
In the News —— 3
Thrift Trigger Dates —— 16

COMMENT

The market may be sluggish next year, and now could be the time for investor and public relations officers to prove their value to senior management, says Arlen D. Southern. —— 4

Attracting top-notch workers is getting even tougher for the U.S. government, with pay lagging behind the private sector and the status of public service falling, writes Robert J. Samuelson. —— 4

TECHNOLOGY

The Social Security Administration will test the distribution of benefit payments via automated teller machines and point-of-sale terminals beginning next year. The program targets a segment of the population known for its resistance to electronic banking — the aged, the blind, and disabled. —— 10

The Terminal Capture Alliance Program is an incentive plan designed by Visa U.S.A. to encourage banks to replace aging point-of-sale terminals with newer technology. —— 10

Mellon Bank said it has contracts to process credit card payments for 14 federal agencies, almost a third of the 45 agencies participating in the government's program. —— 13

Scan-Optics Inc. has developed a processing system to serve the lower end of the bank card market. —— 15

Worth Repeating

We can be the Little Engine that Could if the world would just stop putting more cars on the train while we try to get up that hill.

Paul A. Willax, CEO of Empire of America, on the thrift's struggle for profitability. [Page 3]

AN AMERICAN BANKER SPECIAL REPORT

LDC Debt 'Cures' Are Bitter Pills for Big Banks

By BART FRAUST

NEW YORK — There have been a slew of proposals in the past year for easing the Third World debt crisis by reducing the amount of bank loans outstanding. All have one thing in common: They would cost the largest banks billions of dollars.

If the federal government were to require the 10 largest banking companies to forgive 30% of their Third World debt, they would have to write off $17.3 billion in loans. This is approximately $2.6 billion more than the special reserves established by these banks last June.

Free-market solutions also would be costly. The discount on the top 10 banking companies' Third World debt — the difference between book and market values — amounts to $29.9 billion, based on secondary market prices compiled by Salomon Brothers Inc. This discount is almost double the special reserves.

These are among the principal findings of an *American Banker* analysis of the Third World loan portfolios of the 10 largest U.S. banking companies as of June 30.

The special reserves were established with the belief that a discount equal to 25% of the exposure reflected approximately the market value of the debt. But many analysts believe that this percentage understates the discount and that market conditions are deteriorating.

"It's getting worse," David Cates, president of Cates Consulting Analysts Inc., said of the debt crisis. "There has been a political deterioration in the countries, and they are assuming a harder and harder line.

"And there is a new climate in the developed world where more aggressive forgiveness is seen as the solution," he said. "We're abandoning the hard line that they owe us 100 cents on

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LDC Portfolio Mix

At top 10 banking companies

Country	Amount (in billions)	% of Total
Brazil	$16.6	28.8%
Mexico	13.6	23.6
Argentina	5.7	9.9
Venezuela	4.7	8.1
Others	17.1	29.6

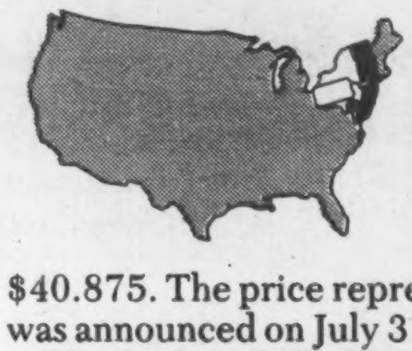
FROM THE REGIONS

THE MIDDLE ATLANTIC

Analysts Bullish on First Fidelity

By GORDON MATTHEWS

NEW YORK — Fourteen months after it was unveiled in the nation's most expensive banking merger, First Fidelity Corp. seems to have convinced Wall Street that its prospects as a banking giant in the Middle Atlantic region far outweigh the $1.34 billion price.



The firm is a combination of First Fidelity, Newark, N.J., and Fidelcor, Philadelphia. With midyear assets of $30 billion, it ranks 16th nationally among banking companies and third in size among regional firms in the Middle Atlantic.

Its stock closed Monday on the New York Stock Exchange at $39.50 a share, just short of its 52-week high of $40.875. The price represents a strong comeback from its plunge after the deal was announced on July 31, 1987.

The deal was billed as a merger of equals, but some analysts and investors were startled by the $1.34 billion price tag, equivalent to twice Fidelcor's book value. It is one of the last deals among major U.S. banks to reach that multiple.

Market reaction was sharp. The day before the merger was announced, First Fi-

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Irving Loses Appeal On Poison Pill Plan

By GORDON MATTHEWS

NEW YORK — A state appeals court has rejected a key portion of Irving Bank Corp.'s poison pill takeover defense plan. The decision is a major victory for Irving's hostile suitor, the Bank of New York Co., which now faces a 30-day regulatory deadline to acquire its Wall Street rival.

The appellate division of the New York Supreme Court upheld a lower court ruling that the "flip-in" provision of Irving's shareholder rights purchase program, intended to discourage unwanted investors even if no merger is planned, involves illegal discrimination.

Bank of New York said it was "gratified at this development" in the acri-

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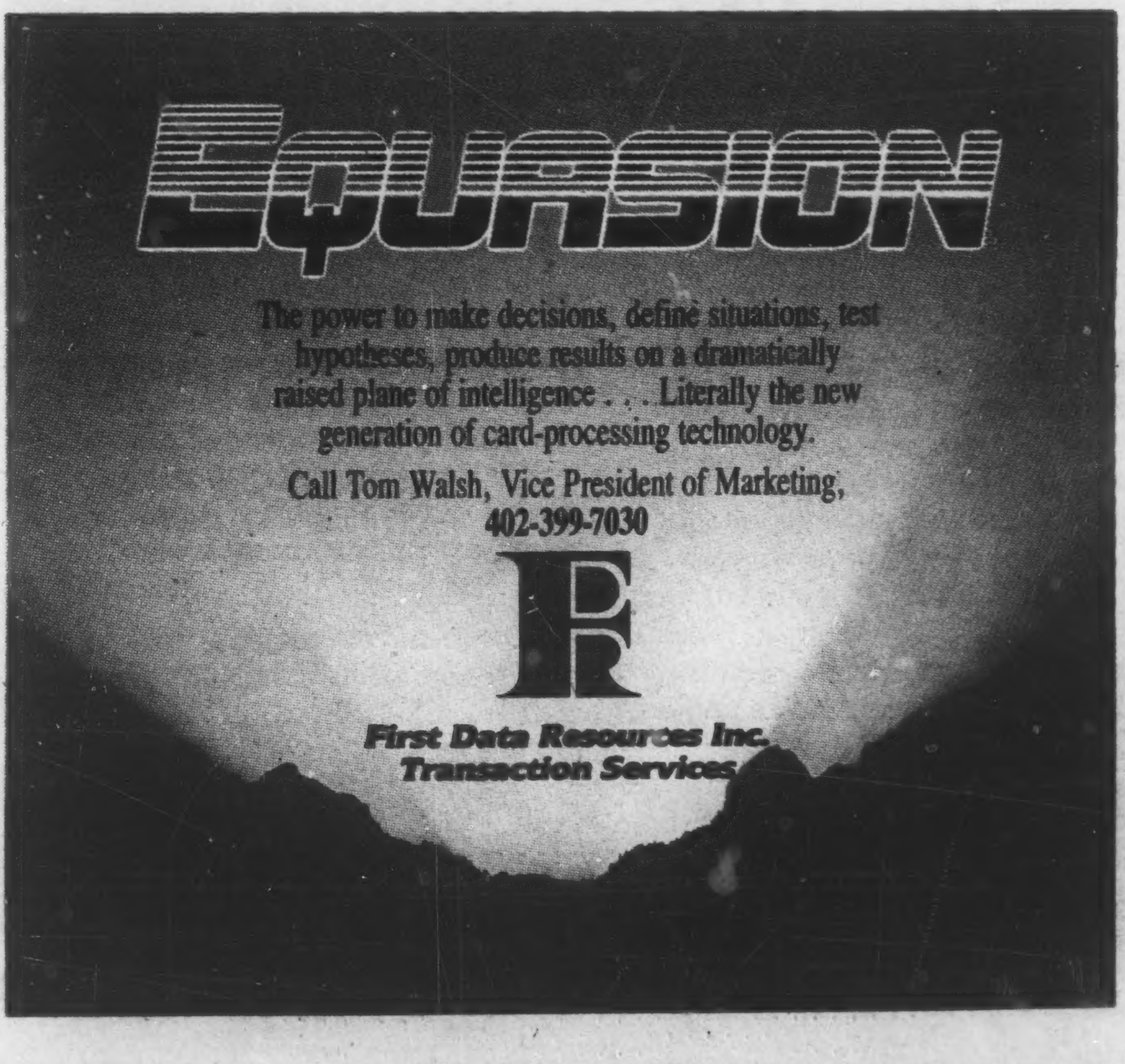

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COMMENTARY

Preparing for Tough Times in Investor Relations

By ARLEN D. SOUTHERN

A GROWING number of chief executives may be wondering if they are getting a fair return on the time and money spent on investor relations and financial public relations. And, in the current sluggish stock market environment, they may be asking if they should even be going through the motions.

Small wonder that some CEOs feel as though they are in a rowboat without oars as they watch their stock drift down or trade in a very narrow range, regardless of how the company is performing. Or, as a banking analyst told me recently: "The market is terribly unforgiving. If you do well, you may stay even. If you surprise the Street with disappointing results, you are going to take a big hit!"

Despite some bullish signals from major brokerage firms, many investment gurus believe the economy could stay reasonably healthy next year without contributing much momentum to the stock market. With so much uncertainty in the overall business picture, 1989 could be a very sporty course for the banking industry.

If tough times are just around the corner, perhaps more investor relations and public relations officers should be asking themselves what they can do to justify the confidence of senior management and help their companies achieve the corporate goal of "creating value for shareholders."

> Perhaps more investor relations and public relations officers should be asking themselves what they can do to justify the confidence of senior management.
>
> — Arlen D. Southern

With this in mind, I would like to share a few observations with you, as well as some guidelines that may be helpful in evaluating and planning financial communications programs.

One of the toughest day-to-day challenges is the need to match expectations of senior officers with realistic assessments of how the company is being evaluated by the investment community. This means you must pay as much attention to providing timely feedback to management as you do in communicating your story to analysts and money managers.

Projecting the credibility of the company and its management is essential in good or bad times. And remember, corporate character is more important than corporate image. For some companies with long and distinguished track records, credibility is so high they tend to benefit from a reservoir of goodwill in bad times.

God did not create all CEOs equal. Some companies may be blessed with a charismatic leader who is a great statesman and a brilliant manager — the kind of executive the analysts love and one who inspires portfolio managers to sleep better, even when the company's performance isn't all that it might be. In contrast, many hardworking but less dynamic CEOs are turning in superior performances, but the financial community hasn't caught onto the great jobs being done, and thus the stocks aren't reflecting the companies' progress. Sound familiar?

Investor relations and public relations executives must work together to ensure that key financial opinion formers and decision makers become aware of the company's strengths, so that perception ultimately catches up with reality. Vital to this process is third-party endorsement, both from the financial community and the business media. If you are fortunate to have above-average brokerage firm research support, you may need to work on positioning the company in the business media.

Beware of the CEO who says: "If we keep doing an outstanding job, the stock price will take care of itself." The resentment factor is higher when the CEO reminds you: "We aren't running this company for the benefit of the Wall Street analysts." The first statement has no validity. The second statement is true, but reflects only understandable frustration.

A top salesman has to make many calls to get great results. The same holds true for most investor relations directors. Many of them spend too much time on the phone with or too much time seeing sell-side analysts — and not nearly enough time pursuing targeted institutional prospects.

Specifically, more meetings should be arranged each month with buy-side analysts and/or portfolio managers who 1) own none of your stock but have positions in similar stocks and 2) have a small foothold position in your stock but could be candidates to own several hundred thousand shares. If you haven't been able to target some of these prospective investors, you may not be spending enough time and money on available research.

Staffing is another area of concern. I am convinced that many senior executives ignore the understaffing of the investor relations function and thereby restrict its ultimate contribution. You must have the flexibility to place the senior investor relations person "on the road" without having to worry about who is going to handle all the calls and other projects at headquarters. If a major corporation is serious about its investor relations, it won't be operating with a one-person IR staff.

Today, with institutions controlling 80% of all shares traded in this country, there is no doubt about where to concentrate most of your investor relations efforts. If your budget is tight, consider focusing on "lead steer" analysts, regional brokerage firms, and selected money managers on the Eastern Seaboard from Virginia to Massachusetts. This will give you access to about 70% of all U.S. funds under management.

While it is important to do a good job of communicating with your shareholders, most companies try to be selective in targeting stockbrokers and high-income individual investors. One cost-effective target is the NAIC — National Association of Investors Corp. — a virtual mutual fund of more than 6,000 investment clubs. Employee stock ownership and dividend reinvestment plans are other obvious options.

When your company is performing well but being ignored, it could be time to do something more provocative to get greater "share of mind" within the financial community. A half-day or full-day seminar meeting for analysts and/or money managers may be just what is needed to stimulate greater interest and understanding. The key is to present a compelling story in a candid manner.

As you think about plans and budgets, it is sometimes helpful to simply ask yourself: 1) What must we do? 2) What should we do? 3) What would be nice to do?

How you spend your time may be more important than how much money you have to spend.

You may want to consider three relevant questions as you review prospective 1989 investor relations and public relations programs:

- Are you being sufficiently bold and innovative?
- Are you disclosing the facts and figures that analysts and investors need to make a favorable decision on your stock?
- Are you spending enough time and money to make a difference?

Investor relations have much in common with tennis. You have to anticipate. You have to keep your eyes on the ball. And you have to follow through. When the good times roll, it seems so easy to make things happen. Rising to the challenge of a generally negative marketplace requires much more concentration, resourcefulness, and competitive drive. ■

Mr. Southern is president of the Arlen Southern Co., a corporate communications and investor relations consulting firm in suburban Philadelphia. This article is based on Mr. Southern's recent speech before the Banking Investor Relations Association in New York.

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ECONOMIC PERSPECTIVE

COMMENTARY

Public Service Loses Some Of Its Luster

By ROBERT J. SAMUELSON

WHEN I arrived in Washington as a reporter in the late 1960s, my first assignment involved covering some federal agencies. Power in these agencies typically lay with career civil servants — bureaucrats. These men, and most were men, arrived early and left late. They were smart and dedicated. Their energy and skills allowed them to share power with the White House and Congress.

The federal government still has thousands of these people, but their ranks are slowly thinning. At lower echelons, too, the quality of the work force is gradually deteriorating.

What's emerging is a "crisis of competence," as a recent report to the federal Office of Personnel Management puts it. Government increasingly can't attract top-notch workers. Federal pay lags behind private pay, and the status of public service is falling.

This matters. Belittling federal bureaucrats is easy until you recall the vital jobs they perform. They inspect nuclear reactors, maintain the national parks, conduct trade negotiations, prosecute federal crimes, run Medicare, and oversee the cleanup of hazardous wastes. They manage the space program and much of the military. Of the 2.3 million civilian federal workers, nearly half work for the Pentagon.

As a group, federal workers are highly skilled. One of every 10 government workers is an engineer, scientist, or computer specialist. In the overall labor force, the ratio is one of every 50 workers.

The OPM report ("Civil Service 2000," done by the Hudson Institute) predicts a rising demand for skilled workers. Computers will reduce the number of keypunch operators and clerical jobs. Meanwhile, the government will need more lawyers, engineers, biologists, and tax auditors.

Luring Top Talent

Recruitment already is becoming tougher. Some elite agencies, such as the State Department, do fine. Elsewhere, the story is different. Many applicants aren't qualified or once a job offer is made, decide to go elsewhere. In a recent survey of top agency officials by Government Executive magazine, about 60% said the quality of new recruits is falling.

Pay is clearly a problem. Government shouldn't have to compete with industry on a dollar-for-dollar basis: The appeal of public service — and job security — is a special benefit of government. But salaries can't fall too far behind, and they have. A 1988 Labor Department study finds an average gap of about 26%.

Consider some comparisons. A government computer operator at a GS-6 level is paid about $18,800 (GS means general schedule); comparable private pay is $22,700.

A midlevel accountant, or GS-11, earns $30,500 on average; private pay is nearly $12,000 more. Senior government attorneys, rated GS-15, receive about $64,000; the private equivalent

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Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

AN AMERICAN BANKER SPECIAL REPORT

Third World Debt Cures Are Bitter Pills for Big Banks

➤ Continued from Page 1

the dollar."

None of the proposals offered so far — compulsory or free market — have received unanimous approval from the banks.

Though maintaining the status quo contains dangers, the largest banks have preferred sticking with slowly reducing their exposures, granting new loans to the countries, and negotiating with the countries on a case-by-case basis.

"The managers of various New York banks seem to believe that through the protracted negotiation process, they will be able to get their money back," said one New York banker. "But you have to be skeptical."

Impact on Stock Prices

Third World debt is a major drag on bank stock prices. Each rescheduling brings lower interest rates and stretched-out repayment schedules. And as new capital requirements take effect, banks holding large amounts of Third World debt will be at a competitive disadvantage to those institutions that have rid themselves of these loans.

The proposals can be broken down into two basic types: unilateral debt forgiveness and voluntary debt reduction through the free market.

Most observers lately have come around to the point of view that a substantial reduction in the amount of debt outstanding — and not new lending — is the key to easing the crisis. An overall decrease in the debt — now estimated at about $300 billion — would reduce the debt burdens of the countries, permit them greater resources to make improvements in their economies, and ultimately place them in a better position to pay off the remainder of their bank debt.

The most recent unilateral debt-reduction proposal came from the United Nations Conference on Trade and Development. The group recommended a 30% across-the-board cut in bank debt.

The U.N. group argued that banks already have established large special reserves against Third World debt that would almost cover the losses. In addition, it said the losses could be spread over a three-year period to minimize the effects.

Future Lending May Dry Up

Bankers generally have rejected the UNCTAD and similar proposals, saying banks would be reluctant to make new loans to the countries after having to eat huge losses. Also, even after the chargeoffs, the markets might require banks to replenish the reserves. And this would mean more red ink.

Another set of proposals depends on private-sector solutions such as the debt-for-equity, debt-for-debt, and other swap markets.

Under these proposals, banks would exchange a portion of their loans for more liquid investments, such as equity positions in Third World companies or securities denominated in the local currency. Or they could sell their loans on the secondary market to companies looking to make similar investments. In this way, several large regional banks have eliminated all or most of their Third World debt in the past year.

The most recent proposal of this type was offered by a panel operating under the aegis of the United Nations Association of the United States. The panel was unusual in that it included several bankers, among them Rodney B. Wagner, vice chairman of Morgan Guaranty Trust Co., and Thomas S. Johnson, president of Chemical Bank.

The group suggested a program of voluntary debt reductions through negotiation with the debtor countries. A model for the program would be the recent Brazilian restructuring agreement, which along with new lending and revamped terms on existing debt, provided a "menu of options" for reducing loans, including local-currency bonds and expanded debt-for-equity swaps.

Dissenting Bankers

But even this relatively muted proposal was not unanimously accepted by the bankers who participated in the panel discussions.

Susan Segal, senior vice president of Manufacturers Hanover Trust Co. and the bank's representative on the panel, issued a written dissent. "Although we agree with the report's conclusion that debt service reduction programs should remain voluntary, we feel that, in many instances, their broad application, even on a cooperative and negotiated basis, could very well hinder the flow of funds necessary to keep countries on the road toward sustained economic growth," she wrote.

And William Rhodes, a Citibank group executive, issued a separate statement. While agreeing with the report's conclusions, he said the document underestimated the success of current programs to ease the debt crisis.

The *American Banker* analysis of bank Third World loan portfolios showed that unilateral, concerted cutbacks would produce a bloodbath for many of the banks.

A Multibillion-Dollar Writedown

A 30% cutback, as suggested by UNCTAD, would result in $17.3 billion in writedowns at the 10 largest banking companies, equal to about 30.1% of their combined common equity and reserves.

Of course, the impact varies depending on the exposures of the individual banks. Three California bank holding companies — Security Pacific Corp., First Interstate Bancorp, and Wells Fargo & Co. — would be affected least. Security Pacific would face $420 million in writedowns, or 8.6% of its common equity and reserves at June 30; First Interstate $372 million, or 10.3% of equity and reserves; and Wells Fargo $420 million, or 11.7% of equity and reserves.

For the seven largest banks, though, the writeoffs would amount to billions. Relative to common equity and reserves, Manufacturers Hanover would be hardest hit. The bank holding company's writedowns under a 30% debt relief plan would amount to $2.7 billion, or 54% of its common equity and reserves.

At Citicorp, comparable writedowns would amount to $3.8 billion, or 31.9% of equity and reserves; Chase Manhattan Corp. $2.5 billion, or 39.7%; BankAmerica Corp. $2.7 billion, or 43.5%; J.P. Morgan & Co. $1.4 billion, or 20.6%; Chemical Banking Corp. $1.8 billion, or 34%; and Bankers Trust New York Corp. $1.2 billion, or 26.7%.

Attempts to Reduce Exposure

Since the massive reserves were taken in June 1987, most large banks have moved gradually to reduce Third World exposure. Between June 30, 1987, and June 30, 1988, the 10 largest banks cut their Third World loans by an average of 7.8%.

One result of the cutbacks was to spur fast development of the secondary market, where loans are bought and sold for use in various swaps or to give banks a chance to improve the mix of countries in their portfolios. Market volume is expected to hit $20 billion

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Effect of 30% Cut in LDC Debt

Top 10 banking companies ranked by assets (dollar amounts in millions)

Bank	Amount	% of Common Equity and Reserves
Citicorp	$3,800	31.9
Chase Manhattan Corp.	2,500	39.7
BankAmerica Corp.	2,700	43.5
J.P. Morgan & Co.	1,400	20.6
Chemical Banking Corp.	1,800	34.0
Security Pacific Corp.	420	8.6
Manufacturers Hanover Corp.	2,700	54.0
First Interstate Bancorp	372	10.3
Bankers Trust New York Corp.	1,200	26.7
Wells Fargo & Co.	420	11.7
Total	**$17,300**	**30.1**

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission.

Marking LDC Debt to Market

Top 10 banking companies ranked by assets (dollar amounts in millions)

Bank	Book	Market	Market to Book Value	Discount Amount	Discount as % of Assets	Discount As % of Common Eq. & Reserves
Citicorp	$12,600	$5,933	47.1%	$6,667	3.3%	56.3%
Chase Manhattan Corp.	8,300	3,951	47.6	4,349	4.5	68.3
BankAmerica Corp.	9,100	4,471	49.1	4,629	4.8	72.6
J.P. Morgan & Co.	4,800	2,161	45.0	2,639	3.2	38.2
Chemical Banking Corp.	5,900	3,100	52.5	2,800	3.7	52.8
Security Pacific Corp.	1,400	713	50.9	687	0.9	14.3
Manufacturers Hanover	9,000	4,200	46.7	4,800	6.9	96.0
First Interstate Bancorp	1,240	620	50.0	620	1.0	16.7
Bankers Trust New York	4,000	2,002	50.1	1,998	3.6	44.4
Wells Fargo & Co.	1,400	677	48.4	723	1.6	19.4
Total	**$57,700**	**$27,900**	**48.4%**	**$29,912**	**3.5%**	**51.5%**

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission and bid secondary market prices compiled by Salomon Brothers Inc.

September 26, 1988

Datalease Corporation

and its affiliate

Datalease Capital Corporation

have been acquired by

Atlantic Computer Systems, Inc.

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We initiated this transaction and acted as financial advisor
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AN AMERICAN BANKER SPECIAL REPORT

LDC Chargeoffs Could Spur More Reserves, More Red Ink

▸ Continued from Page 18

this year, about double the level of 1987.

Another result, however, has been a sharp drop in the price of Third World debt. For example, in the 12 months ended June 30, the weighted average value of Third World loans dropped 21.4%, to 48.4 cents on the dollar from 61.6 cents, according to data collected by Shearson Lehman Hutton Inc.

Thus, the percentage decline in the values of the portfolios has outpaced the percentage decline in exposures.

> Manufacturers Hanover would be hardest hit. The bank holding company's writedowns under a 30% debt relief plan would amount to $2.7 billion.

The pain involved in free-market-related writedowns would be offset in part by the huge special reserves taken by banks in June 1987. But some analysts believe that investors might respond to the heavy writedowns by asking for a further increase in reserves, causing another year of red ink for the banks.

In addition, the largest banks are able to get slightly higher prices than other banks in the secondary markets because they have access to the best deals. This also limits the losses from free-market solutions.

Despite the drop in value, billions of dollars in loans continue to be traded on the market, said Jay H. Newman, who manages the loan transactions group at Shearson.

He acknowledged, however, that the secondary market does not have great potential for solving the Third World debt crisis. "Many regional banks have used the market to eliminate their exposures," he said. "But the large banks are not going to get out using the secondary market."

At the end of the second quarter, the 10 largest banks held Third World loans with a face value of $57.7 billion, according to the companies' quarterly filings with the Securities and Exchange Commission.

Less than Half Face Value

Based on market prices at the end of June published by Salomon Brothers, the debt is worth about $27.9 billion.

The discount on these loans — the difference between the book and market values — amounts to $29.9 billion. That represents about 3.5% of the total assets of the 10 banks and and 51.5% of their combined common equity and reserves as of June 30. The discount is important because it is the amount that would have to be charged off after a loan sale.

Each of the top 10 banks has a different mix of countries in its portfolio. In an effort to get a more accurate picture of their portfolios, each of the banks' exposures was broken down by country as itemized in SEC filings. Market prices were then assigned based on the Salomon Brothers' prices.

For example, Citicorp lists 19 Third World countries to which it has exposure. The book value of the loans is $12.6 billion. The $4 billion in Brazilian loans has a market value of about $2 billion, based on the country's secondary market price of 50 cents on the dollar. When the same procedure is applied to all 19 countries, the portfolio has a market value of $5.9 billion. The $6.7 billion discount represents 3.3% of Citicorp's assets and 56.3% of common equity and reserves.

The values at other banks are more difficult to ascertain because other institutions disclose less information. Under SEC rules, bank holding companies simply have to disclose countries where exposure equals at least 1% of assets. For undisclosed portions of a bank's Third World portfolio, a 50% discount was applied.

Third World debt problems have the least effect on the large California banks. Security Pacific's $1.4 billion portfolio has a market value of about $713 million, about 51% of book value. The discount amounts to less than 1% of assets and 14.3% of common equity and reserves.

7 Banks Would Take Big Hits

At the seven banks with the heaviest exposures, the free-market proposals would have a greater impact than at the California banks. Manufacturers Hanover's $9 billion in debt has a market value of $4.2 billion. The $4.8 billion discount represents 6.9% of assets and 96% of common equity and reserves.

BankAmerica's $9.1 billion in loans, when marked to market, are reduced to $4.6 billion, equaling 4.8% of assets and 72.6% of equity and reserves.

But maintaining the status quo also poses problems. Detecting the impact of Third World debt is difficult and at first glance seems nonexistent. Citicorp has the largest total exposure, but its stock trades at one of the highest multiples to book value of any of the top 10 banks.

The effect can be seen, however, by looking at Third World loans as a percentage of assets. Stocks of the banks with the least exposure as a percentage of assets — Security Pacific, First Interstate, and Wells Fargo — trade at the highest multiples to book.

This relationship applies equally well to the seven banks with the greatest exposure. Among these banks, Bankers Trust New York Corp., Citicorp, and J.P. Morgan & Co., have the smallest exposure as a percentage of assets, and their stocks trade at higher multiples than BankAmerica Corp.,

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The Main LDC Borrowers

Dollar amounts in millions

Country	Lead Bank	Amount	% of all LDC Loans By Top 10 Bank Firms
Brazil	Citicorp	$4,000	24.1%
Mexico	BankAmerica Corp.	2,500	18.4
Argentina	Manufacturers Hanover Corp.	1,600	28.1
Venezuela	BankAmerica Corp.	1,127	24.0

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission.

Country-by-Country Breakdown

Top 10 banking companies ranked by assets (dollar amounts in millions)

Bank	Brazil	Mexico	Argentina	Venezuela	Others
Citicorp	$4,000	$2,400	$1,400	$700	$4,100
Chase Manhattan Corp.	2,510	1,540	970	980	2,310
BankAmerica Corp.	2,728	2,500	668	1,127	2,077
J.P. Morgan & Co.	1,812	770	897	N.A.	1,321
Chemical Banking Corp.	1,528	1,755	N.A.	698	1,919
Security Pacific Corp.	493	364	N.A.	N.A.	543
Manufacturers Hanover Corp.	2,179	1,868	1,632	963	2,358
First Interstate Bancorp	N.A.	576	N.A.	N.A.	664
Bankers Trust New York Corp.	832	1,302	N.A.	N.A.	1,810
Wells Fargo & Co.	568	499	130	204	N.A.

Data are as of June 30, 1988, and are based on bank filings with the Securities and Exchange Commission.

Citicorp's LDC Portfolio

Dollar amounts in millions

Country	Book Value	Market Value	% of Face Value
Brazil	$4,000	$2,010	50.25%
Mexico	2,400	1,200	50.00
Argentina	1,400	336	24.00
Philippines	1,300	696	53.50
Venezuela	700	380	54.25
Chile	500	303	60.50
Uruguay	300	179	59.50
Ecuador	300	77	25.50
Yugoslavia	200	91	45.50
Morocco	100	49	49.00
Poland	100	41	41.00
Nigeria	100	28	28.00
Panama	100	24	24.00
Dominican Republic	100	19	19.00
5 Others	1,000	500	50.00
Total	**$12,600**	**$5,933**	**46.80%**

Sources: Quarterly documents filed with the Securities and Exchange Commission and bid prices in secondary market compiled by Salomon Brothers Inc.

Pulte Diversified Companies, Inc.
Bloomfield Hills, Michigan

a subsidiary of

PHM Corporation
Bloomfield Hills, Michigan

has acquired, by supervisory acquisition
with financial assistance provided by the
Federal Savings and Loan Insurance Corporation,

Champion Savings Association
Houston, Texas

The undersigned acted as financial
advisor to PHM Corporation.

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A First Boston Company

FROM THE REGIONS

THE MIDDLE ATLANTIC

First Fidelity Corp. Finds Wall Street Receptive

▸ Continued from Page 1

delity's stock closed at $43.75. It lost $4 on the news and was $7 below its peak before the stock market crashed last Oct. 19. At yearend, the stock closed at $29.63.

"The Street is more forgiving than it used to be, but its forgiveness is still selective. In this case, they must like what they see," noted John J. Lyons, managing principal of Lyons, Zomback & Ostrowski, the New York financial consulting firm.

In a midyear analysis, Nancy A. Bush, banking analyst for Dean Witter Reynolds Inc., noted that second-quarter results, "although a bit shy of our estimate, did reveal the beginnings of the strong growth and exemplary expense control that we feel will be the hallmarks of this company."

First Fidelity "should be one of the most exciting stories in the banking industry over the next several years," she said.

The firm's early success is generally attributed to the strength of the region's economy and to the company's 41-year-old president and chief executive officer, Harold W. Pote, who previously headed Fidelcor.

"A bank of this size is driven by just two things, management and market, and it can only be as good as they are," noted Gregg R. Novek, director of research at Ryan, Beck & Co., West Orange, N.J. "First Fidelity has a fine management team, and the area is one of the best market areas for banking that you could think of in the country."

> 'First Fidelity has a fine management team, and the area is one of the best market areas for banking that you could think of in the country.'
>
> — Gregg R. Novek
> Director of Research
> Ryan, Beck & Co.

Compact Market

Mr. Novek believes the banking firm derives considerable strength from its role as the market-share leader in a very compact two-state banking market — 35 contiguous counties straddling the Delaware River from Philadelphia to the New York State border.

First Fidelity boasts an 11% share of the deposit market in eastern Pennsylvania, ranking first in key parts of the area around Philadelphia. In New Jersey, Mr. Novek said, its 10% market share ranks as the best in the state.

"The compact primary market area provides excellent underpinning for a strong banking environment," he said. "Nearly 500 branches service an area 100 miles wide and 170 miles long. The small geographic region houses more than 5% of the nation's population.

"Furthermore, New Jersey and eastern Pennsylvania have been experiencing an economic boom. As a result of a shift from a manufacturing economy to a service orientation, blue-collar jobs have been replaced by white-collar positions," he noted.

That has meant a "dramatic rise in personal income, while adding diversity to the labor force," and has resulted "in a more stable and recession-resistant economy," Mr. Novek said. "New Jersey's per capita income ranks second in the nation behind Connecticut."

The market's economy is characterized by spillover dynamics, he noted. "Prosperity in New York City has driven up costs of land, labor, and taxes, causing an exodus to New Jersey. Similarly, New Jersey's recently found prosperity has spilled over into eastern Pennsylvania, enhancing that region's economic activity.

"Highway improvements and completions as well as low unemployment — which has created a labor shortage in New Jersey — have increased the economic ties between eastern Pennsylvania and New Jersey," Mr. Novek said.

"Pennsylvania's more affordable housing," he noted, "combined with an influx of major corporate headquarters into central New Jersey, has given employees the impetus to live in Pennsylvania." ■

DAILY FINANCIALS

Tuesday October 4, 1988

Money Market

Federal funds range-Domestic ....8⅛-$8\frac{3}{16}$%
Prime rate (8/12/88)..10.00%
Discount rate FRB of New York (8/9/88).........6.50%

Call loans on securities, to brokers on stock exchange collateral (10/3/88)...........................9¼%

Bankers acceptances offering rate, discount (10/4)
30 days: 8.00 60 days: 8.01 90 days: 8.10
120 days: 8.13 150 days: 8.13 180 days: 8.13

Certificates of deposit ($100,000 to $1,000,000), highest offering rate, at New York City banks (10/4)
14 days: 7.70 30 days: 7.75 60 days: 7.80
90 days: 8.05 120 days: 8.05 150 days: 8.15
180 days: 8.15 270 days: 8.20 365 days: 8.35

Commercial paper, dealer Aaa, discount (10/4)
30 days: 8.00 60 days: 8.05 90 days: 8.13

Commercial paper, directly placed, discount (10/4)
5-14 days: 7.00-7.95 15-29 days: 7.00-8.00
30-59 days: 7.00-8.05 60-89 days: 7.00-8.10
90-179 days: 7.00-8.00 180-270 days: 7.00-8.00

Treasury-bill rates, secondary market, bid (10/4)
90 days: 7.24 180 days: 7.50 1 year: 7.58

Eurodollar deposits, London bid (10/4)
Overnight: $8\frac{1}{16}$ 7 days: $8\frac{1}{16}$ 1 month: $8\frac{3}{16}$
3 mos.: $8\frac{7}{16}$ 6 mos.: $8\frac{9}{16}$ 1 year: 8¾
NIBOR: 8⅝ **LIBOR:** $8\frac{11}{16}$

The Bond Buyer Municipal Bond Index

	10/4/88	10/3/88	9/27/88
Index	90.26	90.25	90.04
Yield to Par Call	7.86	7.86	8.00
Yield to Maturity	7.88	7.88	7.94

The Bond Buyer Municipal Bond Index was designed by the Chicago Board of Trade as the basis for long-term municipal bond futures contracts. It is an average obtained when the price of 40 select term bonds is divided by the amount at which each bond would be priced to yield 8%. The Index is computed daily and quoted in points and 32nds.

Futures Markets

3-Month Treasury-Bill Futures (IMM)*

Delivery	High	Low	Settle	Chg(a)	Yld(b)
Dec. '88	92.69	92.62	92.64	- 3	7.36
Mar. '89	92.70	92.65	92.68	- 1	7.32
Jun. '89	92.57	92.55	92.58	- 1	7.42
Sept.'89	92.40	92.38	92.42	unch	7.58
Dec. '89	92.23	92.21	92.23	- 3	7.77
Mar. '90	92.25	92.24	92.27	- 2	7.73
Jun. '90	.....	.....	92.23	- 2	7.77

As of the previous day's close; Total no. of contracts traded: 2,216 total open interest: 20,766 and change in open interest: −177

Footnotes to Futures Tables:
*For 3-month Treasury bills with a face value at maturity of $1 million. a–Change from previous day's settlement price in basis points. b–100.00 minus settlement price. IMM–Traded on the International Monetary Market, a division of the Chicago Mercantile Exchange. r–New record high in open interest.

American Banker Index

Selected Money Center Bank Stocks*

			High	Low	Last
Oct. 4:	297.8	1988:	306.7	227.7	297.8
Oct. 3:	297.2	1987:	401.7	212.0	234.6
Sep. 30:	302.8	1986:	388.7	331.2	331.3
Sep. 29:	299.9	1985:	344.2	242.7	344.2
Sep. 28:	300.6	1984:	269.6	178.4	246.3

* Based on midday prices

AN AMERICAN BANKER SPECIAL REPORT

LDC Debt Cut Would Stun Top 10 Banks

▸ Continued from Page 19

Chase Manhattan Corp., Chemical Banking Corp., or Manufacturers Hanover Corp.

One major concern is that the exit of regional banks from the Third World market will concentrate the debt in the hands of the largest banks. They will have to hold on to this debt in a climate of political uncertainty in the Third World and growing pressure for debt forgiveness.

To Carole Berger, bank analyst at C.J. Lawrence, Morgan Grenfel Inc., holding on to the debt places the banks in a perilous situation, which she likens to a game of Russian roulette: "Five out of the six chambers are still empty and will cause no damage if the gun is held to one's head and the trigger is pulled," she wrote in a recent report. "However, there is a one-in-six chance of blowing one's brains out." ■

Regulators Warn of Kiting Scheme

West Coast Bureau

LOS ANGELES — Federal thrift regulators in Atlanta are warning financial institutions in California to be on the lookout for a major check-kiting scheme that cost at least one financial institution more than $1 million in less than two months.

Several travelers check companies also lost at least $700,000, said the Federal Home Loan Bank of Atlanta. The scheme has moved into South Florida from Maryland, Ohio, and Texas, the agency said.

"The FBI has informed the bank that at least one of the suspects in this scheme, Walid Mohammad, has flown to California and may start the same scheme in that area," the Home Loan bank said.

According to the Federal Bureau of Investigation, people purporting to be of Middle Eastern descent open apparently legitimate businesses, such as supermarkets, which are then used as fronts to penetrate financial institutions.

Checking accounts are established in the names of the businesses, and after the accounts are in place for a minimal time, the individuals begin kiting checks that are drawn either on nonexistent accounts or on accounts maintained at other financial institutions that have been closed or have insufficient funds.

The alleged operators of the scheme are based in Lansing, Mich., said the Atlanta bank, whose chief investigative specialist is Edward L. Bowker. Mr. Bowker can be reached at 404-888-8035. ■

Bank of America in Vienna Sold

SAN FRANCISCO — The Bank of America completed the sale of its branch in Vienna to Algemene Bank Nederland. Terms were not disclosed. The branch employs 58 people. ■

Commercial Paper Rose In August, NY Fed Says

NEW YORK — The amount of commercial paper and U.S. dollar bankers acceptances rose in August, according to the Federal Reserve Bank of New York.

Commercial paper rose $2.8 billion to $426.4 billion outstanding on a seasonally adjusted basis — the seventh increase in a row but the second smallest of the year. Dealer-placed financial company paper posted the smallest of its seven increases.

Bankers' acceptances rose $796 million to $64 billion, following a $1 billion drop in July. Bankers' acceptances are negotiable time drafts used primarily to finance movement or storage of trade goods.

Both the commercial paper and bankers' acceptances figures for July were revised downward, the Fed said. ■

Strategic Dates

Sept. 30, 1988

BOND-BUYING SERVICE: A service that offers investors a 24-hour, toll-free telephone number to buy U.S. savings bonds with a credit card ends today. The service, which began May 3, did not prove cost-effective.

LEGAL ADVERTISING

Auction Notices

M. SKOLNICK DCA LIC #793108 and/or S. GORELICK DCA LIC #841437 Sell, October 12, 1988 10:00 A.M. 87-15 Beach Channel Drive Queens 1979 Oldsmobile 2 Dr Sdn 3R47F9G402294 Re: R. Murray: 10:45 A.M. 142-18 Rockaway Blvd. Queens 1979 Mercury 2 Dr Sdn 9H93-H616994 Re: F. Small: 11:15 A.M. 145-26 Liberty Ave Queens 1983 Oldsmobile 4 Dr Sdn 1G3AX69Y8DM780307 Re: J. Correa: 11:45 A.M. 131-02 Merrick Blvd Queens 1988 Toyota 2 Dr Sdn 1NXAE8-2G4JZ519587 Re: M. Morman: 12:15 P.M. 179-21 Linden Blvd Queens 1982 Renault 2 Dr Sdn VF1AA39A9C0151503 Re: D. Correll: 12:45 P.M. 180-02 Jamaica Ave Queens 1980 Lincoln 4 Dr Sdn OY90F-649406 Re: G. Moss-Catwell: 1:15 P.M. 172-16 Jamaica Ave Queens 1982 Volvo Subn YV1AX485OC1428781 Re: I. Cunningham: 2:00 P.M. 1066 Rockaway Ave Bklyn 1987 Nissan 4 Dr Sdn JN1HU-11P5HT311820 Re: P. Rose: 2:30 P.M. 995 Remsen Ave Bklyn 1983 Chevrolet 4 Dr Sdn 1G1AB68C2DY202385 Re: Goldring Inc.: 3:00 P.M. 5702 Ave D Bklyn 1984 Renault 2 Dr H/B VF1FD36B7E2010401 Re: W. Pierre-Louis: 3:30 P.M. 5622 Church Ave Bklyn 1977 Chevrolet 2 Dr Sdn 1L47U71191272 Re: B. Weinstein; 1976 Chevrolet Van CGL2564137975 Re: USA Tech. Inc.: 4:00 P.M. 1329 Utica Ave Bklyn 1980 Honda Motorcycle NC03-2006731 Re: F. Murdocco; 1980 Oldsmobile 2 Dr Sdn 3R47AAD469959 Re: R. Hill. Metropolitan Auctioneers, Inc. Published 9/27/88 & 10/5/88.

S. SPERBER DCA LICENSE # 769437 Sells October 20, 1988 9:30 AM 69-15 50th Ave Qns 1977 Dodge Subn B21BE7K11-059 Re: Melina B. Silva; 10:30 AM 41-25 39th St Qns 1982 Buick 4 Dr Sdn 1G4AH19E2CD446371 Re: Paula Siagris; 11:00 AM 41-15 Northern Blvd Qns 1976 Chevrolet 2 Dr Sdn 1H57Q6B538729 Re: Peter A. Theofanis. I. BELENSON & Co. Inc. October 5, 1988 & October 13, 1988

Foundation Notice

NOTICE

The annual report of the **HERRICK THEATRE FOUNDATION INC.**, for the fiscal year ended May 31, 1988 is available at its principal office located at 605 Park Avenue, New York, NY 10021, (212) 628-3838 for inspection during regular business hours by any citizen who requests it within 180 days hereof. The Principal Manager of the Foundation is Rhoda R. Herrick.

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American Banker
The Daily Financial Services News

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VOL. CLIII NO. 197 Sunday, October 9, 1988

AN AMERICAN BANKER SPECIAL REPORT

Bank CEOs: The Work Is More Demanding than Ever

Highlights of the Survey

The *American Banker's* first national survey of bank chief executive officers found:

- The CEO has worked at his bank an average of 20.7 years.
- He has served in the top position for an average of 6.5 years.
- Almost one-third have worked in a business other than banking.
- Business, finance, and marketing are the most common undergraduate degrees, but 32.5% earned a liberal arts or humanities degree.
- The CEO's average work day is 10.4 hours.
- Three-fourths do work at home in the evening.
- Monday is the most productive work day, and Friday the least productive.
- Three-fourths work at least one Saturday a month, and 40% work at least one Sunday a month.
- Seven out of ten executives labeled their management styles as "participatory."
- Slightly more than two-thirds of the CEOs consider their job "very enjoyable," while the remainder call it "enjoyable."

By RICHARD RINGER
First of 2 Parts

THE CEO TODAY

In Texas there may be no job more challenging than steering a bank that is struggling to make a comeback.

Friends advised Donald E. Powell not to risk his unblemished career by accepting an offer to become chief executive officer of First National Bank of Amarillo. They said the bank, which had $46.6 million in combined losses because of bad loans during three consecutive years beginning in 1984, could not be turned around.

"People [were] saying you can't do it," recalled Mr. Powell, who had climbed steadily up the corporate ranks through the bank's lending department. "But that's like telling the cowboy you can't ride the bull."

Ignoring the advice, Mr. Powell took the reins at First National in March 1987. That year, the bank earned $3.7 million. During the first six months of this year, the bank recorded a $1.5 million profit.

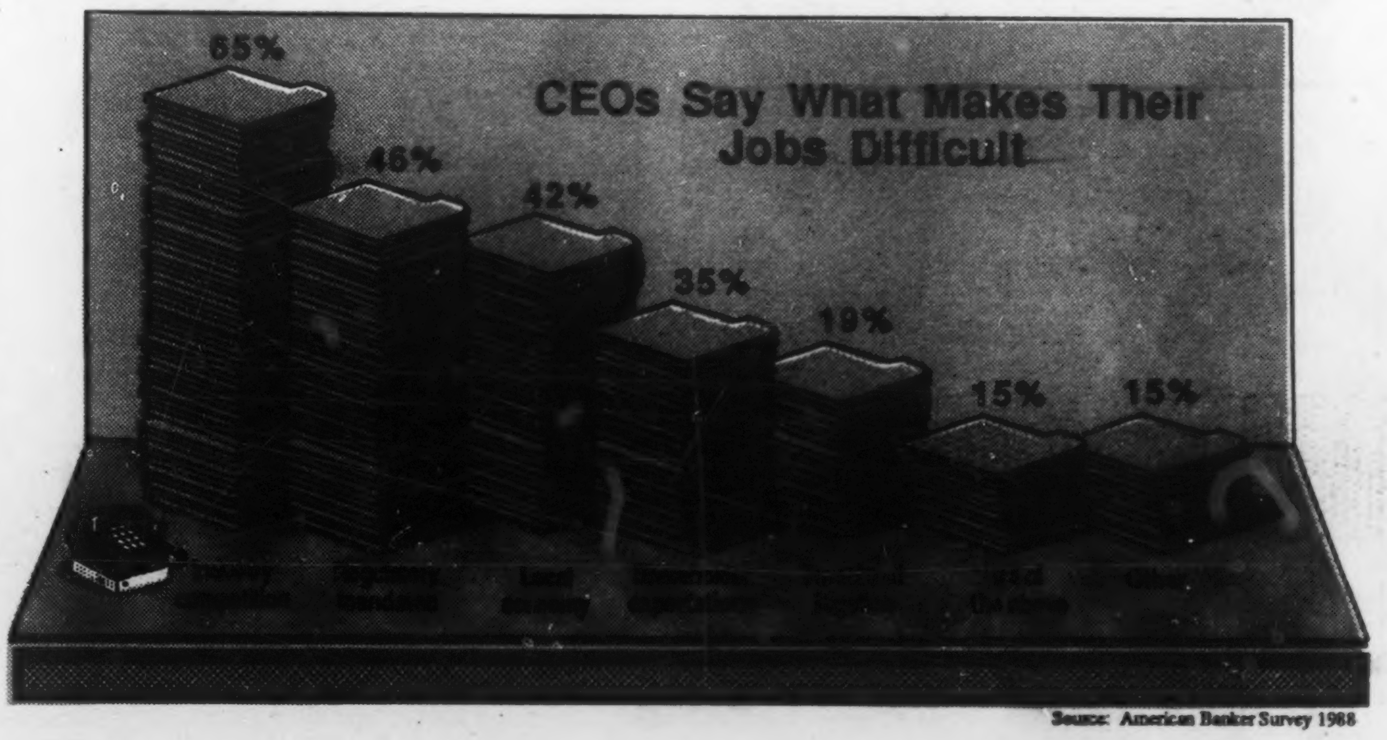
The turnaround was not easy. Mr. Powell had to purge the bank's agriculture and energy loan portfolio, which had caused many of the losses. He was forced to develop a bold, innovative strategic plan — one that previous management could not or would not develop. And he had to marshal a young staff to implement the plan, which included hard-to-swallow remedies such as staff cuts.

Such experiences are not unusual for bank chief executives. They are a new breed, guided by the same "I'll prove to you that I can do it" attitude of Mr. Powell, according to interviews with some of the nation's bankers and bank consultants.

The *American Banker* this summer sent questionnaires to chief executive officers of 125 of the 500 largest banks in the country. Forty CEOs, or 32%, returned the forms detailing what they think of their jobs and how their jobs have changed because of industry deregulation. Twelve of the 40 executives also agreed to participate in follow-up interviews.

Whether a rookie in the post, like the 47-year-old Mr. Powell, or a veteran, the chief executive is tested daily with decisions that hold the bank's — and his — future in the balance, based on

Please see REPORT: Page 4 ➤



Source: American Banker Survey 1988

MCorp Asks For Bailout From the FDIC

By STEVE KLINKERMAN
Southwest Bureau

DALLAS — Facing a possible $500 million third-quarter loss, MCorp on Friday requested a bailout from the Federal Deposit Insurance Corp. that industry sources say could cost more than $1 billion.

As previously reported, the Comptroller of the Currency completed an exhaustive audit of MCorp last week and is expected to demand a massive loan-loss provision that would compensate for further deterioration of the Dallas-based bank holding company's troubled real estate loan portfolio.

As of June 30, 22% of the company's $5.05 billion real estate loan portfolio was in some stage of default. The real estate troubles are symptoms of an economic collapse that has crippled most of the major banks and thrifts in the region and saddled MCorp with $1.8 billion of problem assets that amount to almost 14% of gross loans.

"The economic problems of Texas and the Southwest have caused the company to seek additional sources of capital to endure the depression that the region and its financial institutions have suffered the past several years," MCorp's prepared statement said.

The company is expected to announce preliminary third-quarter results early next week, following discussions with regulators about the findings

Please see MCORP: Page 3 ➤

Trade Groups Pay Handsome Salaries

By JIM McTAGUE
Washington Bureau

WASHINGTON — Steroids might make the difference in the gym, but in this town, it takes money to build political muscle.

By that measure, the heavyweights among trade groups wrestling over bank powers legislation are the National Association of Realtors, with annual revenue of $61 million, and the American Bankers Association, with $60 million in revenue.

The U.S. League of Savings Institutions, half the size of the two hulks, follows with $34.9 million in revenue.

These are some of the findings of an *American Banker* review of tax returns by 18 trade groups filed with the Internal Revenue Service.

Another finding: Donald G. Ogilvie, executive vice president of the American Bankers Association, earned $375,000 in 1987, the highest *reported* salary among top executives at the trade groups surveyed. Only three other executives earned $300,000 or more:

- Edward I. O'Brien, president of the Securities Industry Association, at $360,000.
- Richard S. Schweiker, president of the American Council of Life Insurance, at $308,187.
- William B. O'Connell, president of the U.S. League of Savings Institutions, at $300,000.

The average salary in the survey was $208,000. That compares with an average of $119,000 for executives of not-for-profit corporations in general, according to a recent survey by Towers Perrin, a management consulting firm. Only two top executives in the financial trade groups surveyed had salaries of less than $100,000.

The survey also found that the American Bankers Association, now meeting in Hawaii, budgets the most money for conventions. According to the IRS data, the ABA convention and meetings budget is about $6 million.

Donald G. Ogilvie
Executive Vice President
Salary: $375,000
American Bankers Association
Revenue: $60 million

Realtors Top Payroll List

The Realtors ranked second in this category, earmarking $5.6 million for annual gatherings. The U.S. League placed third, spending $2.9 million. And the Mortgage Bankers Association of America ran a close fourth at $2.5 million.

A number of organizations balked at

Please see TRADE: Page 2 ➤

Play
T&Economy
It's **more**
than a game

How banks cut travel costs:
Special section begins on Page 9

THE AIRPORT TAXI COSTS MORE THAN YOU HAVE
AND THE ATM WON'T ACCEPT YOUR CARD.
WHEN THE CABBIE DRIVES AWAY.

How Much Do Leading Trade Chiefs Get Paid?

Donald G. Ogilvie
Executive Vice
President
American Bankers
Association
$375,000

Thomas Ashley
President
Association of Bank
Holding Companies
$230,000

Kenneth A. Guenther
Executive Vice
President
Independent Bankers
Association of America
$130,000*

Edward I. O'Brien
President
Securities Industry
Association
$360,000**

Kent W. Colton
Executive Vice
President
National Association of
Home Builders
$209,942**

Joe Belew
President
Consumer Bankers
Association
$111,700

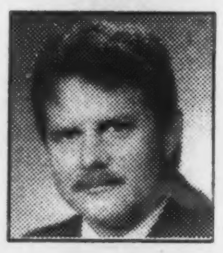
Richard S. Schweiker
President
American Council of
Life Insurance
$308,187*

Ralph Swoboda
President
Credit Union National
Association
$178,936*

Richard L. DeCair
Executive Director
Bank Capital Markets
Association
$109,000*

William O'Connell
President
U.S. League of Savings
Institutions
$300,000*

Samuel J. Baptista
President
Financial Services
Council
$172,200*

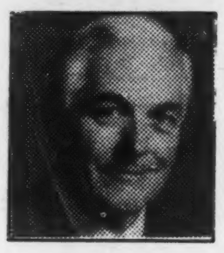


Patrick A. Forte
President
Association of Thrift
Holding Companies
$100,000*

Mark Riedy
President
National Council of
Savings Institutions
$250,000

Robert B. Evans
President
American Financial
Services Association
$172,115*

Kenneth L. Robinson
President
National Association of
Federal Credit Unions
$80,000*



Salaries are as of 1988 unless otherwise noted. * Refers to salary based on 1987 IRS reports. ** Refers to salary based on 1986 IRS reports.

Source: Internal Revenue Service, trade associations.

Trade Groups Pay Handsome Salaries

➤ Continued from Page 1

providing the documents, and most others provided forms that lacked information — especially salary data.

A recent study by the General Accounting Office, an arm of Congress, found that 48% of returns filed with the IRS by tax-exempt organizations lack the required data.

By Washington standards, the trade executives cited in the survey are handsomely compensated. Congressmen earn $89,500 a year. Alan Greenspan, chairman of the Federal Reserve makes the same, and other board members are paid $82,000. That's only $2,000 more than the lowest-paid trade executive in the survey.

Recall the stir in Congress when it was disclosed that Roslyn B. Payne, the former president of the Federal Asset Disposition Association, earned $250,000 a year. House Banking Committee Chairman Fernand J. St Germain called the association a "fat cat agency." Ms. Payne's successor, Gerald Carmen, receives $100,000 a year.

Nevertheless, trade groups are big business in Washington. A recent survey found they are the capital's third largest industry behind government and tourism. Not surprisingly, the groups in the survey had hefty payrolls for employees other than officers and directors.

The Realtors ranked first in this category with a 1986 payroll of $19.83 million. That amounted to 33% of its revenues.

Next largest was the ABA 1987 payroll of $14.08 million — 23% of its revenues.

Total payrolls at other organizations: the U.S. League, $11.21 million or 31% of revenues for 1987; the American Council of Life Insurance, $11.24 million or 39% of revenues for 1987; the Mortgage Bankers Association, $6.17 million or 25% of revenues as of August 1987; the National Association of Home Builders, $7.98 million or 35% of revenues as of March 1987.

Also, the Credit Union National Association, $5.11 million or 26% of revenues for 1987; the Securities Industry Association, $3.73 million or 31% of revenues for 1987; the National Council of Savings Institutions, $3.01 million or 31% of revenues for 1987; the Independent Insurance Agents of America, $1.34 million or 14% of revenues for 1986; the American Financial Services Association, $1.21 million or 34% of revenues for 1987.

> A number of organizations balked at providing the documents, and most others provided forms that lacked information — especially salary data.

Also, the National Association of Federal Credit Unions, $985,256 or 36% of revenues for 1987; the Consumer Bankers Association, $533,211 or 22% of revenues as of September 1987; the Financial Services Council, $235,290 or 39% of revenues for 1987; and the Association of Thrift Holding Companies, $142,811 or 45% of revenues for 1987.

Most organizations initially refused to disclose any salary data to the American Banker. In the majority of cases, the organizations were unaware of a 1986 law that requires tax-exempt organizations to keep copies of their returns, beginning with 1987, on file at their headquarters and any regional office with more than three employees.

The Mortgage Bankers Association of America, the National Association of Realtors, and the Independent Insurance Agents of America declined to reveal salary data even after being apprised of the law. They said their reading of the statute did not require them to disclose the requested data.

The ABA disclosed Mr. Ogilvie's salary but declined to reveal compensation for other employees.

The Realtors group said it voluntarily released 1986 revenues, but not salaries. It has not filed a return yet for fiscal 1987. The group said it did not have to disclose 1986 salary data because the new law applies only to 1987 returns.

Please see TRADE: Page 6 ➤

A Look at Trade Groups' Income

Trade Group	Revenues	Dues
American Bankers Association[1]	$60,273,664	$22,059,263
American Council of Life Insurance	27,951,354	24,492,160
American Financial Services Association	3,518,245	2,112,963
Association of Bank Holding Companies	1,342,446	1,159,400
Association of Thrift Holding Companies	314,938	304,000
Bank Capital Markets Association	1,922,803	1,250,900
Consumer Bankers Association[2]	2,435,600	917,065
Credit Union National Association	18,833,564	6,110,551
Financial Services Council	601,302	578,750
Independent Bankers Association of America	5,213,892	2,690,228
Independent Insurance Agents of America[2]	9,669,561	3,062,947
Mortgage Bankers Association of America	24,254,527	5,840,744
National Association of Federal Credit Unions	2,732,546	1,801,800
National Association of Home Buildors[2]	23,210,941	9,745,097
National Association of Realtors	61,102,958	36,975,169
National Council of Savings Institutions	9,687,043	4,031,247
Securities Industry Association[2]	12,214,660	8,406,346
U.S. League of Savings Institutions	34,866,115	15,107,487

Source: 1987 filings by trade groups with the Internal Revenue Service unless otherwise noted

[1] Based on 1987 annual report

[2] Based on 1986 IRS filings

FSLIC Measure Lacks Major House Support

By JIM McTAGUE
Washington Bureau

WASHINGTON — A bill to raise an additional $5 billion from the thrift industry for the insolvent Federal Savings and Loan Insurance Corp. will face an uphill battle in the House this week.

Staff sources said that the proponents of the measure lack majority support, due in no small part to an all-out assault by the U.S. League of Savings Institutions.

Even if the bill clears the House by Friday, the day the 100th Congress is set to adjourn, chances are slim the measure will make it through the Senate.

A key staffer on that side of the aisle said many senators view the legislation as an eleventh-hour attempt at saving face before the thrift crisis and Congress' failure to address the issue adequately become red-hot political issues.

The league sent Mailgrams last week to its 3,000-plus members, asking them to call their congressmen and urge defeat of the bill. It cleared the House Banking Committee last week by a 28-23 vote.

The league's Mailgram said the bill — which would allow the FSLIC to raise the money by issuing bonds — would saddle the healthy segment of the thrift industry with "a crushing debt service." Some thrifts would be driven into insolvency, the Mailgram warned.

The Mailgram left the impression the bill was on the congressional fast track. But staffers said it would have to get on the fast track to become law by Friday.

League spokesman Mark Clark characterized the bill as an attempt to get around the proposed national deposit insurance commission that Congress is apt to endorse before it goes home. He said the commission should be permitted to study the FSLIC crisis before Congress begins prescribing cures.

Supporters of the bill are expected to go to the House Rules Committee on Tuesday or Wednesday in an attempt to bring the bill to the floor for a full vote.

Rules Change Overruled

An attempt to get those rules suspended for the bill last week was aborted because supporters did not have the required two-thirds vote.

One staffer said several Republican members of the Banking Committee who supported the bill indicated they would not vote to waive the rules. This change of heart came on the heels of a tremendous lobbying effort by the Texas League of Savings Institutions and the Federal Home Loan Bank of Dallas, the staffer said.

A bill to recapitalize the FSLIC, passed in 1987, provided the agency with the authority to borrow $10.8 billion — an amount now deemed sorely inadequate.

The administration pushed for $15 billion in bonding authority for the agency, but the league convinced Congress that amount was excessive.

House members influenced by the league voted for $5 billion for the FSLIC; the Senate voted for $7.5 billion.

After the administration threatened to veto the measure, Congress approved a $10.8 billion recapitalization package.

The bill, introduced by Rep. John J. LaFalce, D-N.Y., would also free the FSLIC from the current limit of using no more than $3.75 billion of its bor-

Please see FSLIC: Page 23 ➤

Trade Groups Pay Handsome Salaries

▸ Continued from Page 2

The *American Banker* has asked the IRS to release information for the groups that refused to comply voluntarily. The IRS is researching the filings and said it will release what information it has.

The IRS instructs organizations to list officers, directors, trustees, and "other persons having responsibilities or powers similar to those of officers, directors, or trustees." Any compensation to these persons also must be listed.

The law permits the IRS to levy fines against organizations that refuse to comply with the new law.

Because of increasing complaints from the public, the IRS is considering issuing new reporting guidelines to tax-exempt organizations, said spokesman Steve Pyrek. "It's new territory for organizations to have their returns available for inspection at their places of business," Mr. Pyrek said.

Several groups approached for this study had not filed yet for 1987. The Investment Company Institute said its fiscal year has just ended. A spokeswoman said the organization will comply with the law when it files its 1987 return but reneged on an earlier promise to provide information for this story.

Monday: A look at the financial statements of the American Bankers Association.

Strategic Dates

Jan. 1, 1989

CURBS LIFTED: Ownerships curbs on Freddie Mac stock expire today.

AN AMERICAN BANKER SPECIAL REPORT

▸ Continued from Page 5

to 12 hours, according to the survey. He sacrifices nights, weekends, and time with his family.

The chief executive's world is jammed with deadlines, pressures, frustrations, and challenges. Planning, compromise, and sacrifices are needed to cope with them. "There's always something that's a critical issue" facing the CEO, said Mr. Piper of NBD Genessee Bank.

"But that's the CEO's responsibility. You have to say to yourself that is part of what you look forward to. It's a challenge. That's why you're here."

On Monday, the *American Banker* Special Report continues with a look at what makes CEOs' jobs most difficult, their attitudes on the creation of a single federal regulatory agency, and the businesses they would most like to enter.

How the Survey Was Conducted

The *American Banker* survey is based on a questionnaire mailed in July to the chief executive officers of 125 of the 500 banks with the most assets as of Dec. 31, 1987. The banks were selected by picking the first 125 numbers, in a universe of 500, as listed on a random digits table.

The eligible banks ranged from the $154.6 billion-asset Citibank, New York, to the $585.9 million-asset Barnett Bank of Manatee County, Bradenton, Fla.

CEOs at 40 of the 125 banks completed and returned questionnaires, for a response rate of 32%. The rate is sufficiently valid for identifying trends among the sample group. All responses were anonymous.

In addition to completing the questionnaire, 12 of the 40 CEOs agreed to participate in follow-up interviews. Telephone interviews with that group were completed in September. ■

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American Banker
The Daily Financial Services N

TOP FINANCE FIRMS
— TABLES BEGIN ON P.14

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CONGRESSIONAL INFOR SREV SRI
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VOL. CLIII NO. 205 Wednesday, October 19, 1988 153rd Year

Today

Transamerica Financial Corp. now ranks among the nation's 10 largest finance companies, according to the *American Banker's* 38th annual survey of these companies. The three top contenders in this category remain the financing arms of the largest U.S. automobile manufacturers — General Motors Corp., Chrysler Corp., and Ford Motor Co. ______ **2**

The $3.5 billion U.S. government bridge loan to Mexico is expected to increase pressure on private lenders to start new talks on restructuring the country's debt. ______ **2**

Northern Trust Corp. signed a definitive agreement to acquire the $70 million-asset Concorde Bank Dallas in a move to expand its highly profitable trust business into new markets. ______ **2**

Californians will decide whether state-chartered banks may enter the insurance market, as voters face two clashing proposals on the November ballot. ______ **3**

In the News ______ **3**
Letters to the Editor ______ **4**

COMMENT

Public fear over the national deficit is caused by alarmists who have falsely predicted that lack of action to reduce the debt will result in economic catastrophe, writes Robert J. Samuelson. **12**

TECHNOLOGY

The debate over the superiority of in-house computer systems versus service bureau arrangements continues without a clear winner. For every sign that the in-house approach is winning out, there comes a contradictory announcement by a major computer service company that its business is stronger than ever. ______ **6**

Cullinet Software is selling its version of integrated banking software following 15 months of testing at bank sites. **6**

Michael Simmons, who became head of Bank of America's information technology division in July, is realigning the management structure of his unit. **7**

Wang Laboratories, a leading minicomputer vendor, is expanding into the market for self-service banking equipment. ______ **8**

American Management Systems, Arlington, Va., has formed a business unit to put new emphasis on the management consulting side of its credit systems business. ______ **9**

First Financial Management Corp., Atlanta, one of the largest data processing companies serving financial institutions, said it will acquire Appalachian Computer Services Inc., London, Ky., for $46.5 million. ______ **24**

Worth Repeating

We're not known for walking in step with Washington.

An official of the Federal Home Loan Bank of San Francisco, commenting on the bank's independent views of the Bank Board in such areas as regulating thrifts. [Page 1]

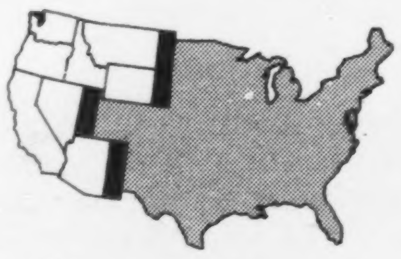
FROM THE REGIONS

THE WEST

A Home Loan Bank Confronts Its Critics

By ROBERT LUKE and MICHAEL A. ROBINSON

SAN FRANCISCO — Every day, the wrecking ball destroys another section of the large green building at the intersection of the financial district and Chinatown.



Pedestrians stop and stare as the heavy machinery demolishes the final remnants of the old headquarters of the Federal Home Loan Bank of San Francisco.

Meanwhile, critics have been taking shots at the bank itself.

For example:

- Saratoga Savings and Loan Association, San Jose, filed a $10 million lawsuit earlier this month. The complaint alleges that the home loan bank and its directors conspired to damage Saratoga's business. Some of these directors are executives of Saratoga's largest competitors.
- The bank's top officers came under fire when word leaked out, via an anonymous letter, that they had flown to Italy and Spain to huntfor granite to cover the $62 million headquarters that will be built on the site of the old building.
- Many of the bank's 216 members — particularly the smaller institutions — are critical of its new tough regulatory approach. They also dislike the higher cost of examinations.
- The Federal Home Loan Bank Board — in what some industry sources have come to regard as a stinging rebuke — recently removed Lincoln Savings and Loan Association from the district bank's regulatory purview. The thrift in Irvine, Calif., had complained to the Bank Board about harsh regulatory treatment.
- And the General Accounting Office, an arm of Congress, is soon expected to launch an investigation into the San Francisco district bank and several others in the 12-member Federal Home Loan Bank System. The probe will focus on the handling of supervisory cases.

The San Francisco bank, with assets of about $36.5 billion and capital of about $3.6 billion, is the largest in the Home Loan Bank System. It is twice as big as the next largest district bank.

Please see REGIONS: Page 20 ➤

Fed Exec: Expand Powers, But. . .

By ANDREA BENNETT
Midwest Bureau

CHICAGO — Silas Keehn, president of the Federal Reserve Bank of Chicago, proposed Tuesday that bank holding companies be given expanded powers, but that the activities of federally insured bank subsidiaries be limited to traditional lending and deposit-taking roles.

Silas Keehn

Mr. Keehn said that such a firewall between a holding company and its bank subsidiary would prevent abuses of the public "safety net" provided by the government — deposit insurance and the right to borrow from the Federal Reserve System.

The plan would also require banks to hold subordinated debt as a "market related buffer" to protect them from losses.

The subordinated debt, Keehn said, would enable market forces to reinforce and complement the efforts of regulators. It would also provide a mechanism to convert the ownership of the bank to new owners with a minimal disruption to the market.

Under the structure proposed by Mr. Keehn, bank holding companies would be free to pursue a broad array of nonbanking activities as long as those businesses are conducted through subsidiaries of the holding company. Mr. Keehn did not specify what nonbanking activities would be permitted.

However, commercial banks would

Please see CHICAGO: Page 12 ➤

Hanover, Marine See Earnings Rise

An American Banker Roundup

NEW YORK — Manufacturers Hanover Corp. on Tuesday reported a 53% increase in third-quarter earnings and announced a dividend designed to make a hostile takeover more difficult.

Money Center
EARNINGS

Other New York banks also reported results for the quarter. Citicorp, the nation's largest bank holding company, reported that its third-quarter earnings dropped 25% from a year earlier. The company said, however, that the latest results were actually 74% above "normalized" earnings in the third quarter of 1987.

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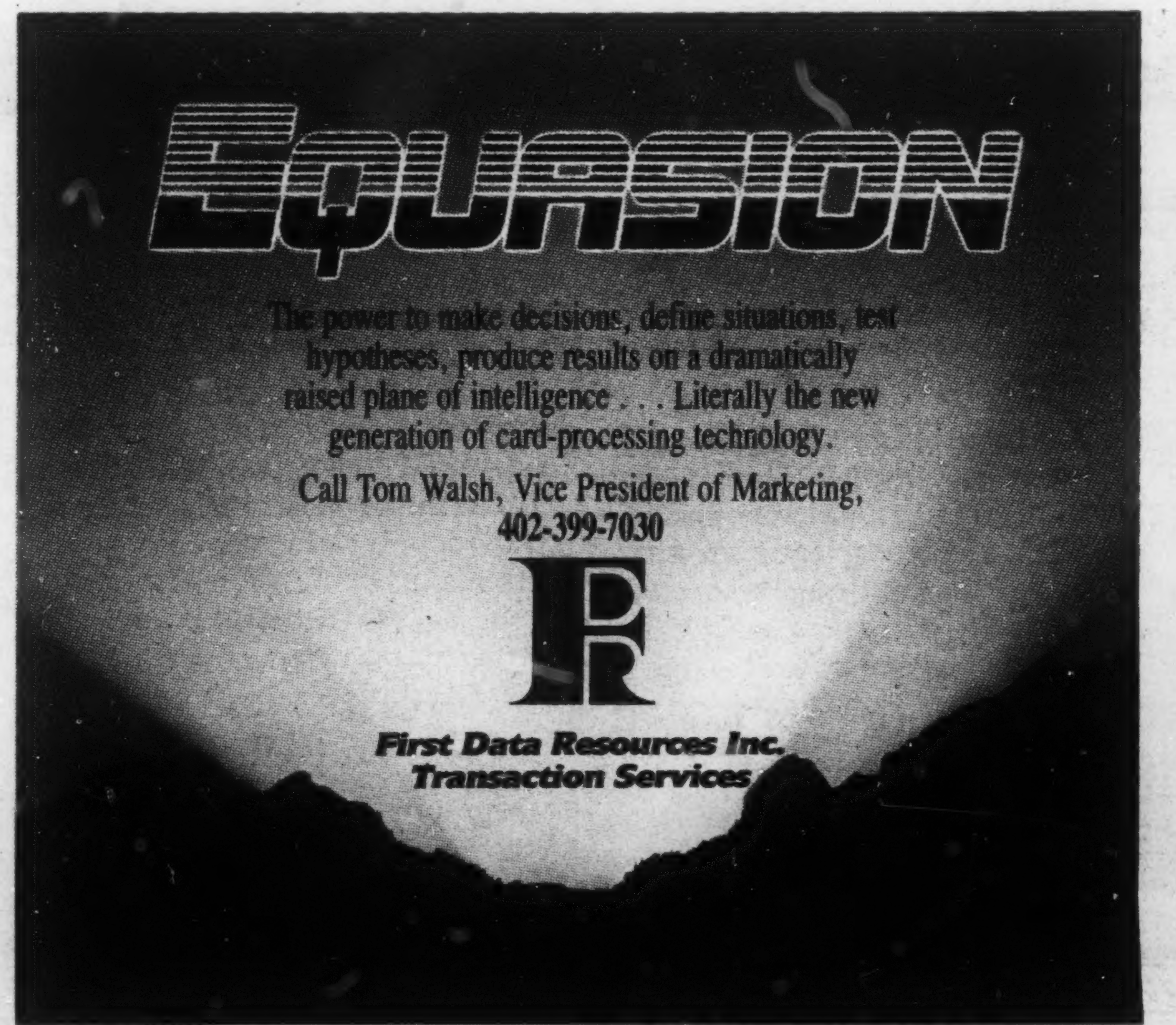

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AN AMERICAN BANKER SURVEY

Transamerica Finance Unit Cracks Top 10

By L. MICHAEL CACACE

NEW YORK — Transamerica Financial Corp., Los Angeles, a subsidiary of one of the nation's leading insurance firms, now ranks among the nation's 10 largest finance companies.

Transamerica Financial posted a 161% gain in capital funds last year — to $1.63 billion on Dec. 31, 1987, from $625 million a year earlier — and rose to eighth place from No. 23. The gain was the result of parent company Transamerica Corp.'s purchase of Borg-Warner Acceptance Corp., Chicago, in October 1987 for $782.5 million.

Borg-Warner, which at yearend 1986 was the nation's 25th largest finance company in capital funds with $560 million, was renamed Transamerica Commercial Finance Corp. and made a subsidiary of Transamerica Financial.

These are some of the findings of the *American Banker's* 38th annual survey of finance companies, published today. The 100 largest companies among those who responded to the survey have been ranked in order of their total capital funds as of Dec. 31, 1987. In addition, the *American Banker* ranked the top 50 companies in assets as of Dec. 31, 1987; the top 50 in net income for 1987; and the top 10 consumer, commercial, leasing, and factoring companies in receivables.

Top Finance Companies

Total capital funds on Dec. 31, 1987 (billions of dollars)

1. General Motors Accept. Corp.	$7.4
2. Chrysler Financial Corp.	4.6
3. Ford Motor Credit Co.	3.9
4. General Electric Capital Corp.	3.5
5. Sears Roebuck Accept. Corp.	2.4

The *American Banker* surveyed 192 finance companies to identify the top 100 firms in total capital funds. Of the 192 companies, 140, or 73%, responded to the survey.

The size and ranking of finance companies are determined by their total capital funds, which is the sum of stockholders' equity and noncurrent subordinated debt. Stockholders' equity is the sum of capital plus surplus. Noncurrent subordinated debt is subordinated debt with a remaining maturity of more than one year.

Transamerica Financial ranks ninth among finance companies in net commercial and industrial receivables, with $2.5 billion on Dec. 31, 1987. The company also ranks ninth among nonbank-related finance companies in industrial and equipment leasing, with $1.1 billion of those receivables.

Transamerica Financial's consumer lending operations are handled by another subsidiary, Transamerica Financial Services. Transamerica Financial Services had $2.34 billion in net consumer receivables on Dec. 31, 1987, up 2.6% from $2.28 billion in 1986.

The largest newcomer to the listing of the nation's top 100 finance companies is Signal Capital Corp., Hampton, N.H., a commercial finance and leasing company. Signal ranked as the 30th largest finance company on Dec. 31, 1987, with total capital funds of $397 million, up 6.8% from the year before. Last month, Itel Corp., San Francisco, a transportation and equipment leasing concern, acquired Signal Capital from the Henley Group Inc.

A Number of Acquisitions

In addition to the Signal Capital and Borg-Warner deals, there have been a number of other major finance company acquisitions in the past 20 months.

Late last month, U S West Financial Services Inc., a subsidiary of U S West Inc., Englewood, Colo., announced that it had acquired the fixed-asset lending division of Westinghouse Credit Corp., Pittsburgh, for an undisclosed amount. At yearend 1987, U S West Financial ranked 51st in capital funds, with $128 million; Westing-

Please see SURVEY: Page 13 ➤

Northern Trust to Buy Private Bank in Dallas

By RICHARD RINGER
Midwest Bureau

CHICAGO — Northern Trust Corp., in a move to expand its highly profitable trust business into new markets, signed a definitive agreement to acquire a Texas bank.

Interstate Banking

Northern Trust said on Tuesday that it agreed to acquire the $70 million-asset Concorde Bank Dallas, which was chartered in November 1985. Concorde is a private bank that caters to professionals and entrepreneurs, groups targeted by Northern Trust.

The $9.4 billion-asset Chicago company said it will add fiduciary and investment capabilities to Concorde. Terms of the deal were not disclosed, and officials at the banks could not be reached for comment.

The acquisition is consistent with Northern Trust's strategy of moving into major markets to offer trust services, said Thomas K. Brown, an analyst at Smith Barney, Harris Upham & Co., New York.

"The banks left [in Texas] don't focus on trust," Mr. Brown said. The Dallas market, despite financial problems there, offers Northern Trust "great opportunities," he said.

"Few banks are organized along lines of business" like Northern Trust, he said. In the trust business, "they can beat the pants off others," he said.

Last year, Northern Trust formed a trust operation in California after its bid to acquire BankAmerica Corp.'s personal trust division was rejected as too low.

In recent years, Northern Trust has acquired banks in suburban Chicago and added trust operations in Florida and Arizona. Northern Trust has since converted those trust operations to full-service commercial banks.

Earlier this week, Northern Trust said its third-quarter earnings increased nearly 40% to $25.5 million, or $1.53 per share, compared with $18.2 million, or $1.09 per share, in the year-ago quarter. The third-quarter figure included record trust fees of $50.9 million, which made up 72% of noninterest income and 38% of total taxable-equivalent revenue in the quarter. ■

FINANCIAL TECHNOLOGY UPDATE

A new item processing solution has significantly reduced labor costs for Liberty National Bank, Louisville, Kentucky. NCR's 7770-3000 Intelligent Multi-Pocket System, running a software application from Data Management Products of Omaha, Nebraska has eliminated 65 hours of return item processing labor. All 42 Liberty branches have been converted to centralized processing two months ahead of schedule.

The Financial TOWER System 2 (FTS 2) improves customer service while increasing the number of product offerings. Star Bank, a Cincinnati based financial institution, recently chose NCR's Financial TOWER System 2 for its new branch automation system. In addition to improved customer service and more product offerings, Star Bank wanted to increase productivity. They found that with their new NCR system in place, platform productivity grew in excess of the 20% they expected.

NCR introduces color CRTs for ATM use in August. 5070 Interior ATMs, 5084 Cash Dispensers and 5085 Extra-Function Terminals will all be capable of utilizing these new screens. A PC is installed to drive the EGA monitor which delivers vibrant colors. Standard graphics are provided or PC Paintbrush can be used to design new graphics or modify existing programs. Plus, the CRT's potential for "advertising" at the ATM site is impressive.

The ITX Windows Software System enables multiple host system jobs to be managed through one PC. As part of the new System 10000 software tool suite, ITX Windows allows users of NCR's Banker 80 II System to handle the after-hours work of up to 9 institutions in a multi-bank installation. In addition, loan officers can use the Loan Pricing system and review applicants' account records simultaneously. ITX Windows also supports software development with edit, graphics, view, and window creation capabilities.

For additional information on these new developments from NCR, phone 1-800-CALL NCR.

NCR

Loan to Mexico May Encourage New Debt Talks

By BART FRAUST

NEW YORK — The new $3.5 billion bridge loan to Mexico from the U.S. government will increase pressure on private lenders to start talks on restructuring the country's debt, bankers and analysts said Tuesday.

Bankers said so far they have received no requests from Mexico for negotiations, but they expect calls for new talks to begin shortly after President-elect Carlos Salinas de Gortari takes office on Dec. 1.

"It's clear that, with the new loan, there will be a heightened rhythm to get something done," said one New York banker involved in Third World debt talks.

Another banker said the new government's officials are still working out its debt policies.

Mexico has the largest debt load of any Third World country except Brazil. It has approximately $55.4 billion in foreign bank debt, including $13.6 billion in loans from the 10 largest U.S. bank holding companies.

The U.S. loan is intended to tide Mexico over until it obtains longer-term financing from the World Bank and the International Monetary Fund. Negotiations have begun in Mexico City on the new credits.

The new loan surprised many bankers, who had been extremely optimistic about Mexico in the belief that the country had made great strides in revamping its economy. In April 1987, in the midst of Brazil's debt moratorium, bankers approved $7.7 billion in new loans to Mexico.

However, now it appears that Mexico is returning to the list of problem debtor countries. Meanwhile, Brazil, after signing a new debt-restructuring agreement, is now drawing cheers from bankers.

Triple Whammy

Mexico has been hit with what one banker called the "triple whammy" of plummeting oil prices, the effects of Hurricane Gilbert, and skyrocketing domestic interest rates. The drop in oil prices has cut Mexico's trade surplus, forcing the nation to pay the interest on its foreign debt out of reserves.

"Apparently, there was greater pressure on Mexico's reserve position than we had thought," one banker said.

News about the bridge loan to Mexico comes at a time of heightened concern about Argentina, the third largest Latin American debtor country. In the third quarter, the 10 largest U.S. banks have listed an estimated $4.5 billion in Argentine loans as nonperforming. This has reduced these banks quarterly earnings by an average of 8%.

Negotiators for the banks and for Argentina are expected to resume talks today in New York on the country's request for new loans and a reduced interest burden.

However, bankers distinguished between Argentina and Mexico.

"There has been no discussion of Mexico's going nonperforming," one banker said. "The Mexicans have paid interest and continue to pay interest." ■

Correction

The cost of a corporate video done by an out-of-house professional production crew typically averages between $1,500 and $5,000 per minute for a 10-minute to 15-minute tape. The cost was misstated in "Beam Me Up, Scotty!" (Oct. 9, page 14.) ■

ECONOMIC PERSPECTIVE /COMMENTARY

Deficit Burnout Sets In After One-Too-Many Warnings

By ROBERT J. SAMUELSON

> *"Some of us stoneheads out here wish you [could explain] the national debt. . . . We know it's 'bad,' but many of us fail to see the connection between the debt and our own personal income."*
>
> *— Letter from a Reader*

I confess to being weary of writing about budget deficits. It's not only that people don't know what to believe anymore — my reader, I think, probably typifies three-quarters of Americans — but I'm not sure what to tell them.

There's a mutual disengagement from this subject, which may explain why the deficits haven't been a decisive issue in this presidential campaign. They bore and bewilder most Americans.

The blame for this confusion lies heavily with those alarmists (not me) who have been loudly screaming for years that failure to fix the deficits would lead to economic catastrophe. Each time one of these frightening forecasts hasn't come true, the public has become a little more desensitized to the whole issue.

The debate has focused obsessively on the deficits' possible adverse economic effects. As long as these aren't obvious, no one wants to do the dirty work of raising taxes or cutting spending.

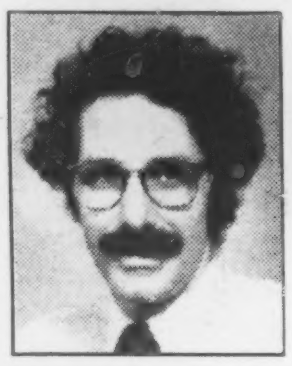
This is understandable, but only because the debate is totally backwards. A budget should be an instrument for political choice. Government programs should be popular or important enough to be supported by a roughly equal amount of taxes.

The discipline of matching spending and taxes means — at least in theory — that legislatures pass only programs whose popularly perceived benefits exceed the added public burden. The deficits signify that we've abandoned this useful discipline.

Both Sides Are to Blame

They are not merely Ronald Reagan's doing. Deficits endure because both liberals and conservatives find them convenient. There's a shared fear that, if push comes to shove, their side will lose.

Conservatives fear that defense spending will be savaged and taxes raised. Liberals worry that social programs will be gutted. No one wants to talk about these choices, so they shift the discussion to economics.



Samuelson Says:

'The deficits are mainly a political, not an economic, problem. You should conceive of them as a tax.'

Deficits have become the 1980s' all-purpose answer to any economic problem or question. During the vice-presidential debate, Lloyd Bentsen was asked if he could explain today's prosperity.

Bensten pounced on that one: "If you let me write $200 billion of hot checks every year, I could give you the illusion of prosperity, too." Wrong, Lloyd.

Yes, the deficits pumped up spending. But much of the added stimulus (perhaps 75% between 1982 and 1986) was accounted for by the higher trade deficits.

The recovery was powered mainly by the energies of a free-enterprise system: businesses trying to expand profits and markets; individuals trying to better themselves. Budget deficits don't explain all economic events of the 1980s, or even most. Many other influences are at work: inflation, the health (or sickness) of other nations, the public's mood, and so much more.

Everything intermingles. For example, you might conclude from what I said above that the budget deficits

Please see ECONOMIC: Page 12 ▸

Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

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LETTERS TO THE EDITOR

Leach Plan Favored for Shrinking Sick Thrifts

To the Editor:

Everybody who is anybody seems to be loading their muskets in preparation for Project Extermination, wherein possibly 500 or more bankrupt thrifts are to be lined up for the coup de grace, a solution that is gaining new boosters with the dawning of each day.

At first the battle line appeared to have primarily small-town independent bankers on one side and the hemorrhaging horde of sick and irresponsible thrifts on the other. Earlier on, the ones saying what needed to be said were the various spokespersons for independent bankers, both inside and outside the Beltway.

Steadily, the condition of more and more thrifts grew worse and worse. But, true to tradition, banking's elite refrained from saying what needed to be said while the problem continued to grow.

Some were no doubt waiting to see whether the introduction of new brass over at the Federal Home Loan Bank Board would introduce a degree of logic to the management principles of that industry. Those waiting for a turnaround as a result of M. Danny Wall's appointment were, for the most part, disillusioned.

Soon Wall's supporters dwindled and their ranks consisted of little more than a cadre of administration appointees plus his former boss, Utah's Sen. Jake Garn. At that point the ranks of vocal opponents began to swell. As the days went by, the subtle, carefully worded criticism was replaced by more hand-to-hand combat reported daily in the media.

Earlier this month Mark Reidy, chief executive officer for the National Council of Savings Institutions, called for the closing down of the walking dead — the bankrupt and near-bankrupt members of the thrift industry. His expressed concern had to do with the damage these insolvent thrifts were inflicting on the healthy and near-healthy thrifts.

Also calling for the shutting down of thrifts already on death row was the American Bankers Association. It came as little surprise to discover, in the ABA litany of remedies, authority for bank holding companies to purchase thrift institutions — with no mention of limiting the purchase to sick or dead thrifts. Quite typical of the public-spirited ABA.

Then came soon-to-be-private-citizen Bill Proxmire, senator from Wisconsin and chairman of the Senate Banking Committee. Prox's proposal doesn't have a whole lot of blind followers at this point.

It calls for a $20 billion tap on the U.S. treasury and $30 billion tap on the thrifts whose names have not yet shown up on the roster of the sick, lame, and lazy. Many fear that a $30 billion tap on the remaining thrifts would simply produce a brand-new crop of cripples.

Congress isn't exactly drooling at the chance to come up with $20 billion either. But Prox can afford to come up with something as loose as that. After all, he doesn't have to get up in the morning.

Jake Garn, Proxmire's cohort in the let's-sink-Glass-Steagall campaign, takes strong exception to Proxmire's bid to dole out poison pills for the soon-to-die thrifts. Claiming that earlier administration attempts to thwart the thrift crisis were sidetracked by Proxmire, Garn claims Proxmire's public attack at this point will make it more difficult to attract buyers for troubled thrifts.

It's unlikely that the Proxmire proposal will add substantially to the difficulty in finding thrift buyers. Most would see the negative news as old news by now. Would-be buyers are inclined to base their buy or no-buy decision on how sweet a deal they can negotiate with the FSLIC.

Without a doubt, the thrifts that survive this crisis, — and it is a crisis — will feel pressure annually of having to cough up bigger and bigger deposit insurance premiums. But the increases will come in steps, making it possible to pass the increases along to the borrowing public. The public will pay through increased borrowing costs and by paying for whatever form of bailout is ultimately given the combination to the vault at the U.S. Treasury.

An alternative must be found to this threat to the U.S. economy. Today we are told the deficit is mounting at the rate of some $10 billion per annum.

Those who would turn to the Treasury for a solution are up against Gramm-Rudman. And both presidential candidates are committed not to raise taxes if elected.

The only alternative would mean going to one of the big budget items for an offsetting cut. Defense, for instance, and that is highly unlikely.

Placing an excise tax on junk bonds holds appeal for many, for a couple of obvious reasons. But the barons of the junk bond industry are not apt to let that happen if they can avoid it — and they probably can.

Adding operating and/or insurance-premium fees paid by the thrift industry has its limitations, because the burden could become an industry backbreaker. Adding commercial banks to this proposal for a broader fee base will surely be considered. But, in fairness, at that point all lenders — including the likes of GMAC, Ford Motor Credit, Household Finance, Beneficial Finance, Commercial Credit, etc. — should be brought into the corral to play by the same rules.

Putting off the decision until after the 1988 elections is bad business. Anything that takes longer is even worse. Action is called for now.

At this point it would be difficult to point to a better, more feasible remedy than that proposed by Iowa Congressman Jim Leach, who serves on the House Committee on Banking, Finance, and Urban Affairs. The Leach proposal brings to a halt the common practice of the sinking thrifts — outbidding the competing financial institutions in the battle for deposits and underpricing the competing financial institutions on loans. Leach would set shrinkage levels to be met by thrifts with various degrees of capital impairment.

There is no better place to start charting a corrective course than with the Leach proposal.

Norbert McCrady
Retired Executive Director
Independent Bankers of Minnesota

Something to Say?

Please direct any comments you may have to the editor, William Zimmerman, American Banker, One State Street Plaza, New York 10004. Letters may be edited for reasons of space and clarity.

AN AMERICAN BANKER SURVEY

Merger Boosts Transamerica Unit to No. 8 Among Finance Firms

➤ Continued from Page 2

house Credit ranked 13th, with $1.1 billion. Westinghouse Credit also reported $5.1 billion in net commercial and lease receivables on Dec. 31.

Earlier last month, Landmark Financial Services Inc., Silver Spring, Md., a consumer finance company that ranked 88th in capital funds with $32 million on Dec. 31, was purchased by MNC Financial Inc., Baltimore, from Signet Banking Corp., Richmond, Va.

In June, Irving Bank Corp., New York, announced that its principal subsidiary, Irving Trust Co., would buy substantially all the assets of Slavenburg Corp., New York. Slavenburg, a factoring firm that had $10 million in capital funds and $147 million in assets at yearend 1986, is a subsidiary of Credit Lyonnais Bank Nederland, Rotterdam, the Dutch affiliate of $168.7 billion-asset Credit Lyonnais, Paris, the world's 16th largest bank. Slavenburg did not participate in this year's survey.

In May, Manufacturers Hanover Corp., New York, sold Manufacturers Hanover Consumer Services Group Inc., Huntingdon Valley, Pa., to CrediThrift Financial Inc. for $685 million cash. CrediThrift, Evansville, Ind., is a subsidiary of American General Corp., a Houston-based insurance firm. At yearend 1987, Manufacturers Hanover Consumer Services ranked 10th in capital funds, with $1.5 billion; CrediThrift ranked 24th, with $643 million.

> The financing arms of the nation's largest automobile manufacturers — General Motors Corp., Chrysler Corp., and Ford Motor Co. — again rank as the nation's three largest finance companies.

In March, Mobil Corp., New York, announced it had sold its Montgomery Ward Credit Corp. subsidiary to a group of investors led by Montgomery Ward senior management, with fourth-ranked General Electric Capital Corp., Stamford, Conn., a substantial investor. Montgomery Ward Credit, Wilmington, Del., is the nation's 20th largest finance company, with $766 million in capital funds on Dec. 31.

In January, Bankers Leasing and Financial Corp., San Mateo, Calif., which ranked 52d in capital funds with $110.5 million on Dec. 31, 1986, was acquired by Citicorp, New York. The firm did not participate in this year's survey.

At yearend 1987, Citizens and Southern Corp., Atlanta, acquired Chemical Business Credit, Chemical Bank's factoring division, for about

Please see SURVEY: Page 15➤

California to Vote On Insurance Entry

➤ Continued from Page 3

ferred to buy insurance through banks, brokerage firms, or retail stores, according to the Kehrer report.

Indeed, recent polls conducted in California show voters strongly prefer Prop. 100 to Prop. 104. The nonpartisan California Field Poll taken last month showed that as many as 56% of voters approve Prop. 100, while as many as 31% support Prop. 104.

When voters were informed that the insurance industry sponsored the initiative, some 50% said they opposed Prop. 104, and 28% supported it.

Earlier attempts by California bankers to get insurance powers through the Legislature failed. If Prop. 100 passes, it would mark the first time banks have received insurance powers through the initiative process. Initiatives — popular in California — allow a state law or constitutional amendment to be approved directly by the voters.

To help ensure passage of the initiative, the California Bankers Association formed a political action committee that provides donations to the Insurance Consumer Action Network, a consumer interest group that is sponsoring the initiative.

The bankers association also has sent a barrage of information to its members seeking support for Prop. 100. Some member banks are expected to send leaflets on the measure to customers.

Included in the list of association members supporting the initiative are BankAmerica Corp., California First Bank, First Interstate Bank, California First Bank, Security Pacific National Bank, and Union Bank.

Wells Fargo Bank opposes Prop. 100. A bank spokesman said the initiative would impose "stringent" price restrictions on insurance products.

In addition to expanded bank powers, the initiative would reduce auto insurance rates for good drivers by 20% and establish state regulation for future increases. Prop. 104 would establish no-fault insurance and allow auto accident victims to file lawsuits only under certain circumstances.

Also on the California ballot is Prop. 103, which would allow state-chartered banks to sell and underwrite insurance. Bankers oppose the measure, because it would lower auto rates by 20% for one year. Future increases would be approved by an elected insurance commissioner.

The California Bankers Association spokesman called the measure, which is backed by consumer advocate Ralph Nader, "too draconian."

According to the Field poll, Prop. 103 enjoys enthusiastic voter support. Some 62% said they supported the measure, and the rate rose to 74% once they were informed of Mr. Nader's support. ■

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AN AMERICAN BANKER SURVEY

Top Finance Firms Saw Substantial Merger Activity in 1987-88

▸ Continued from Page 13

$200 million. As a result of that acquisition, Citizens & Southern Commercial Corp., Atlanta, Citizens and Southern's factoring unit, now ranks as the third largest factoring firm in the United States, with gross factoring receivables of $4.2 billion on Dec. 31.

In September 1987, 62d-ranked Concord Leasing Inc., a wholly owned subsidiary of Hongkong and Shanghai Banking Corp., acquired Ingersoll-Rand Financial Corp., Woodcliff Lake, N.J., from Ingersoll-Rand Co. Ingersoll-Rand Financial Corp. ranked 59th among finance companies in 1986, with $91 million in capital funds.

Seventh-ranked Associates Corporation of North America, New York, acquired Fruehauf Finance Co., Detroit, and Transway Finance Co., Savannah, Ga., in May 1987. In last year's survey, Fruehauf ranked 38th, with $241.6 million in capital funds at yearend, and Transway ranked 67th, with $60.8 million.

In February 1987, 55th-ranked New England Merchants Leasing Corp., Boston, acquired McCullagh Leasing Inc., Roseville, Ill., and in March 1987, New England Merchants acquired McCullagh Leasing Ltd., Mississauga, Ontario.

Other Survey Findings

- The financing arms of the nation's largest automobile manufacturers — General Motors Corp., Chrysler Corp., and Ford Motor Co. — again rank as the nation's three largest finance companies. Detroit-based General Motors Acceptance Corp. again tops the list, with $7.4 billion in capital funds on Dec. 31, 1987, up 2.4% from $7.2 billion on Dec. 31, 1986.

Chrysler Financial Corp., Troy, Mich., which in 1986 supplanted Ford Motor Credit Co. as the nation's second largest finance company, maintained its No. 2 ranking, with $4.6 billion in capital at yearend 1987, up 23% from $3.7 billion a year earlier. Ford Motor Credit, Dearborn, Mich., remains in third place, with $3.9 billion in capital, up 20% from $3.3 billion in 1986.

- In 1986, the *American Banker* expanded its survey to include finance companies primarily engaged in leasing. The largest leasing firm in the survey is fourth-ranked General Electric Capital, with $3.5 billion in capital funds and $16.7 billion in net industrial and equipment leasing receivables at yearend.
- Total capital funds at the top 100 finance companies totaled $53.2 billion on Dec. 31, 1987, up 9% from $48.8 billion the year before.
- Total capital funds for the top 100 companies comprised $42.2 billion in equity capital at yearend 1987, up 9.9% from the year before, and $11 billion in noncurrent subordinated debt, up 5.8% from the previous year.
- Thirty captive firms, with $26 billion in capital, and 70 independent or affiliated firms, with $27.2 billion in capital, constitute the top 100 companies.
- Among the affiliated firms, 29 are units of domestic commercial and savings banks, up from 25 in 1986. Three companies are subsidiaries of foreign banks, up from two in 1986.
- Fifteen of the top 100 companies are leasing firms. Those firms — 4 captive companies and 11 affiliated companies — had $6.4 billion in capital funds at yearend 1987.
- Four of the nation's top 100 finance companies changed names last year. The 18th-ranked J.C. Penney Funding Corp., Dallas, renamed itself from J.C. Penney Financial Corp.; 21st-ranked Security Pacific Financial Services Inc., San Diego, changed its name from Security Pacific Finance Corp.; 47th-ranked Advanta Corp., Horsham, Pa., had been named TSO Financial Corp.; and 97th-ranked Banc One Financial Services Inc., Marion, Ind., changed its title from American Fletcher Financial Services Inc. ■

At a Glance: Finance Companies

Gross receivables outstanding by type of credit, 1983-1987
(dollar amounts in billions)

Type of credit	1987	1986	1985	1984	1983
Consumer credit	$141.1 +4.8%	$134.7 +20.4%	$111.9 +24.5%	$89.9 +7.2%	$83.3
Loans secured by real estate	$39.5 +21.2%	$32.6 +16.4%	$28.0 +17.6%	$23.8 +16.1%	$20.5
Business credit	$207.6 +19.7%	$173.4 +10.1%	$157.5 +14.3%	$137.8 +21.5%	$113.4
Total finance company receivables outstanding	$388.2 +14.0%	$340.6 +14.5%	$297.4 +18.3%	$251.5 +15.7%	$217.3

Source of Data: Federal Reserve Board's *Bulletin*. **Consumer credit** includes loans to finance retail passenger cars, mobile homes, other consumer goods (apparel, furniture, household appliances, recreational vehicles, motorcycles, auto repair, home modernization, and general merchandise), and personal cash loans. **Loans secured by real estate** are mainly junior mortgages on residential properties. **Business credit** includes retail commercial vehicles (passenger car fleets and commercial land vehicles for which licenses are required), retail equipment, wholesale automotive, wholesale equipment, all other wholesale, automotive and equipment leasing, other short-term business credit (loans on commercial accounts receivable and factored commercial accounts receivable), and other intermediate-term business credit.

Strategic Dates

April 3, 1989

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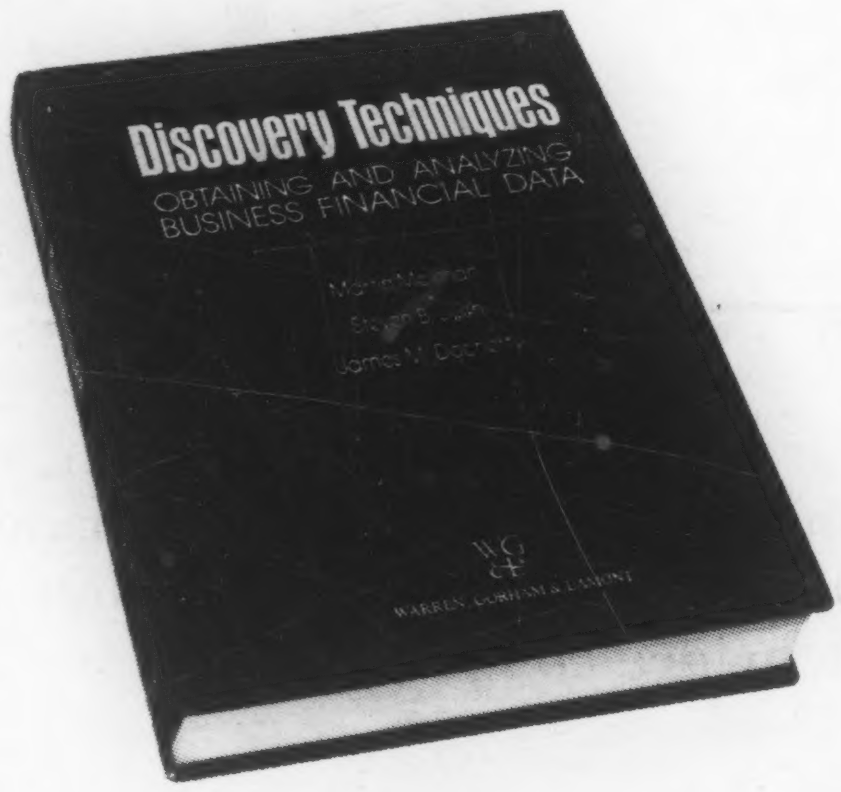

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Top 100 Finance Companies in the U.S.

By Size of Capital Funds Dec. 31, 1987 or Nearest Fiscal Year-End (In Thousands of Dollars)

Rank		Total Capital Funds		Rank	Gain in	Equity & Capital	Receivables Net	Total Assets	Net Income	Deferred Income	Receivables Acquired	Bank Credit
		12/31/87	12/31/86	12/86	Rank	12/31/87	12/31/87	12/31/87	1987	12/31/87	1987	12/31/87
1	**General Motors Acceptance Corp., Detroit**	7,381,500	7,207,800	1		6,975,200	93,885,900	98,527,000	1,453,200	9,564,200	99,906,800	17,136,000
2	**Chrysler Financial Corp., Troy, Mich.**	4,583,800	3,722,400	2		2,492,400	23,707,700	25,277,000	225,800	3,372,600	39,058,400	7,434,100
3	**Ford Motor Credit Co., Dearborn, Mich.**	3,937,600	3,282,400	3		3,647,100	48,788,200	51,241,300	678,800	6,226,300	73,570,900	11,012,000
4	**General Electric Capital Corp., Stamford, Conn. (l)**	3,493,553	2,672,149	5	+ 1	3,361,584	27,906,826	36,643,740	470,182	4,063,049	25,641,748	9,204,000
5	**Sears Roebuck Acceptance Corp., Wilmington, Del.**	2,382,520	2,269,002	6		2,382,520	11,657,189	11,683,129	113,372	315,770	3,147,406	6,416,000
6	**Household Financial Services, Prospect Heights, Ill.**	2,051,000	1,559,100	9	+ 3	1,105,700	8,982,200	11,771,700	174,600	264,400	603,200	2,159,600
7	**Associates Corp. of No. America, Dallas(b)**	1,856,359	1,583,884	8		1,328,580	9,144,100	10,571,612	236,063	1,298,387	10,366,169	2,464,125
8	**Transamerica Financial Corp., Los Angeles**	1,630,994	624,572	23	+15	1,114,424	5,949,567	6,897,731	83,548	432,240	2,955,491	2,626,000
9	**CIT Group Holdings, Inc., Livingston, N.J. (g)**	1,581,076	1,660,300	7		1,252,034	8,912,207	9,435,018	40,071	1,520,119	16,811,553	1,738,350
10	**Manuf Han. Cons Ser Gp, Huntingdon Valley, Pa. (g)**	1,484,809	1,504,766	10		317,169	2,784,360	2,926,682	55,274	323,177	N.A.	N.A.
11	**ITT Financial Corp., St. Louis, Mo.**	1,105,561	1,354,003	11		757,667	6,274,596	7,539,878	101,388	777,955	91,816	2,671,736
12	**Heller Financial, Inc., Chicago (m)**	1,096,121	952,891	17	+ 5	730,251	4,623,654	4,786,033	25,137	161,748	0	2,785,000
13	**Westinghouse Credit Corp., Pittsburgh**	1,093,222	986,908	14		758,539	5,269,046	6,254,160	115,203	355,006	4,076,484	2,205,800
14	**American Express Credit Corp., Wilmington, Del.**	1,001,000	971,000	16		903,000	7,408,000	7,907,000	88,000	76,000	61,000,000	1,800,000
15	**Beneficial Corp., Wilmington, Del.**	935,300	858,100	19	+ 4	885,300	5,824,600	6,929,200	142,200	331,900	3,423	2,215,900
16	**Barclays American Corp., Charlotte, N.C. (m)**	896,515	910,200	18		557,715	3,941,396	4,330,024	27,673	484,637	10,324,000	1,740,500
17	**Avco Financial Services, Inc., Irvine, Calif.**	852,001	1,322,299	12		553,530	3,074,227	3,883,009	70,421	367,636	91,097	1,038,012
18	**J.C. Penney Funding Corp., Dallas (b,c)**	776,000	778,000	20		762,000	1,795,000	1,855,000	32,008	N.A.	N.A.	745,000
19	**Commercial Credit Co., Baltimore**	766,200	982,500	15		646,400	2,850,200	4,306,400	101,500	0	670,000	940,000
20	**Montgomery Ward Credit Corp., Wilmington, Del.**	766,000	772,000	21		701,000	2,008,000	2,683,000	41,000	669,000	N.A.	1,124,000
21	**Security Pacific Financial Services, Inc., San Diego (g)**	743,000	558,000	26	+ 5	743,000	5,618,000	6,044,000	75,000	0	440,000	0
22	**IBM Credit Corp., Stamford (l)**	690,026	669,267R	21r		690,026	5,914,219	6,449,027	85,759	756,843	2,414,755	600,000
23	**John Deere Credit Co., Reno, Nev.(b)**	679,379	667,217	22		604,379	2,501,791	2,876,582	45,862	484,363	1,534,476	2,774
24	**Credithrift Financial Corp., Evansville, Ind.**	643,014	618,485	24		451,769	1,989,681	2,771,690	67,255	0	1,610,104	2,439,500
25	**Norwest Financial Services, Inc., Des Moines, Iowa (g)**	572,244	509,191	27	+ 2	402,601	2,255,110	2,710,037	78,078	513,571	2,491,223	344,500
26	**Xerox Credit Corp., Stamford, Conn. (l)**	513,100	449,800	29	+3	513,100	2,567,000	3,307,900	84,900	648,900	1,913,800	150,000
27	**Philip Morris Credit Corp., New York (l)**	489,600	417,300	31	+ 4	489,600	2,207,600	2,743,500	72,300	632,400	684,700	646,000
28	**Navistar Financial Corp., Schaumburg, Ill. (b)**	467,659	437,759	30	+ 2	377,524	1,477,672	1,662,985	29,272	130,882	2,436,800	1,270,000
29	**Macy Credit Corp., New York(b)**	455,247	262,011	36	+ 7	300,943	1,214,675	1,265,577	31,998	56,124	3,640,866	850,000
30	**Signal Capital Corp., Hampton, N.H.**	397,274	372,020	32†	+2	397,274	1,124,284	1,679,454	25,254	0	694,520	1,010
31	**Commercial Alliance Corp., New York (g)**	373,618	347,826	33	+ 2	213,618	1,340,902	1,481,052	N.A.	222,614	966,400	1,750,000
32	**J.I. Case Credit Corp., Racine, Wis.**	360,300	369,224	32		240,200	1,309,100	1,413,900	35,400	8,800	1,681,300	600,000
33	**Meritor Credit Corp., Norwalk, Conn. (g)**	352,587	325,868	34	+ 1	352,587	2,136,609	2,181,238	26,697	283,980	1,071,412	0
34	**McDonnell Douglas Finance Corp., Long Beach, Calif. (l)**	345,000	284,583	35	+ 1	213,000	1,738,500	2,224,800	42,600	696,500	861,300	300,000
35	**Pacificorp Financial Services, Inc., Portland, Ore.**	323,544	157,196	46	+11	262,344	1,138,206	1,432,249	19,155	163,827	603,358	360,000
36	**Toyota Motor Credit Corp., Torrance, Calif.(b)**	316,265	189,138	43	+ 7	316,265	2,083,504	2,149,031	12,127	450,400	2,852,470	775,000
37	**Nissan Motor Acceptance Corp., Torrance, Calif.(b)**	314,705	202,919	41	+ 4	314,705	1,066,041	1,527,608	14,904	4,813	622,509	880,000
38	**Fleet Financial Corp., Providence, R.I. (g)**	294,261	243,253	37		184,061	1,288,927	1,363,906	34,933	172,101	976,621	25,000
39	**Pitney Bowes Credit Corp., Norwalk, Conn.**	292,774	....	...		251,862	1,729,737	1,750,588	56,425	614,206	1,140,831	710,000
40	**Mobil Oil Credit Corp., Fairfax, Va.**	227,659	227,638	39		227,659	1,075,941	1,098,755	17,021	13,462	N.A.	N.A.
41	**AmSave Credit Corp., New York**	226,091	....	...		12,621	223,705	228,115	2,829	5,307	353,890	250,000
42	**Greyhound Financial Corp., Phoenix, Ariz.**	225,722	216,295R	41r		160,803	1,415,307	1,462,920	18,209	491,388	223,361	425,000
43	**Whirlpool Acceptance Corp., Benton Harbor, Mich.**	196,697	184,222	44	+ 1	151,697	843,995	914,774	13,475	5,466	1,997,396	360,000
44	**May Department Stores Credit Co., Reno, Nev. (b,c)**	188,374	171,216	45	+ 1	188,374	543,440	546,271	17,158	18,254	1,632,442	0
45	**Equitable Life Leasing Corp., San Diego, Calif. (b,c,l)**	183,737	155,924	47	+2	183,737	N.A.	1,493,159	25,604	N.A.	N.A.	N.A.
46	**Mack Financial Corp., Allentown, Pa.**	176,412	221,242	40		109,362	603,940	641,841	15,508	0	1,013,750	350,000
47	**Advanta Corp., Horsham, Pa.**	159,000	143,867	48	+ 1	58,000	991,000	1,285,000	3,819	N.A.	N.A.	100,000
48	**Paccar Financial Corp., Bellevue, Wash.**	148,700	134,787	49	+1	148,700	993,100	1,044,294	13,932	0	1,397,325	210,000
49	**Foothill Group, Inc., Los Angeles**	141,474	112,014	51	+ 2	47,427	409,630	551,643	7,772	0	236,418	245,000
50	**USA Financial Services, Inc., Peoria, Ill. (b,c,g)**	140,236	107,208	54	+ 4	87,146	371,734	429,256	12,387	94,031	113,555	167,000
51	**U S West Financial Services, Inc., Englewood, Colo. (l)**	127,715	95,582	58	+ 7	127,715	1,256,156	1,365,800	18,020	715,074	1,165,607	250,000
52	**Congress Financial Corp., New York (g)**	125,839	114,500	50		64,403	885,403	964,644	N.A.	N.A.	N.A.	N.A.
53	**Chemical Financial Services Corp., Cleveland (g)**	123,412	89,685	60	+ 7	123,412	1,463,308	1,527,095	33,777	472,493	758,218	0
54	**Glenfed Financial Corp., Dallas (b,c,g)**	117,600	104,136	55	+ 1	102,600	466,463	486,980	7,131	0	155,000	387,000
55	**First Manufactured Housing Cred Cp, Glen Burnie, Md (g)**	116,062	52,049	71	+16	21,062	204,790	207,511	3,026	486	142,531	75,213
56	**New England Merchants Leasing Corp., Boston (g)**	108,528	50,802	72	+16	108,528	1,488,851	1,561,381	20,141	319,544	965,073	1,132,219
57	**Honeywell Finance, Inc., Minneapolis**	101,635	99,756	56		101,635	182,322	182,559	1,879	0	N.A.	650,000
58	**Cessna Finance Corp., Wichita, Kan.**	99,606	81,990	62	+ 4	99,606	315,736	327,772	5,505	0	235,831	5,000
59	**Fidelity Acceptance Corp., Minneapolis (b,g)**	91,358	97,481	57		79,358	185,699	208,400	9,537	33,254	169,363	72,500
60	**MNC Affiliates Group, Baltimore (g)**	91,059	....	...		91,059	958,085	1,027,952	12,464	184,469	466,477	0
61	**Kentucky Finance Co., Inc., Lexington**	89,018	71,900	64	+ 3	51,808	212,115	226,296	12,724	0	7,407	65,500
62	**Concord Leasing, Inc., Norwalk, Conn. (m)**	85,976	90,704	59		60,976	968,191	997,647	1,781	124,305	N.A.	654,000
63	**Union Oil Credit Corp., Los Angeles**	85,100	193,400	42		85,100	186,000	186,400	1,800	0	7,100	0
64	**Signal Finance Corp., Pittsburgh (g)**	81,674	80,151	63		20,562	295,489	287,161	3,063	28,141	173,761	6,000
65	**ITT Credit Corp., Uniondale, N.Y.**	79,842	109,776	53		79,842	467,947	469,209	9,520	1,226	33,668	345,000
66	**Unisys Finance Corp., Detroit (l)**	73,676	62,759	66		73,676	488,828	503,639	10,917	71,095	527,000	200,000
67	**Oxford Finance Companies, Inc., Philadelphia**	72,166	45,474	75	+ 8	37,166	293,108	314,085	5,875	317,861	370,000	184,500
68	**Century Acceptance Corp., Kansas City, Mo.**	62,534	68,203	65		25,259	91,977	112,119	2,905	19,891	12,694	36,000
69	**Government Employees Financial Corp., Denver**	57,811	60,488	68		47,284	182,984	222,570	1,376	7,295	106,797	22,000
70	**Mellon Financial Services Corp., Oak Brook, Ill. (g)**	56,002	59,921	70		56,002	543,388	576,920	28	34,746	228,750	0
71	**Amoco Credit Corp., Chicago**	54,434	60,203	69		54,434	318,013	359,491	24,231	0	1,139,851	285,000
72	**Commonwealth Financial Corp., Walnut Creek, Calif.**	50,320	30,833	89	+17	8,820	216,860	235,893	110	0	1,250,000	260,000
73	**Rosenthal & Rosenthal, Inc., New York**	46,007	42,189	78	+ 5	24,057	237,109	249,570	N.A.	N.A.	1,240,080	115,500
74	**Allied Finance Co., Dallas (b)**	45,102	44,949	76	+ 2	37,502	91,001	175,682	4,323	22,201	128,127	70,400
75	**AgriStor Credit Corp., Elm Grove, Wis. (l)**	43,540	49,865	73		43,525	161,668	237,241	39,430	37,658	7,609	136,000
76	**U.S. Bancorp Leasing & Financial, Portland, Ore. (g,l)**	42,079	44,467	77	+ 1	42,079	340,009	341,929	3,673	133,610	0	0
77	**TranSouth Financial Corp., Florence, S.C. (g)**	41,817	37,769	81	+ 4	41,817	388,627	394,142	4,048	48,618	356,069	0
78	**Crossland Credit Corp., Brooklyn, New York (b,g,l)**	41,064	33,645	82	+ 4	41,064	83,148	86,721	7,390	17,959	44,992	0
79	**First Illinois Finance Co., Northbrook (g)**	41,009	32,595	87	+ 8	20,009	186,349	192,251	8,039	35,237	8,221	100,000
80	**Deutz-Allis Credit Corp., West Allis, Wis.**	40,599	89,523	61		40,599	134,566	203,201	1,694	27,261	513,456	0
81	**John Hancock Leasing Corp., Boston**	38,910	28,135	90	+ 9	36,010	222,436	246,191	7,161	51,972	93,910	0
82	**Capitol Finance Group, Inc., Charlotte, N.C. (g)**	38,767	39,994	80		18,817	127,078	139,095	2,488	5,015	150,642	0
83	**Cummins Financial Inc., Arlington, Tex.**	36,989	....	...		36,989	211,534	217,531	2,155	52	N.A.	201,000
84	**Personal Finance Co, Olympia Fields, Ill.(b)**	35,850	25,209	97	+13	15,850	81,038	86,832	1,641	18,004	97,867	3,500
85	**Horrigan American, Inc., Reading, Pa. (l)**	35,771	32,847	85		19,454	122,335	132,363	2,712	25,405	98,912	93,500
86	**First Family Financial Services, Atlanta (g)**	35,065	27,364	93	+ 7	35,043	246,273	253,194	7,445	77,090	308,664	100
87	**Provident Financial Corp., Columbia, S.C. (g)**	34,848	33,515	83		26,398	111,288	126,105	5,351	1,653	2,300	83,000
88	**C&S Family Credit, Inc., Atlanta (g)**	32,471	25,211	96	+ 8	32,471	195,508	196,425	7,260	0	111,280	0
89	**Landmark Fin'l Services, Inc., Silver Spring, Md. (g)**	32,053	27,997	91	+ 2	32,053	156,621	170,744	5,914	33,572	157,721	0
90	**Genesco Financial Corp., Nashville, Tenn.(b)**	31,438	32,567	88		31,438	28,023	40,643	421	0	N.A.	0
91	**1st Franklin Financial Corp., Toccoa, Ga.**	29,182	27,375	92	+ 1	12,567	42,109	56,777	2,639	8,929	61,424	15,100
92	**FirstMark Financial Corp, Indianapolis**	28,740	32,691	86		27,428	153,669	297,467	- 3,931	N.A.	N.A.	N.A.
93	**Eaton Credit Corp., Cleveland (l)**	24,877	22,910	98	+ 5	24,877	118,029	122,101	1,967	13,230	149,387	100,000
94	**Dresser Finance Corp., Franklin Park, Ill.**	24,589	....	...		24,589	134,998	153,343	12,382	8,750	362,331	140,000
95	**Security Finance Corp., Spartanburg, S.C.**	22,755	17,965	104	+ 9	21,125	49,772	52,909	4,653	12,210	190,062	18,500
96	**Community Credit Co., Edina, Minn.**	22,127	22,127	99	+ 3	18,127	68,941	85,653	2,617	21,471	103,425	37,360
97	**Banc One Financial Services, Inc., Marion, Ind. (g)**	20,683	17,818	106	+ 9	20,683	138,749	144,535	4,500	21,316	128,200	N.A.
98	**Pioneer Credit Co., Cleveland, Tenn. (b,c)**	19,224	....	...		13,761	18,127	23,611	414	4,280	N.A.	16,600
99	**National City Credit Corp., Cleveland (g)**	19,000	18,487	103	+ 4	19,000	147,000	180,000	500	0	0	135,000
100	**First Hawaiian Creditcorp, Inc., Honolulu (g,l)**	18,105	17,239	107	+ 7	17,963	170,460	185,245	1,785	799	85,488	0

Data Source: American Banker questionnaire sent to commercial and consumer finance companies and leasing companies. **Total Capital funds** consist of stockholders' equity and non-current subordinated debt. Non-current means that there is a remaining maturity of one year or more. Minority interest is excluded. **Equity capital** is the shareholders' equity portion of total capital. Stockholders' equity is the sum of capital plus surplus. **Receivables** include direct loans and paper purchased from manufacturers, wholesalers, and retailers. **Receivables Net** exclude unearned income and loan-loss reserves. **Net income** is income after taxes but before extraordinary items. **Deferred income**, or unearned discounts, is the sum of prepaid interest on loans outstanding. **Receivables acquired** are gross receivables acquired during the year. **Bank credit** is bank credit lines available plus in use. Please note that many bank-related finance companies report zero for bank credit lines because they are funded by their parent company. **(b)**— Year ending on date other than Dec. 31. **(c)**— Current year's figures are for a date different from preceding year. **(g)**— A subsidiary of a domestic commercial or saving bank organization. **(m)**— Foreign bank-related. **(R)**— Revised since publication on June 10, 1987. **(r)**— Rank firm would have had, if revised data had been used. **(†)**— Rank firm would have had, if it had been included in survey. **( )**— Indicates a loss. **N.A.**— Not available.

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Bank-Related Finance Companies

With capital greater than $10 million (figures in thousands)

Rank 12/87		Total Capital Funds 12/31/87	12/31/86	Rank 12/86	Gain in Rank	Parent
	Domestic Commercial and Savings Bank-Related Companies					
9	**CIT Group Holdings, Inc., Livingston, N.J.**	1,581,076	1,660,300	7		Manufacturers Hanover Corp., New York
10	**Manuf Hanover Cons. Serv Gp, Inc, Huntingdon Valley, Pa.[1]**	1,484,809	1,504,766	10		Manufacturers Hanover Corp., New York
21	**Security Pacific Financial Services, Inc., San Diego**	743,000	558,000	26	+ 5	Security Pacific Corp., Los Angeles
25	**Norwest Financial Services, Inc., Des Moines, Iowa**	572,244	509,191	27	+ 2	Norwest Corp., Minneapolis
31	**Commercial Alliance Corp., New York**	373,618	347,826	33	+ 2	First Interstate Bancorp, Los Angeles
33	**Meritor Credit Corp., Norwalk, Conn.**	352,587	325,868	34	+ 1	Meritor Financial Group, Philadelphia
38	**Fleet Financial Corp., Providence, R.I.**	294,261	243,253	37		Fleet/Norstar Financial Group, Providence, R.I.
50	**USA Financial Services, Inc., Peoria, Ill. (b,c)**	140,236	107,208	54	+ 4	United Savings of America, Chicago
52	**Congress Financial Corp., New York**	125,839	114,500	50		CoreStates Financial Corp., Philadelphia
53	**Chemical Financial Services Corp., Cleveland**	123,412	89,685	60	+ 7	Chemical Banking Corp., New York
54	**Glenfed Financial Corp., Dallas (b,c)**	117,600	104,136	55	+ 1	Glendale Federal Savings & Loan Assn., Calif.
55	**First Manufactured Housing Cred Cp., Glen Burnie, Md.**	116,062	52,049	71	+16	First Maryland Bancorp., Baltimore
56	**New England Merchants Leasing Corp., Boston**	108,528	50,802	72	+16	Bank of New England, Boston
59	**Fidelity Acceptance Corp., Minneapolis (b)**	91,358	97,481	57		Society for Savings, Hartford, Conn.
60	**MNC Affiliates Group, Baltimore**	91,059	....	...		MNC Financial, Inc., Baltimore
64	**Signal Finance Corp., Pittsburgh**	81,674	80,151	63		CoreStates Financial Corp., Philadelphia
70	**Mellon Financial Services Corp., Oak Brook, Ill.**	56,002	59,921	70		Mellon Bank Corp., Pittsburgh
76	**U.S. Bancorp Leasing & Financial, Portland, Ore.**	42,079	44,467	77	+ 1	U.S. Bancorp., Portland
77	**TranSouth Financial Corp., Florence, S.C.**	41,817	37,769	81	+ 4	First Nationwide Bank, FSB, San Francisco
78	**Crossland Credit Corp., Brooklyn, New York**	41,064	33,645	82	+4	Crossland Savings FSB, Brooklyn, New York
79	**First Illinois Finance Co., Northbrook**	41,009	32,595	87	+8	First Illinois Corp., Evanston
82	**Capitol Finance Group, Inc., Charlotte, N.C.**	38,767	39,994	80		First Union Corp., Charlotte, N.C.
86	**First Family Financial Services, Atlanta**	35,065	27,364	93	+ 7	Georgia Federal Bank FSB, Atlanta
87	**Provident Financial Corp., Columbia, S.C.**	34,848	33,515	83		South Carolina National Corp., Columbia
88	**C&S Family Credit, Inc., Atlanta**	32,471	25,211	96	+ 8	Citizens & Southern Corp., Atlanta
89	**Landmark Fin'l Services, Inc., Silver Spring, Md.**	32,053	27,997	91	+ 2	Signet Banking Corp., Richmond
97	**Banc One Financial Services, Inc., Marion, Ind.**	20,683	17,818	106	+ 9	Banc One Corp., Columbus, Ohio
99	**National City Credit Corp., Cleveland**	19,000	18,487	103	+ 4	National City Corp., Cleveland
100	**First Hawaiian Creditcorp, Inc., Honolulu**	18,105	17,239	107	+ 7	First Hawaiian, Inc., Honolulu
103	**NBD Business Finance, Inc., Detroit**	12,503	....	...		NBD Bancorp, Inc., Detroit
105	**Coastfed Business Credit Corp., Los Angeles**	11,825	....	...		Coast Savings & Loan Assn., Los Angeles
	Foreign Bank-Related Companies					
12	**Heller Financial, Inc., Chicago**	1,096,121	952,891	17	+ 5	Fuji Bank, Ltd., Tokyo
16	**Barclays American Corp., Charlotte, N.C.**	896,515	910,200	18		Barclays Bank Plc., London, U.K.
62	**Concord Leasing, Inc., Norwalk, Conn.[2]**	85,976	90,704	59		Hongkong & Shanghai Bank Corp., Hong Kong
102	**Deutsche Credit Corp., Deerfield, Ill.**	12,522	....	...		Deutsche Bank, Frankfurt, Germany
107	**Marine Midland Business Credit, Wilmington, Del.**	11,363	....	...		Marine Midland Banks, Inc., Buffalo, N.Y.[3]

(b)— Year ending on date other than Dec. 31. **(c)**— Current year's figures are for a date different from preceding year. **(1)**— **(2)**— In September 1987, Concord Leasing, a wholly owned subsidiary of Hongkong and Shanghai Banking Corp., acquired Ingersoll-Rand Financial Corp., Woodcliff Lake, N.J., from Ingersoll-Rand Inc. The 1986 data are for Ingersoll-Rand Financial Corp. **(3)**— Wholly owned subsidiary of Hongkong and Shanghai Banking Corp.

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Top Finance Companies in Net Income

50 highest earners during 1987 (dollar amounts in thousands)

Rank 12/87		Net Income 12/31/87	Net Income 12/31/86	% Chg.
1	**General Motors Acceptance Corp., Detroit**	1,453,200	1,185,100	22.62
2	**Ford Motor Credit Co., Dearborn, Mich.**	678,800	611,300	11.04
3	**General Electric Capital Corp., Stamford, Conn. (l)**	470,182	378,931	24.08
4	**Associates Corp. of No. America, Dallas**	236,063	213,595	10.52
5	**Chrysler Financial Corp., Troy, Mich.**	225,800	200,000	12.90
6	**Household Financial Services, Prospect Heights, Ill.**	174,600	141,100	23.74
7	**Beneficial Corp., Wilmington, Del.**	142,200	(171,600)	182.87
8	**Westinghouse Credit Corp., Pittsburgh**	115,203	106,244	8.43
9	**Sears Roebuck Acceptance Corp., Wilmington, Del.**	113,372	94,514	19.95
10	**Commercial Credit Co., Baltimore**	101,500	45,900	121.13
11	**ITT Financial Corp., St. Louis, Mo.**	101,388	151,923	-33.26
12	**American Express Credit Corp., Wilmington, Del.**	88,000	116,000	-24.14
13	**IBM Credit Corp., Stamford (l)**	85,759	118,118	-27.40
14	**Xerox Credit Corp., Stamford, Conn. (l)**	84,900	84,900	0.00
15	**Transamerica Financial Corp., Los Angeles**	83,548	97,085	-13.94
16	**Norwest Fin'l Services, Inc., Des Moines, Iowa (g)**	78,078	70,793	10.29
17	**Security Pacific Fin'l Services, Inc., San Diego, Calif**	75,000	58,000	29.31
18	**Philip Morris Credit Corp., New York (l)**	72,300	70,900	1.97
19	**Avco Financial Services, Inc., Irvine, Calif.**	70,421	121,606	-42.09
20	**Credithrift Financial Corp., Evansville, Ind.**	67,255	64,457	4.34
21	**Pitney Bowes Credit Corp., Norwalk, Conn.**	56,425	....	.....
22	**Manuf Han. Cons Serv Gp, Huntingdon Valley, Pa. (g**	55,274	58,231	- 5.08
23	**John Deere Credit Co., Reno, Nev.**	45,862	50,966	-10.01
24	**McDonnell Douglas Finance Corp., Long Beach, Calif. (l)**	42,600	34,645	22.96
25	**Montgomery Ward Credit Corp., Wilmington, Del.**	41,000	43,000	- 4.65
26	**CIT Group Holdings, Inc., Livingston, N.J. (g)**	40,071	136,740	-70.70
27	**AgriStor Credit Corp., Elm Grove, Wis. (l)**	39,430	3,442	1045.55
28	**J.I. Case Credit Corp., Racine, Wis.**	35,400	32,008	10.60
29	**Fleet Financial Corp., Providence, R.I. (g)**	34,933	30,214	15.62
30	**Chemical Financial Services Corp., Cleveland (g)**	33,777	33,427	1.05
31	**J.C. Penney Funding Corp., Dallas**	32,008	30,000	6.69
32	**Macy Credit Corp., New York**	31,998	26,070	22.74
33	**Navistar Financial Corp., Schaumburg, Ill.**	29,272	27,104	8.00
34	**Barclays American Corp., Charlotte, N.C. (m)**	27,673	22,692	21.95
35	**Meritor Credit Corp., Norwalk, Conn. (g)**	26,697	18,477	44.49
36	**Equitable Life Leasing Corp., San Diego, Calif. (l)**	25,604	18,592	37.72
37	**Signal Capital Corp., Hampton, N.H.**	25,254	....	.....
38	**Heller Financial, Inc., Chicago (m)**	25,137	39,097	-35.71
39	**Amoco Credit Corp., Chicago**	24,231	28,688	-15.54
40	**New England Merchants Leasing Corp., Boston (g)**	20,141	14,119	42.65
41	**Pacificorp Financial Services, Inc., Portland, Ore.**	19,155	3,183	501.79
42	**Greyhound Financial Corp., Phoenix, Ariz.**	18,209	18,076	0.74
43	**U S West Fin'l Services, Inc., Englewood, Colo. (l)**	18,020	11,502	56.67
44	**May Department Stores Credit Co., Reno, Nev.**	17,158	16,396	4.65
45	**Mobil Oil Credit Corp., Fairfax, Va.**	17,021	17,433	-2.36
46	**Mack Financial Corp., Allentown, Pa.**	15,508	18,111	-14.37
47	**Nissan Motor Acceptance Corp., Torrance, Calif.**	14,904	22,035	-32.36
48	**Paccar Financial Corp., Bellevue, Wash.**	13,932	10,816	28.81
49	**Whirlpool Acceptance Corp., Benton Harbor, Mich.**	13,475	14,049	- 4.09
50	**Kentucky Finance Co., Inc., Lexington**	12,724	8,637	47.32

Net income is income after taxes but before extraordinary items. **(g)**— A subsidiary of a domestic commercial or saving bank organization. **(l)**— A leasing company. **(m)**— Owned by a foreign banking organization. **( )**— Indicates a net loss for the year. **N.A.**— Not available.

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Top Finance Companies in Assets

50 largest firms at yearend 1987 (dollar amounts in thousands)

Rank 12/87		Total Assets 12/31/87	Total Assets 12/31/86	% Chg.
1	**General Motors Acceptance Corp., Detroit**	98,527,000	90,780,900	8.53
2	**Ford Motor Credit Co., Dearborn, Mich.**	51,241;300	39,902,000	28.42
3	**General Electric Capital Corp., Stamford, Conn. (l)**	36,643,740	27,969,931	31.01
4	**Chrysler Financial Corp., Troy, Mich.**	25,277,000	21,028,300	20.20
5	**Household Financial Services, Prospect Heights, Ill.**	11,771,700	10,431,500	12.85
6	**Sears Roebuck Acceptance Corp., Wilmington, Del.**	11,683,129	9,228,693	26.60
7	**Associates Corp. of No. America, Dallas**	10,571,612	9,076,917	16.47
8	**CIT Group Holdings, Inc., Livingston, N.J. (g)**	9,435,018	8,393,259	12.41
9	**American Express Credit Corp., Wilmington, Del.**	7,907,000	8,094,000	- 2.31
10	**ITT Financial Corp., St. Louis, Mo.**	7,539,878	6,743,429	11.81
11	**Beneficial Corp., Wilmington, Del.**	6,929,200	7,274,200	- 4.74
12	**Transamerica Financial Corp., Los Angeles**	6,897,731	2,419,779	185.06
13	**IBM Credit Corp., Stamford (l)**	6,449,027	5,715,330	12.84
14	**Westinghouse Credit Corp., Pittsburgh**	6,254,160	5,748,374	8.80
15	**Security Pacific Fin'l Services, Inc., San Diego, Calif**	6,044,000	4,822,000	25.34
16	**Heller Financial, Inc., Chicago (m)**	4,786,033	3,881,630	23.30
17	**Barclays American Corp., Charlotte, N.C. (m)**	4,330,024	4,147,990	4.39
18	**Commercial Credit Co., Baltimore**	4,306,400	4,863,800	-11.46
19	**Avco Financial Services, Inc., Irvine, Calif.**	3,883,009	6,120,832	-36.56
20	**Xerox Credit Corp., Stamford, Conn. (l)**	3,307,900	2,264,000	46.11
21	**Manuf Hanover Cons. Serv Gp, Huntingdon Val., Pa. (g)**	2,926,682	2,532,878	15.55
22	**John Deere Credit Co., Reno, Nev.**	2,876,582	3,005,425	- 4.29
23	**Credithrift Financial Corp., Evansville, Ind.**	2,771,690	3,118,949	-11.13
24	**Philip Morris Credit Corp., New York (l)**	2,743,500	2,124,400	29.14
25	**Norwest Financial Services, Inc., Des Moines, Iowa (g)**	2,710,037	2,466,889	9.86
26	**Montgomery Ward Credit Corp., Wilmington, Del.**	2,683,000	2,519,000	6.51
27	**McDonnell Douglas Finance Corp., Long Beach, Calif. (l)**	2,224,800	1,713,411	29.85
28	**Meritor Credit Corp., Norwalk, Conn. (g)**	2,181,238	1,827,166	19.38
29	**Toyota Motor Credit Corp., Torrance, Calif.**	2,149,031	987,330	117.66
30	**J.C. Penney Funding Corp., Dallas**	1,855,000	1,855,000	.....
31	**Pitney Bowes Credit Corp., Norwalk, Conn.**	1,750,588	....	.....
32	**Signal Capital Corp., Hampton, N.H.**	1,679,454	....	.....
33	**Navistar Financial Corp., Schaumburg, Ill.**	1,662,985	1,563,013	6.40
34	**New England Merchants Leasing Corp., Boston (g)**	1,561,381	854,217	82.79
35	**Nissan Motor Acceptance Corp., Torrance, Calif.**	1,527,608	1,121,334	36.23
36	**Chemical Financial Services Corp., Cleveland (g)**	1,527,095	1,270,874	20.16
37	**Equitable Life Leasing Corp., San Diego, Calif. (l)**	1,493,159	1,091,558	36.79
38	**Commercial Alliance Corp., New York (g)**	1,481,052	1,265,386	17.04
39	**Greyhound Financial Corp., Phoenix, Ariz.**	1,462,920	1,552,195	- 5.75
40	**Pacificorp Financial Services, Inc., Portland, Ore.**	1,432,249	635,979	125.20
41	**J.I. Case Credit Corp., Racine, Wis.**	1,413,900	1,631,293	-13.33
42	**U S West Financial Services, Inc., Englewood, Colo. (l)**	1,365,800	884,547	54.41
43	**Fleet Financial Corp., Providence, R.I. (g)**	1,363,906	1,062,979	28.31
44	**Advanta Corp., Horsham, Pa.**	1,285,000	959,532	33.92
45	**Macy Credit Corp., New York**	1,265,577	1,235,795	2.41
46	**Mobil Oil Credit Corp., Fairfax, Va.**	1,098,755	875,232	25.54
47	**Paccar Financial Corp., Bellevue, Wash.**	1,044,294	838,731	24.51
48	**MNC Affiliates Group, Baltimore (g)**	1,027,952	....	.....
49	**Concord Leasing, Inc., Norwalk, Conn. (m)**	997,647	611,888	63.04
50	**Tokai Credit Corp., Los Angeles (m)**	981,115	....	.....

(g)— A subsidiary of a domestic commercial or saving bank organization. **(l)**— A leasing company. **(m)**— Owned by a foreign banking organization.

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Largest Captive Finance Companies

Ranked by total capital funds as of Dec. 31, 1987 or nearest fiscal year-end (dollar figures in thousands)

Rank 12/87		Capital Funds 12/31/87	Capital Funds 12/31/86	Rank 12/86	Gain in Rank
1	General Motors Acceptance Corp., Detroit	7,381,500	7,207,800	1	
2	Chrysler Financial Corp., Troy, Mich.	4,583,800	3,722,400	2	
3	Ford Motor Credit Co., Dearborn, Mich.	3,937,600	3,282,400	3	
4	Sears Roebuck Acceptance Corp., Wilmington, Del.	2,382,520	2,269,002	4	
5	American Express Credit Corp., Wilmington, Del.	1,001,000	971,000	5	
6	J.C. Penney Funding Corp., Dallas (b,c)	776,000	778,000	6	
7	Montgomery Ward Credit Corp., Wilmington, Del.	766,000	772,000	7	
8	IBM Credit Corp., Stamford (l)	690,026	669,267	8	
9	John Deere Credit Co., Reno, Nev.(b)	679,379	667,217	9	
10	Xerox Credit Corp., Stamford, Conn. (l)	513,100	449,800	10	
11	Navistar Financial Corp., Schaumburg, Ill. (b)	467,659	437,759	11	
12	Macy Credit Corp., New York(b)	455,247	262,011	13	+ 1
13	J.I. Case Credit Corp., Racine, Wis.	360,300	369,224	12	
14	Toyota Motor Credit Corp., Torrance, Calif.(b)	316,265	189,138	18	+ 4
15	Nissan Motor Acceptance Corp., Torrance, Calif.(b)	314,705	202,919	16	+1
16	Mobil Oil Credit Corp., Fairfax, Va.	227,659	227,638	14	
17	May Department Stores Credit Co., Reno, Nev. (b,c)	188,374	171,216	19	+ 2
18	Mack Financial Corp., Allentown, Pa.	176,412	221,242	15	
19	Paccar Financial Corp., Bellevue, Wash.	148,700	134,787	20	+ 1
20	Honeywell Finance, Inc., Minneapolis	101,635	99,756	22	+ 2
21	Cessna Finance Corp., Wichita, Kan.	99,606	81,990	24	+ 3
22	Union Oil Credit Corp., Los Angeles	85,100	193,400	17	
23	ITT Credit Corp., Uniondale, N.Y.	79,842	109,776	21	
24	Unisys Finance Corp., Detroit (l)	73,676	62,759	25	+ 1
25	Amoco Credit Corp., Chicago	54,434	60,203	26	+ 1
26	AgriStor Credit Corp., Elm Grove, Wis. (l)	43,540	49,865	27	+ 1
27	Deutz-Allis Credit Corp., West Allis, Wis.	40,599	89,523	23	
28	Cummins Financial Inc., Arlington, Tex.	36,989	....	...	
29	Genesco Financial Corp., Nashville, Tenn.(b)	31,438	32,567	28	
30	Dresser Finance Corp., Franklin Park, Ill.	24,589	....	...	
31	Kellogg Credit Corp, Uniondale, N.Y.	11,421	....	...	

Captive finance companies are those whose main function consists of financing sales of their parent firm's product or services. **(b)**— Year ending on date other than Dec. 31. **(c)**— Current year's figures are for a date different from preceding year.

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Looking Back: The Top Finance Companies

Ranked by Capital Funds (thousands of dollars)

10 Years Ago: December 31, 1977

1	General Motors Acceptance Corp., New York	$3,162,743
2	Ford Motor Credit Co., Dearborn, Mich.	2,055,300
3	Household Finance Corp., Chicago	1,274,516
4	C.I.T. Financial Corp., New York	1,079,384
5	Sears Roebuck Acceptance Corp., Wilmington, Del.	1,011,731
6	Beneficial Corp., Wilmington, Del.	935,074
7	General Electric Credit Corp., New York	924,763
8	Chrysler Financial Corp., Troy, Mich.	854,596
9	Commercial Credit Co., Baltimore	838,026
10	Associates Corp. of North America, New York	614,101
11	Avco Financial Services Inc., Newport Beach, Cal.	609,008
12	Montgomary Ward Credit, Wilmington, Del.	581,695
13	International Harvester Credit Corp., Chicago	546,757
14	Walter E. Heller International Corp., Chicago	510,623
15	J.C. Penney Financial Corp., Wilmington, Del.	356,378

20 Years Ago: December 31, 1967

1	General Motors Acceptance Corp., New York	$1,117,891
2	C.I.T. Financial Corp., New York	828,132
3	Commercial Credit Co., Baltimore	605,902
4	Beneficial Finance Co., Wilmington, Del.	505,938
5	Household Finance Corp., Chicago	420,005
6	Associates Investment Co., South Bend, Ind.	368,076
7	Ford Motor Credit Co., Dearborn, Mich.	321,981
8	Sears Roebuck Acceptance Corp., Wilmington, Del.	265,601
9	General Electric Credit Corp., New York	245,176
10	Chrysler Financial Corp., Troy, Mich.	230,391
11	Transamerica Financial Corp., Los Angeles	184,339
12	General Acceptance Corp., Allentown, Pa.	178,832
13	Walter E. Heller & Co., Chicago	171,983
14	American Investment Co., St. Louis	139,645
15	Seaboard Finance Co., Los Angeles	137,357

30 Years Ago: December 31, 1957

1	General Motors Acceptance Corp., New York	$648,832
2	C.I.T. Financial Corp., New York	474,426
3	Commercial Credit Co., Baltimore	340,622
4	Associates Investment Co., South Bend, Ind.	218,322
5	Household Finance Corp., Chicago	161,491
6	Beneficial Finance Co., Wilmington, Del.	135,931
7	Pacific Finance Corp. of California, Los-Angeles	100,236
8	General Electric Credit Corp., New York	90,358
9	American Investment Co. of Illinois, St. Louis, Mo.	83,706
10	Seaboard Finance Co., Los Angeles	80,918
11	Sears Roebuck Acceptance Corp., Wilmington, Del.	76,025
12	International Harvester Credit Corp., Chicago	69,053
13	Family Finance Corp., Wilmington, Del.	42,901
14	General Finance Corp., Evanston, Ill.	42,160
15	Walter E. Heller & Co., Chicago	41,166

Top Independent or Affiliated Finance Companies

Ranked by total capital funds as of Dec. 31, 1987 or nearest fiscal yearend (dollar figures in thousands)

Rank 12/87		Capital Funds 12/31/87	Capital Funds 12/31/86	Rank 12/86	Gain in Rank
1	General Electric Capital Corp., Stamford, Conn. (l)	3,493,553	2,672,149	1	
2	Household Financial Services, Prospect Heights, Ill.	2,051,000	1,559,100	4	+ 2
3	Associates Corp. of No. America, Dallas (b)	1,856,359	1,583,884	3	
4	Transamerica Financial Corp., Los Angeles	1,630,994	624,572	13	+9
5	CIT Group Holdings, Inc., Livingston, N.J. (g)	1,581,076	1,660,300	2	
6	Manuf Han. Cons Ser Gp, Huntingdon Valley, Pa(g)	1,484,809	1,504,766	5	
7	ITT Financial Corp., St. Louis, Mo.	1,105,561	1,354,003	6	
8	Heller Financial, Inc., Chicago (m)	1,096,121	952,891	10	+ 2
9	Westinghouse Credit Corp., Pittsburgh	1,093,222	986,908	8	
10	Beneficial Corp., Wilmington, Del.	935,300	858,100	12	+ 2
11	Barclays American Corp., Charlotte, N.C. (m)	896,515	910,200	11	
12	Avco Financial Services, Inc., Irvine, Calif.	852,001	1,322,299	7	
13	Commercial Credit Co., Baltimore	766,200	982,500	9	
14	Security Pacific Fin'l Services, Inc., San Diego, Calif	743,000	558,000	15	+ 1
15	Credithrift Financial Corp., Evansville, Ind.	643,014	618,485	14	
16	Norwest Fin'l Services, Inc., Des Moines, Iowa (g)	572,244	509,191	16	
17	Philip Morris Credit Corp., New York (l)	489,600	417,300	17	
18	Signal Capital Corp., Hampton, N.H.	397,274	....	...	
19	Commercial Alliance Corp., New York (g)	373,618	347,826	18	
20	Meritor Credit Corp., Norwalk, Conn. (g)	352,587	325,868	19	
21	McDonnell Douglas Finance Cp, Long Beach, Calif (l)	345,000	284,583	20	
22	Pacificorp Financial Services, Inc., Portland, Ore.	323,544	157,196	24	+ 2
23	Fleet Financial Corp., Providence, R.I. (g)	294,261	243,253	21	
24	Pitney Bowes Credit Corp., Norwalk, Conn.	292,774	....	...	
25	AmSave Credit Corp., New York	226,091	....	...	
26	Greyhound Financial Corp., Phoenix, Ariz.	225,722	216,295	22	
27	Whirlpool Acceptance Corp., Benton Harbor, Mich.	196,697	184,222	23	
28	Equitable Life Leasing Corp., San Diego, Calif. (b,c,l)	183,737	155,924	25	
29	Advanta Corp., Horsham, Pa.	159,000	143,867	26	
30	Foothill Group, Inc., Los Angeles	141,474	112,014	28	
31	USA Financial Services, Inc., Peoria, Ill. (b,c,g)	140,236	107,208	29	
32	U S West Fin'l Services, Inc., Englewood, Colo. (l)	127,715	95,582	32	
33	Congress Financial Corp., New York (g)	125,839	114,500	27	
34	Chemical Financial Services Corp., Cleveland (g)	123,412	89,685	34	
35	Glenfed Financial Corp., Dallas (b,c,g)	117,600	104,136	30	
36	First Manufactured Hous. Cred Cp, Glen Burnie, Md. (g)	116,062	52,049	40	+ 4
37	New England Merchants Leasing Corp., Boston (g)	108,528	50,802	41	+ 4
38	Fidelity Acceptance Corp., Minneapolis (b,g)	91,358	97,481	31	
39	MNC Affiliates Group, Baltimore (g)	91,059	....	...	
40	Kentucky Finance Co., Inc., Lexington	89,018	71,900	36	
41	Concord Leasing, Inc., Norwalk, Conn. (m)	85,976	90,704	33	
42	Signal Finance Corp., Pittsburgh (g)	81,674	80,151	35	
43	Oxford Finance Companies, Inc., Philadelphia	72,166	45,474	42	
44	Century Acceptance Corp., Kansas City, Mo.	62,534	68,203	37	
45	Government Employees Financial Corp., Denver	57,811	60,488	38	
46	Mellon Financial Services Corp., Oak Brook, Ill. (g)	56,002	59,921	39	
47	Commonwealth Financial Corp., Walnut Creek, Calif.	50,320	30,833	53	+ 6
48	Rosenthal & Rosenthal, Inc., New York	46,007	42,189	45	
49	Allied Finance Co., Dallas (b)	45,102	44,949	43	
50	U.S. Bancorp Leasing & Financial, Portland, Ore. (g,l)	42,079	44,467	44	
51	TranSouth Financial Corp., Florence, S.C. (g)	41,817	37,769	47	
52	Crossland Credit Corp., Brooklyn, New York (b,g,l)	41,064	33,645	48	
53	First Illinois Finance Co., Northbrook (g)	41,009	32,595	52	
54	John Hancock Leasing Corp., Boston	38,910	28,135	54	
55	Capitol Finance Group, Inc., Charlotte, N.C. (g)	38,767	39,994	46	
56	Personal Finance Co, Olympia Fields, Ill.(b)	35,850	25,209	59	+ 3
57	Horrigan American, Inc., Reading, Pa. (l)	35,771	32,847	50	
58	First Family Financial Services, Atlanta (g)	35,065	27,364	57	
59	Provident Financial Corp., Columbia, S.C. (g)	34,848	33,515	49	
60	C&S Family Credit, Inc., Atlanta (g)	32,471	25,211	58	
61	Landmark Fin'l Services, Inc., Silver Spring, Md. (g)	32,053	27,997	55	
62	1st Franklin Financial Corp., Toccoa, Ga.	29,182	27,375	56	
63	FirstMark Financial Corp, Indianapolis	28,740	32,691	51	
64	Eaton Credit Corp., Cleveland (l)	24,877	22,910	60	
65	Security Finance Corp., Spartanburg, S.C.	22,755	17,965	63	
66	Community Credit Co., Edina, Minn.	22,127	22,127	61	
67	Banc One Financial Services, Inc., Marion, Ind. (g)	20,683	17,818	64	
68	Pioneer Credit Co., Cleveland, Tenn. (b,c)	19,224	....	...	
69	National City Credit Corp., Cleveland (g)	19,000	18,487	62	
70	First Hawaiian Creditcorp, Inc., Honolulu (g,l)	18,105	17,239	65	
71	Tower Loan of Mississippi, Jackson	14,545	....	...	
72	Deutsche Credit Corp., Deerfield, Ill. (m)	12,522	....	...	
73	NBD Business Finance, Inc., Detroit (g)	12,503	....	...	
74	United Finance Co., Portland, Ore. (b)	12,064	10,061	67	
75	Coastfed Business Credit Corp., Los Angeles (g)	11,825	....	...	
76	Marine Midland Bus. Credit, Wilmington, Del. (g)	11,363	....	...	
77	MNC American Corp., Aurora, Colo. (g)	8,994	....	...	
78	Peoples Loan & Finance Corp., Marietta, Ga.	8,640	7,806	70	
79	Mechanics Finance Co., Jersey City, N.J.	8,224	8,028	68	
80	Signet Commercial Credit Corp., Richmond (g)	7,978	7,826	69	
81	Bancorp Finance of Hawaii, Inc., Honolulu (g)	7,559	6,827	72	
82	Gulfco Investment Group, Inc., Marksville, La.	7,052	6,819	73	
83	Public Finance Service, Inc., Bala Cynwyd, Pa. (l)	6,752	12,794	66	
84	Pioneer Credit Corp., Hartford, Conn. (g)	6,561	5,785	75	
85	Pioneer Financial Services, Inc., Kansas City, Mo. (b)	6,141	7,066	71	
86	AmSouth Financial Corp., Birmingham, Ala. (g)	5,772	5,005	76	
87	Tokai Credit Corp., Los Angeles (m)	5,407	....	...	
88	Bank South Leasing, Inc., Atlanta (g,l)	5,281	....	...	
89	MNC Consumer Discount Co., Coraopolis, Pa.	4,192	....	...	
90	Finance Company of America, Baltimore	3,962	6,430	74	
91	Republic Finance, Inc., Baton Rouge, La.	3,844	....	...	
92	Bank South Home Equity, Inc., Atlanta (g)	2,579	....	...	
93	Zenith Financial Corp., Great Neck, N.Y.	1,515	1,681	77	

Independent companies are not owned by other companies. **Affiliated companies** are subsidiaries of other companies but are not captives. **(b)**— Year ending on date other than Dec. 31. **(c)**— Current year's figures are for a date different from preceding year. **(g)**— A subsidiary of a domestic commercial or saving bank organization. **(m)**— Owned by a foreign commercial banking organization. **N.A.**— Not available.

Summary Statistics: Top 100 Finance Companies

(Dollar amounts in billions)

	No. of Firms 1987	No. of Firms 1986	Total Capital Funds 1987	Total Capital Funds 1986	% Chg.	Capital and Surplus 1987	Capital and Surplus 1986	% Chg.	Subordinated Debt 1987	Subordinated Debt 1986	% Chg.
Top 100 firms	100	100	$53.2	$48.8	+9.0%	$42.2	$38.4	+9.9%	$11.0	$10.4	+5.8%
Captive firms[1]	30	36	26.0	24.4	+6.6%	22.5	20.7	+8.7%	3.5	3.7	-5.4%
Independent/affiliated firms[2]	70	64	27.2	24.4	+11.5%	19.7	17.7	+11.3%	7.5	6.7	+11.9%
Domestic bank-related firms[3]	29	25	6.8	6.5	+4.6%	4.5	4.3	+4.7%	2.3	2.2	+4.5%
Foreign bank-related firms[3]	3	2	2.1	1.9	+10.5%	1.4	1.2	+16.7%	0.7	0.7	+0.0%
Leasing firms in the Top 100[4]	15	--	6.4	...	...	6.1	...	...	0.3	...	...

(1)— Firms whose main activity consists of financing sales of their parent firm's product or services. **(2)**— Independent firms are not owned by another company. Affiliated firms are subsidiaries of other companies, but are not captive. **(3)**— Domestic and foreign bank-related firms are components of independent and affiliated companies. Domestic bank-related firms include those owned by savings intitutions. **(1)**— Leasing firms are included in the totals for captive companies, independent and affiliated companies, and domestic and foreign bank-related companies above.

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Finance Company Receivables

A breakdown of receivables by type, as of Dec. 31, 1987 or nearest fiscal yearend (dollar amounts in thousands)

Consumer — Retail and Real Estate

1	**General Motors Acceptance Corp., Detroit**	$60,549,600
2	**Ford Motor Credit Co., Dearborn, Mich.**	42,788,200
3	**Chrysler Financial Corp., Troy, Mich.**	14,458,700
4	**Sears Roebuck Acceptance Corp., Wilmington, Del.**	11,657,189
5	**American Express Credit Corp., Wilmington, Del.**	7,408,000
6	**General Electric Capital Corp., Stamford, Conn. (l)**	7,019,669
7	**Household Financial Services, Prospect Heights, Ill.**	6,593,900
8	**Beneficial Corp., Wilmington, Del.**	5,824,600
9	**Associates Corp. of No. America, Dallas**	4,845,310
10	**Avco Financial Services, Inc., Irvine, Calif.**	3,074,227

Commercial — Industrial

1	**General Motors Acceptance Corp., Detroit**	25,636,400
2	**Ford Motor Credit Co., Dearborn, Mich.**	9,200,600
3	**Chrysler Financial Corp., Troy, Mich.**	7,686,700
4	**Westinghouse Credit Corp., Pittsburgh**	4,334,694
5	**Heller Financial, Inc., Chicago (m)**	4,273,035
6	**General Electric Capital Corp., Stamford, Conn. (l)**	4,219,512
7	**Associates Corp. of No. America, Dallas**	3,745,371
8	**ITT Financial Corp., St. Louis, Mo.**	2,994,661
9	**Transamerica Financial Corp., Los Angeles**	2,509,266
10	**Security Pacific Financial Services, Inc., San Diego, Calif**	2,027,000

Industrial and Equipment Leasing — Nonbank

1	**General Electric Capital Corp., Stamford, Conn. (l)**	16,667,645
2	**General Motors Acceptance Corp., Detroit**	7,699,900
3	**IBM Credit Corp., Stamford (l)**	3,724,535
4	**Xerox Credit Corp., Stamford, Conn. (l)**	2,567,000
5	**Chrysler Financial Corp., Troy, Mich.**	1,562,300
6	**McDonnell Douglas Finance Corp., Long Beach, Calif. (l)**	1,323,800
7	**Philip Morris Credit Corp., New York (l)**	1,302,800
8	**U S West Financial Services, Inc., Englewood, Colo. (l)**	1,256,156
9	**Transamerica Financial Corp., Los Angeles**	1,095,955
10	**Westinghouse Credit Corp., Pittsburgh**	835,736

Industrial and Equipment Leasing — Bank-Related

1	**Citicorp, New York**	3,372,000
2	**Security Pacific Corp., Los Angeles**	3,075,648
3	**Marine Midland Banks, Inc., Buffalo, N.Y.**	2,851,377
4	**Chase Manhattan Corp., New York**	2,373,228
5	**Manufacturers Hanover Corp., New York**	2,355,000
6	**Bank of New England Corp., Boston**	1,409,243
7	**Chemical Banking Corp., New York**	1,383,000
8	**Wells Fargo & Co., San Francisco**	1,335,315
9	**First Interstate Bancorp., Los Angeles**	1,237,620
10	**Bank of Boston Corp.**	882,125

Factoring Volume

1	**CIT Group Holdings, Inc., Livingston, N.J. (g)**	7,610,000†
2	**Heller Financial, Inc., Chicago (m)**	4,211,000
3	**Citizens & Southern Commercial Corp., Atlanta (g,n)**	4,189,000†
4	**Congress Financial Corp., New York (g)**	4,000,000
5	**Irving Commercial Corp., New York (g)**	3,800,000†
6	**Republic Factors Corp., New York (g)**	3,000,000†
7	**BancBoston Financial, New York (g)**	2,966,000†
8	**Barclays American Corp., Charlotte, N.C. (m)**	2,779,632
9	**BT Factors, New York (g,o)**	2,300,000†
10	**Security Pacific Financial Services, Inc., San Diego (g)**	1,359,000

Data Sources: *American Banker* finance company survey questionnaire, whenever possible. However, the data for "Industrial and Equipment Leasing — Bank-Related" were provided by ADP Data Services Division, New York, from their data base of bank holding companies reporting to the Federal Reserve Board on Form Y-9. Also, factoring data from the *Daily News Record*— a textile trade newspaper based in New York— were used for factoring firms not responding to this year's survey. **Please note:** the consumer, commercial, and non-bank related lists shown above may be incomplete because break downs for several of the large firms were not available. **Net receivables** are broken down into three operational types: consumer-retail and real estate, which includes home equity loans; commercial-industrial; and industrial and equipment leasing. Industrial and equipment leasing are broken down into two groups— nonbank and bank-related. Data for bank-releated leasing firms are not available. Therefore, total leasing receivables at the bank and all its subsidiaries are reported. These are the data from ADP Data Services Division. Factoring receivables or "volume" are reported gross. For some companies it is not possible to net out unearned discount and loan loss reserves by type. For these companies, therefore, the sum of the net receivables shown above may exceed total net receivables reported in the "Top 100 Finance Companies" listing. Complete definitions of these four operational categories appear in a story accompanying the tables. **(g)**— A subsidiary of a domestic commercial or savings banking organization. **(l)**— A leasing company. **(m)**— Owned by a foreign commercial banking organization. **(n)**— Includes Chemical Business Credit which was acquired from Chemical Banking Corp. at yearend 1987. **(o)**— BT Factors is a division of Bankers Trust Co., New York. **(†)**— Factoring data are from the February 26, 1988, *Daily News Record*.

Descriptions and Definitions

By L. MICHAEL CACACE

The *American Banker's* 38th annual survey of the finance industry is presented in seven tables:

- The main listing consists of the 100 largest firms in order of their total capital funds as of Dec. 31, 1987. Total capital funds for 1986 are also shown, along with the 1986 capital funds rank and gain in rank. The other yearend 1987 data shown in this table are capital and surplus; net receivables; total assets; net income; deferred income; gross receivables acquired; and bank credit lines available plus those in use.
- *American Banker* also lists the top 50 finance companies in total assets. The companies are listed in order of their yearend 1987 assets. Also shown is the Dec. 31, 1986, total asset figure and the percentage change in assets from 1986 to 1987.
- *American Banker* lists the top 50 finance companies in net income. The companies are listed in order of their 1987 net income. Also shown is the 1986 net income and the percentage change in net income from 1986 to 1987.
- Another table lists the captive finance companies in the survey in order of total capital funds. **Captive companies** are those whose main function consists of financing sales of their parent firm's product or services. This year there are 31 such companies in the listing.
- A separate table lists the top independent or affiliated finance companies in the survey in order of their capital funds. **Independent companies** are not owned by other companies. **Affiliated companies** are subsidiaries of other companies but are not captives. This year there are 93 such companies in the listing.
- There is a listing of domestic commercial and savings bank-related finance companies and of foreign bank-related finance companies with capital funds of $5 million or more. Included in this table is the name of the parent banking company. By definition, bank-related companies are affiliated companies and appear on the listing of independent and affiliated companies.
- Another table breaks down the receivables outstanding at a finance company into four types: consumer, commercial, leasing and factoring. The top 10 firms in each category are identified. In this case of leasing companies there are two lists: the 10 largest nonbank-related companies and the 10 largest bank-related companies. Consumer, commercial, and leasing receivables are reported net of loan losses and earned income, wherever possible, and are for Dec. 31, 1987. The factoring receivables are reported gross and represent the volume of business for the entire year 1987. Complete defintions are listed below.

The definitions used by *American Banker* for the listings described above are listed below.

Total capital funds is the sum of stockholders' equity and noncurrent subordinated debt. Stockholders' equity is the sum of capital plus surplus. Noncurrent subordinated debt is subordinated debt with a remaining maturity of more than one year.

Receivables include direct loans and paper purchased from manufacturers, wholesalers, and retailers. **Gross receivables** include unearned income and reserves for loan losses, while **net receivables** exclude unearned income and loan-loss reserves.

Net income is income for the entire year after taxes but before extraordinary items.

Deferred income is another term for **unearned discounts.** It is the sum of prepaid interest on loans outstanding.

Bank credit lines are the sum of bank credit available plus in use. For bank-related finance companies, the bank credit line is often reported to *American Banker* as zero or not applicable, since these companies are usually funded by their parent. We report zero in this category for all bank-related companies reporting "not applicable".

Consumer-retail and real estate receivables are those obtained through the financing of the consumer through direct cash loans or through the purchase of installment sales paper from dealers and retailers. Most of the real estate receivables are **home equity loans**, which are personal loans secured by second mortgages.

Commercial-industrial receivables are those obtained through the financing of small and medium-size businesses, including agribusinesses, through secured short-term loans. In most cases, a firm offers its accounts receivables as security, and the lending arrangement is called "accounts-receivable financing." Inventories or plant equipment also may be used as collateral.

In addition to the short-term accounts-receivable financing, businesses also receive funds on longer-term installment receivables by selling them to finance companies. These are industrial-sales finance transactions.

Industrial/equipment leasing is a type of asset-based lending where the lender owns the physical asset to be financed. Generally, longer term fixed assets are financed by finance companies via leasing.

Factoring is a type of asset-based lending where the lender buys the borrower's receivables and extends funds before their collection. The factor usually collects the receivables on a nonrecourse basis.

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TOP MORTGAGE FIRMS — TABLES BEGIN ON P.18

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REPORT

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Worth Repeating

I don't think the regulators would know a drug transaction if it hit them in the face.

William von Raab, commissioner of the U.S. Customs Service, on the lack of support from banking regulators during the BCCI money laundering probe. [Page 1]

Acerbic Customs Chief Blasts Regulators

By JIM McTAGUE
Washington Bureau

WASHINGTON — Zero. That's how much help William von Raab said his undercover agents got from bank regulators during their money-laundering probe of BCCI Holdings of Luxembourg and its U.S. banks.

"I don't think the regulators would know a drug transaction if it hit them in the face," said Mr. von Raab, the razor-tongued commissioner of the U.S. Customs Service.

"Apparently, they are spending all their time defending the banking industry. I have never gotten a single call from a banking regulator. None. Zero.

"The last banking regulator I dealt with was — what is his name? — the comptroller of the currency . . . Todd Conover. After that, I can't even tell you the name of the [current] comptroller of the currency."

Mr. Conover resigned as comptroller in 1985.

When Mr. von Raab talks about drug deals and money laundering, bankers cringe. In their eyes, he's vicious. A truncheon-mouthed regulator with a mean-spirited penchant for exaggerating their industry's guilt.

William von Raab

"This is that typical nonsense where the banking industry hears someone say something adverse about some of its members and they think it's an attack on the entire industry."

What he is saying is that with an estimated $110 billion in drug money being laundered in the U.S. each year, and with up to $90 billion of that total being wired overseas, some bankers out there know what's going on.

"Do you know what $110 billion looks like? It weighs two million

Please see CUSTOMS: Page 39 ➤

Banks Look Inward For Wrongdoing

By PHILIP T. SUDO

NEW YORK — Despite spending more money on more systems and more awareness, the banking industry still has a problem with money laundering — its own people.

Recent efforts to deter money laundering have succeeded to the point where corporate security officers say that criminals need an insider to cleanse their ill-begotten riches. As banks sharpen their strategies to keep illegal money from coming through the front door, the back door — checked only by the integrity of bank officials — has become the greatest area of vulnerability.

Public concern over that vulnerability increased this month with the indictment of BCCI Holdings and nine of its officials on money laundering charges in Tampa, Fla. The indicted officials, executives of the Luxembourg-based Bank of Credit and Commerce International SA, were charged not only with helping members of Colombia's Medellin drug cartel launder money, but also with suggesting laundering schemes.

William von Raab, U.S. Customs commissioner, seized the occasion to accuse bankers of a "sleaze factor" in their ranks. For an industry whose public image has been battered by problem loans and record failures — and whose reputation for trust and integrity is integral to doing business — the commissioner's remarks put many bankers on edge.

But some acknowledge that the battleground is indeed shifting.

"We're more concerned about this issue from an internal standpoint now," said a security official at a major

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Top Mortgage Servicers Up 17%

By PHIL ROOSEVELT

NEW YORK — The servicing portfolios of the top 300 mortgage companies jumped 17.1% in the year ended June 30, despite a sharp drop in mortgage originations nationwide, an *American Banker* survey shows.

The biggest gainer was Independence One Mortgage Co., Southfield, Mich., which increased its portfolio more than threefold, to $8.2 billion. The gain boosted the unit of Michigan National Bank to No. 21 among mortgage companies from No. 70.

Another impressive gain was posted by Chase Home Mortgage Corp., Tampa, Fla. Its portfolio ballooned by 150%, to $11 billion, lifting its parent, Chase Manhattan Corp., to No. 14 from No. 34 on a master list of servicers. This list combines servicing for investors by affiliated banks, thrifts, and mortgage companies.

The overall gains came against a backdrop of rising interest rates and a 30% decline in originations by all lenders. At $369 billion, however, the originations were still robust by historical standards and included far fewer refinancings than the previous year's total. Refinancings produce no net gains in servicing.

Servicing, long the most profitable part of mortgage banking, entails funneling monthly payments from borrowers to investors and performing other administrative chores. Servicers typically earn annual fees of about 45 basis points on the loan amounts.

As in the past, the big gainers for the

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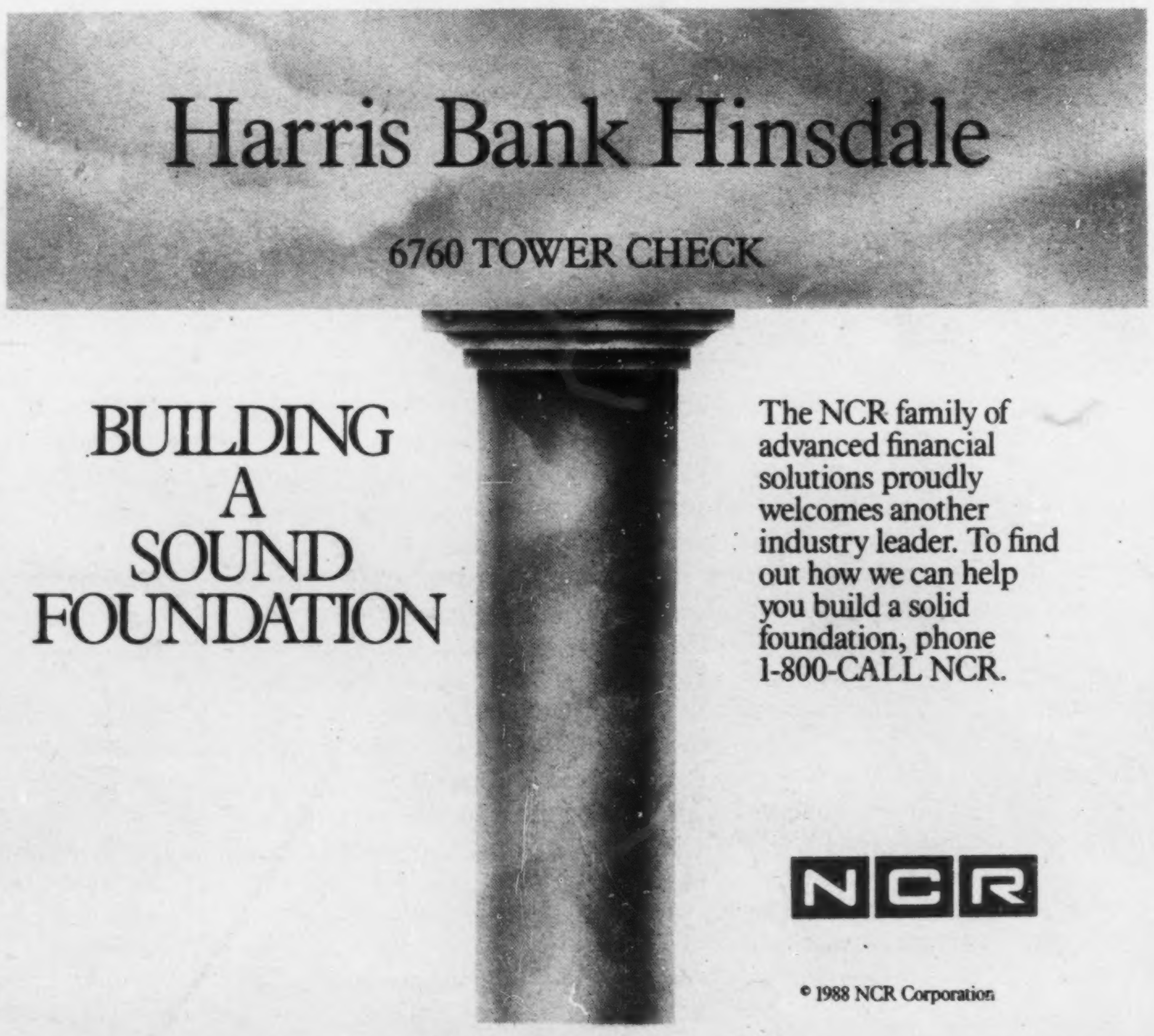
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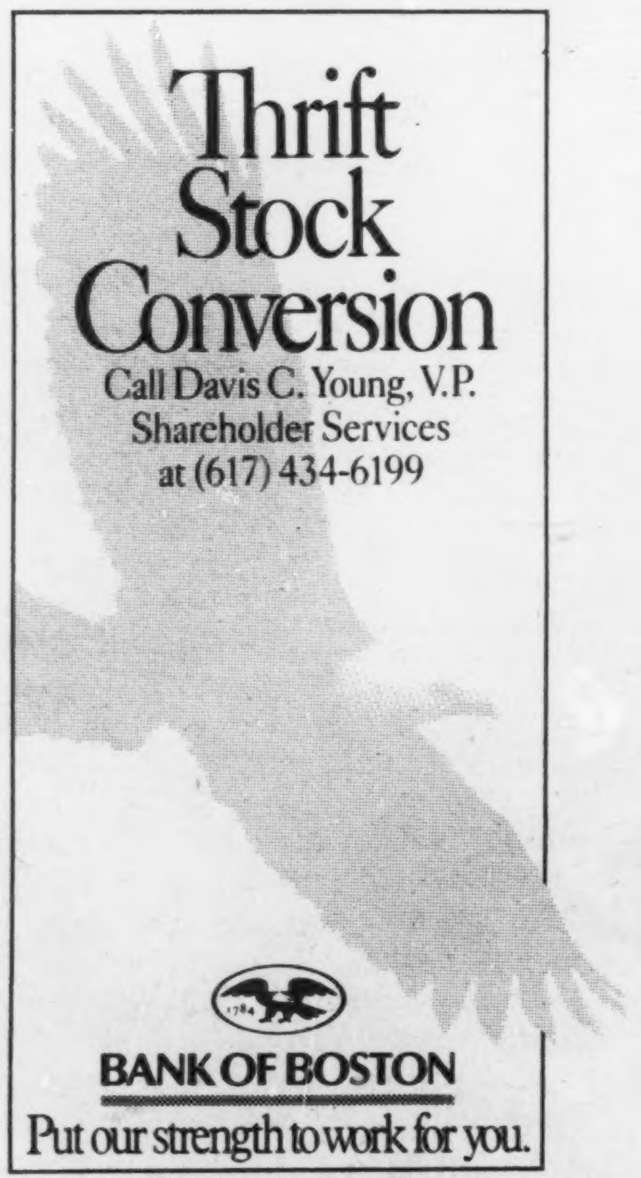
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Trust Professionals Get No Respect from CEOs

By DR. PAUL S. NADLER

WHAT'S the key fact you learn when you bring in 20 top trust people to talk about the future of their sector of the banking industry?

"They want respect. They feel they are the Rodney Dangerfields of banking," is the way Allen Lipis and Harold Bell, executive vice presidents of Bank Earnings International, put it after holding a two-day meeting to plan a study on the future of trust.

In talking to Lipis and Bell about their study, which is being sponsored by 55 organizations, I cannot help but think of the old definition of a bank:

A bank is like a car. The CEO is driving; next to him is the loan officer saying, "Go left." Next to him is the investment officer saying, "Go right." Lying on the floor with his hand on the gas is the marketing officer, and next to him with his hand on the break is the operations officer.

Lying on the floor in the backseat is the comptroller yelling, "Stop the car, I want to take it apart." In the middle of the backseat looking out the rear window is the market research officer saying, "I can see the road clearly — let me steer."

In the left corner of the backseat is the consultant saying, "Pay me some money, and I'll tell you what I think is wrong with the car, but I won't fix it myself." And, finally, sitting on the far right is the trust officer, fast asleep.

But the Bank Earnings International meeting, held in Atlanta late last month, shows that the trust officer has woken.

Nadler Says:

'Trust departments have to learn to sell. This is obvious when you talk to a new widow or middle-class person who desperately needs good financial advice.'

He earns a 50% to 60% pretax profit margin, handles vast sums (national bank trust departments hold $2.3 trillion of assets according to Lipis and Bell), and yet feels the CEO doesn't know he exists. Furthermore, the CEO doesn't realize the opportunities in trust or the threat from investment firms, CPAs, investment advisers, and insurance companies.

Moving Off the Back Burner

Here is a banking industry that needs more noncredit income and needs services that earn a return without tying up expensive and hard to get capital. In sum, an area that is just the ticket for better performance banking. Yet trust remains on the back burner.

What can be done?

First and foremost, the advance planners for the Bank Earnings International study say that trust departments have to learn to sell. This is obvious when you talk to a new widow or middle-class person who desperately needs good financial advice.

When has a bank ever gone to newly widowed or divorced customers who have had joint bank accounts for years and who are changing to single accounts? When has it informed them that the trust department exists and can do a good job of protecting their assets?

Think of the story they could tell. For the bank can usually do a far superior job to a brokerage firm for them since the latter has a vested interest in selling securities and the salesman's commission is a major consideration.

After Black Monday, did the bank or its trust department advertise the safety of trust management or bank accounts in general?

True, the Comptroller of the Currency does not let bank trust departments advertise their results, but they sure can advertise their goals and methods and their dedication to the preservation of their customers' capital.

So trust officers believe they must develop a sales culture. They have to switch from being order takers and reward those who generate business.

They feel that trust departments must develop productivity and performance standards and that they must learn to price their services more profitably.

Look at the talent in the trust operation. A trust department must have legal talent, tax and accounting talent, investment knowledge, an ability to hold the hands of those in need, and an ability to preserve capital. The average citizen finds it extremely difficult to get all this combined in one location.

Charging More for Services

Thus, trust officers say they will have to charge for advice by the hour (like lawyers), charge more than 1% of assets for management (remembering that brokerage firms collect upwards of 3% of the client's funds when they develop fancy mutual funds and other packages as investment vehicles), and otherwise receive better compensation for the hundreds of years of skill and experience invested by the typical trust department's personnel.

One painful conclusion of the group is that many banks will have to change the people in their trust areas. They will have to get rid of those who look at trust as a safe haven from competition and salesmanship and go after people who can do a better job of crowing about what trust has accomplished in the past and what it can do in the future.

"Bankers are usually uncomfortable in raising prices," Lipis and Bell explain. "But raising them does give them the opportunity to tell what they are doing and brag about what they have done."

Most important, we're entering an era in which investment conservatism is replacing a go-go attitude that all investments will do well.

The brokers who thought they were geniuses because all their recommendations went up until Black Monday have learned that markets go both ways and that in investing you either eat well or sleep well.

So here we are. The Bank Earnings International focus group says that trust is unappreciated, that the CEO doesn't even know it exists, and yet that the changes that have already been made in pricing and systems are making trust one of the most profitable areas of the bank and the main depositor in most banks to boot.

To outside observers it looks as if this is another instance in which we look all around for new opportunities only to find that one of the best is waiting, fresh and ready to be useful after many years of napping in the backseat of our banking car. ■

Dr. Nadler is a professor of finance at Rutgers University's Graduate School of Management and is contributing editor of the *American Banker*.

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In addition, we would like to read your responses to the points of view expressed by our columnists and guest writers. Are they on target? Who's right or wrong? What's your own opinion?

Wherever possible, we would like to print your comments. Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004 and include a daytime phone number. Letters may be edited for reasons of space and clarity.

MEMORY BANK

The following quiz is based on material that appeared in last week's issues of the American Banker. Answers are on page 12.

1. For what purpose was the Japan Bankers Association Investment Inc., a Cayman Islands corporation, set up in March 1987 by 28 Japanese banks?

2. Despite vigorous opposition from foreign and domestic interest groups, the Senate voted 85 to 3 to adopt an amendment to its $2.6 billion antidrug legislation sponsored by John F. Kerry, D-Mass., and Mitch McConnell, R-Ky. How does this amendment propose to curb narcotics-related money laundering beyond U.S. borders?

Commercial Lending

3. A survey by Robert Morris Associates, the national association of bank loan and credit officers, identified the industry in which commercial banks charged off the largest amount of loans in 1987, more than $560 million. Was this negative leadership position claimed by real estate, energy and mining, or restaurants and bars?

4. Voters in California, the Golden State that gave the world Proposition 13 and President Ronald Reagan, will decide the fate of Proposition 100 on Election Day. Passage of this measure is so important to the California Bankers Association that the trade group had raised $525,000 by mid-October for its lobbying effort. What power would this proposition grant to California's state-chartered banks?

Operations/
Technology

5. The popularity of in-house computer systems versus service bureau arrangements at banks with less than $250 million in deposits is tracked in the 1988 update of "Automation Trends in the Community Bank Sector," previewed for this newspaper by Arthur M. Gillis, president of Computer Based Solutions Inc., New Orleans. Based on Mr. Gillis's study of 13,000 community banks, is the use of service bureaus rising or falling?

6. What segment of the market expresses the strongest interest in buying financial planning services from a bank, according to the *American Banker*'s fifth annual survey of "How Consumer America Views the Changing Financial Services Industry?"

7. Dairy farmer Neal Boge had a grievance in 1986 against the Tillamook branch of the U.S. National Bank of Oregon. Mr. Boge believed the bank treated him unfairly when it repossessed his herd of gentle cows to satisfy a note on which $116,000 was past due. A jury in Tillamook agreed with Mr. Boge when it awarded him nearly $200,000. What action did Mr. Boge take with a herd of 103 dairy cows in mid-1986 to call attention to his plight?

8. Chemical Banking Corp. has donated the use of 5,000 square feet of its New York office space for the collection of donations from the public and businesses to what worthy cause?

— **Robert Paul Molay**

Top 300 Mortgage Firms Post 17% Gain in Servicing Portfolios

➤ Continued from Page 1

year ended in June advanced chiefly through the purchase of servicing rights from other lenders or through acquiring entire companies.

Richard Bondi, president of Independence One, said originations accounted for less than 10% of his firm's $5.8 billion gain. The rest came through several bulk purchases of servicing rights from other lenders.

"We were aggressive buyers, and we are still aggressive buyers," he said. "There's a lot of servicing on the market, and we feel it can be gotten at some very good values."

Chase Home Mortgage posted its $6.6 billion gain through a combination of company acquisitions, purchases of servicing, and its own originations. The company is the main servicing unit of Chase Manhattan Corp.

Chase Home Mortgage president Fred Koons said the parent firm hopes to rank in the top five on the master list of combined servicing within the next few years. He said additional economies of scale lie ahead.

> 'We want to be the best, not the biggest. But you have to have significant size to be the best.'
>
> — Fred Koons
> President, Chase Home Mortgage

"We want to be the best, not the biggest," Mr. Koons said. "But you have to have significant size to be the best."

Meanwhile, an extraordinary servicing transaction took place in September — after the reporting period ended — when Mellon Bank Corp., Pittsburgh, sold the servicing on $6 billion of residential mortgages to Salomon Brothers Inc.

The long-rumored transaction was confirmed last week in a Mellon earnings report; the sale resulted in a one-time gain of $21 million.

Mellon officials said Salomon plans to resell the rights, and that Mellon in the meantime will continue to do the servicing work for Salomon. Salomon officials could not be reached for comment.

Richard Solheim, president of the unit that oversees Mellon's four mortgage banking units, said the sale still leaves Mellon with about $4 billion of residential servicing.

"Mellon is staying in mortgage banking," he said.

He described the effort as the beginning of an attempt to consolidate the four mortgage companies. The companies are located in Cleveland, Denver, Houston, and New Orleans.

"Moving things together is easier to do when the size is smaller," he said.

In the survey, the largest decline in servicing by a mortgage company was the 73% drop by 160th-ranked Pacific First Mortgage Corp., Walnut Creek, Calif. It declined to $953 million at midyear from $3.5 billion in June 1987. The drop was attributable to the sale of its Walnut Creek servicing operations to Commonwealth Mortgage Corporation of America, Houston. Pacific First Mortgage Corp. is a subsidiary of Pacific First Federal

Citicorp on Top

In other survey findings:

- Citicorp remained on the top of the master list of combined servicing, with a whopping $45.6 billion. Fleet/Norstar Financial Group, Providence, R.I., edged out GMAC Mortgage Co., Elkins Park, Pa., for the No. 2 spot.
- Among mortgage companies, Citicorp Mortgage Inc. — a St. Louis operation that handles all of Citicorp's servicing for investors — retained the top spot that it first grabbed in rankings for yearend 1987. Previously, the unit did not report its servicing. GMAC Mortgage ranks No. 2 on the new list, followed by Dallas-based Lomas & Nettleton Financial Corp.
- Gaithersburg, Md.-based Standard Federal Savings and Loan Association, described as an especially aggressive purchaser of servicing, nearly unseated City Federal Savings Bank, Bedminster, N.J., as the top thrift in servicing for investors.

Standard Federal boosted its portfolio nearly threefold, to $15 billion. It broke into the top 10 on the master list of combined servicing. Officials at the thrift declined to return repeated calls for comment.

- Bank of America, San Francisco, held the lead among banks in servicing, with $3.9 billion. Security Pacific National Bank, Los Angeles, held on to No. 2 with $3.3 billion.
- Five companies reported too late to be included in today's listing of the top 300 mortgage companies. Listed in order by the amounts in their servicing portfolios on June 30, 1988, they are: Connecticut National Mortgage Co., West Hartford, Conn., with $3.1 billion in servicing for investors; E.B. Mortgage Corp., Annapolis, Md., with $710 million; Corstan Inc., Las Vegas — formerly known as Stanwell Mortgage, Concord, Calif. — with $550 million; Citizens Mortgage Service Co., Jenkintown, Pa., with $278 million; and SW Mortgage Inc., Vista, Calif., with $221 million.
- Two companies in today's listing, submitted corrected data that were also received too late. Seafirst Mortgage Corp., Seattle, had $3.6 billion in servicing on June 30, and not $1.7 billion as originally reported. And TCF Mortgage Corp., Minneapolis, had $1.86 billion in servicing, not $704 million as originally reported. Both firms, therefore, should not appear on the summary table on page 18 that identifies the 10 mortgage companies with the largest declines in servicing.■

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changing names,
changing hands . . .

MERGERS, ACQUISITIONS
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Top 25 Mortgage Servicers in Combined Servicing

Based on the total combined servicing for investors by a firm's bank, thrift, and mortgage company subsidiaries On June 30, 1988, compared with June 30, 1987 (dollar figures in millions)

Rank 6/88	Rank 6/87		Servicing Volume			Number of Subsidiaries		Parent Company
			6/30/88	6/30/87	% Chg.	6/30/88	6/30/87	
1	1	Citicorp Mortgage, Inc., St. Louis	45,600	39,800	14.57	..	..	Citicorp, New York
2	**3**	**Fleet/Norstar Financial Group, Inc., Providence, R.I. (a)**	**25,662**	**23,104**	**11.07**	**4**	**3**	....
3	2	GMAC Mortgage Co., Elkins Park, Pa.	24,676	23,886	3.31	...	...	General Motors Acceptance Corp., Detroit
4	4	Lomas & Nettleton Financial Corp., Dallas	23,509	21,503	9.32	...	...	....
5	7	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	19,204	15,461	24.21	...	...	Fireman's Fund Corp., Novato, Calif.
6	**5**	**Metropolitan Life Insurance Co., New York (b)**	**18,333**	**18,377**	**-0.24**	**2**	**2**	....
7	6	City Federal Savings Bank, Bedminster, N.J. (c)	15,511	17,528	—11.51	..	..	CityFed Financial Corp., Palm Beach, Fla.
8	35	Standard Federal Savings & Loan Assn., Gaithersburg, Md.	14,993	5,111	193.34	...	...	....
9	9	Commonwealth Mortgage Corp. of America, Houston	13,738	12,769	7.59	...	...	Commonwealth Savings Association, Houston
10	15	Goldome Realty Credit Corp., Buffalo, N.Y.	13,375	10,870	23.05	...	...	Goldome, Buffalo, N.Y.
11	**8**	**Sears, Roebuck & Co., Chicago (d)**	**12,993**	**13,310**	**-2.38**	**2**	**2**	....
12	**24**	**Shearson Lehman Hutoon Inc., New York (e)**	**12,791**	**7,129**	**79.42**	**2**	**1**	....
13	**10**	**BancBoston Mortgage Companies, Inc., Jacksonville, Fla.**	**12,529**	**12,336**	**1.56**	**...**	**...**	Bank of Boston Corp.
14	**34**	**Chase Manhattan Corp., New York (f)**	**12,180**	**5,459**	**123.11**	**3**	**3**	....
15	14	Home Savings of America FA, Los Angeles	11,571	11,031	4.90	...	...	H.F. Ahmanson & Co., Los Angeles
16	16	First Union Mortgage Corp., Charlotte, N.C.	11,493	10,474	9.73	...	...	First Union Corp., Charlotte, N.C.
17	13	Weyerhaeuser Mortgage Co., Los Angeles	11,251	11,535	-2.46	...	...	Weyerhaeuser Co., Tacoma, Wash.
18	**11**	**First Interstate Bancorp., Los Angeles (g)**	**10,968**	**11,730**	**-6.50**	**7**	**7**	....
19	25	Knutson Mortgage Corp., Bloomington, Minn.	10,056	6,994	43.78	...	...	Home Owners Federal S&LA, Boston.
20	27	BancPlus Mortgage Corp., Pasadena, Tex.	8,904	6,231	42.90	...	...	BancPlus Savings Assn., Pasadena, Tex.
21	19	Chemical Mortgage Corp., Columbus, Ohio	8,869	8,178	8.45	...	...	Chemical New York Corp.
22	22	Great Western Bank, FSB, Beverly Hills	8,809	7,201	22.32	...	...	Great Western Financial Corp., Beverly Hills
23	33	Countrywide Funding Corp., Inc., Pasadena, Calif.	8,770	5,472	60.27	...	...	Countrywide Credit Industries, Inc., Pasadena, Calif.
24	20	American Savings & Loan Assn., Stockton, Calif. (h)	8,318	7,920	5.02	...	...	(h)
25	..	Independence One Mortgage Corp., Southfield, Mich.	8,164	2,400	240.17	...	...	Michigan National Corp., Famington Hills
		Dropping out of the Top 25						
..	21	Sovran Mortgage Corp., Richmond	7,770	7,255	7.10	...	...	Sovran Financial Corp., Norfolk, Va.
..	23	Imco Realty Services Inc., Santa Rosa, Calif.	7,081	7,172	-1.27	...	...	Integrated Resources, Inc., Santa Rosa, Calif.
..	**12**	**Mellon Bank Corp., Pittsburgh (i)**	**6,700**	**11,703**	**-42.75**	**2**	**3**	....
..	**18**	**Meritor Savings Bank, Philadelphia (j)**	**6,484**	**8,200**	**-20.93**	**2**	**3**	....
..	**17**	**BankAmerica Corp., San Francisco (k)**	**5,637**	**10,273**	**—45.13**	**2**	**3**	....

Data Sources: American Banker questionnaire to top 600 mortgage companies and commercial banks in servicing for investors and Federal Home Loan Bank Board data on servicing by FSLIC-insured thrifts. **ADP Data Services Division, New York,** provided the thrift data. **Description of Table:** A listing of the top 25 firms in the mortgage industry. The listing includes mortgage companies, commercial banks, and thrifts. For firms with more than one subsidiary engaged in servicing mortgages for others, a combined servicing figure for all of these subsidiaries is used, and the name of the parent company is shown in bold type. **(a)—** Data for June 30, 1987, are for Fleet Financial Group, Inc. On 1/1/88, Fleet Financial Group and Norstar Bancorp., Albany, N.Y., merged to form Fleet/Norstar. The four mortgage servicing subsidiaries are: Fleet Real Estate Funding Corp., Florence, S.C.; Fleet Mortgage Corp., Milwaukee, Wis.; Norstar Mortgage Corp., Westbury, N.Y.; United Bank & Trust Co., Hartford, Conn. Data for a fifth subsidiary, Fleet National Bank, Providence, R.I. were not available. **(b)—** The two mortgage company subsidiaries are: Metmor Financial Inc., Los Angeles, and MetFirst Financial Co., Overland Park, Kansas. **(c)—** The data for June 30, 1987 were for Kissell Co., Springfield, No., and CityFed Mortgage Co., a division of City Federal Savings Bank, Elizabeth, N.J. Kissell Co. and CityFed Mortgage merged to form CityFed Mortgage, Bellvue, Wash., during the latter half of 1987. June 30, 1988, data for CityFed Mortgage were not available. Therefore, FHLBB data for its parent, City Federal Savings Bank, were used. **(d)—** The two mortgage company subsidiaries are: Sears Mortgage Corp., Riverwoods, Ill., and Coldwell Banker Real Estate Financial Services, El Segundo, Calif. **(e)—** The two mortgage company subsidiaries are: Shearson Lehman Hutton Mortgage Corp., Irvine, Calif. and The Balcor Co., Skokie, Ill. The latter company, which was acquired by Shearson on July 1, 1982, is included in the survey this year for the first time. Shearson Lehman Hutton Inc. is an American Express Co. **(f)—** Its three mortgage servicing subsidiaries are: Chase Home Mortgage Corp., Tampa, Fla.; Chase Lincoln First Bank NA, Rochester, N.Y.; and Chase Bank of Arizona, Scottsdale. **(g)—** The seven mortgage servicing subsidiaries are: First Interstate Mortgage Co., Pasadena, Calif.; First Interstate Bank of Oregon NA, Portland; First Interstate Bank of Washington NA, Seattle; First Interstate Bank of Casper NA, Wyoming; First Interstate Bank of Arizona NA, Phoenix; First Interstate Bank of Nevada NA, Reno; and First Interstate Bank of Englewood NA, Colo. **(h)—** The Federal Home Loan Bank Board is in the final stages of selling the insolvent $30 billion-asset thrift to a group of investors led by Texas billionaire Robert M. Bass. **(i)—** Two mortgage company subsidiaries providing data for this year's survey are: Mellon Financial Services Corp. #7, New Orleans and Mortgage & Trust, Inc., Houston. Its other mortgage company subsidiary, Mellon Financial Services Corp. #8, Cleveland, which had $3.1 billion in servicing on Dec. 31, 1987, declined to participate in the survey. Another mortgage company subsidiary, Mellon Financial Services Corp. #9, Denver, which had a $1.8 billion servicing portfolio in June 1987, according to the **Mortgage Bankers Association Directory,** has chosen not to participate in the survey for the past two years. **(j)—** The two mortgage company subsidiaries together are called "Meritor Mortgage Group" and consist of: Meritor Mortgage Corp-West, Orange, Calif. and Meritor Mortgage Corp-East, Philadelphia. On April 1, 1988, it sold it's third mortgage company, Meritor Mortgage Corp.-Central, St. Paul, Minn., to Knutson Mortgage Corp., Bloomington, Minn. **(k)—** The three mortgage servicing subsidiaries are: Bank of America NT&SA, San Francisco; Seafirst Mortgage Corp., Seattle; and BA Mortgage & International Realty Corp., San Francisco. The latter chose not to participate in the survey.

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10 Largest Gains in Servicing

Among top 300 mortgage companies (millions of dollars)

		Servicing 6/30/88	Servicing 6/30/87	% Incr.	Servicing Rank
1	**Independence One Mtge Corp, Southfield, Mich.**	8,163.5	2,400.0	240.2	21
2	**Gulf Coast Investment Corp., Houston**	3,615.3	1,329.4	171.9	49
3	**Midland/MidFirst Mortgage Co. Oklahoma City**	4,791.0	1,809.2	164.8	37
4	**Miktomm Mortgage Corp., Sioux Falls, S.D.**	783.7	299.6	161.6	179
5	**Chase Home Mortgage Corp., Tampa, Fla.**	10,967.2	4,365.4	151.2	13
6	**BancOklahoma Mortgage Corp., Tulsa**	536.2	269.6	98.9	216
7	**Independent Mtge Servicing Corp., Orlando, Fla.**	832.3	436.0	90.9	173
8	**CrossLand Mortgage Corp., Salt Lake City, Utah**	3,323.9	1,741.8	90.8	54
9	**First Fidelity Mortgage Corp., Atlanta**	626.0	340.0	84.1	202
10	**Rothschild Financial Corp., St. Paul, Minn.**	2,651.4	1,475.0	79.8	70

10 Largest Declines in Servicing

Among top 300 mortgage companies (millions of dollars)

		Servicing 6/30/88	Servicing 6/30/87	% Decr.	Servicing Rank
1	**Pacific First Mtge. Corp., Walnut Creek, Calif.**	952.8	3,518.2	72.9	160
2	**Oklahoma Mortgage Co., Inc., Oklahoma City**	105.0	371.7	71.8	299
3	**TCF Mortgage Corp., Minneapolis**	704.5	1,807.2	61.0	191
4	**Seafirst Mortgage Corp., Seattle**	1,718.8	4,134.1	58.4	103
5	**U.S. Home Mortgage Corp., Clearwater, Fla.**	322.8	657.0	50.9	250
6	**Commodore Financial Services Corp., Dallas**	260.6	492.1	47.0	264
7	**Standard Mortgage Corp., New Orleans**	1,032.6	1,947.1	47.0	155
8	**Consumer Mtge. Corp., Farmington Hills, Mich.**	299.0	531.7	43.8	256
9	**DRG Funding Corp., Washington, D.C.**	1,216.7	2,008.3	39.4	130
10	**American Mortgage Co., Sugar Land. Tex.**	1,074.5	1,712.3	37.3	151

Largest Gains in Servicing

Among top 100 banks (millions of dollars)

		Servicing 6/30/88	Servicing 6/30/87	% Incr.	Bank Rank
1	**Union Planters National Bank, Memphis, Tenn.**	1,200.0	369.0	225.2	8
2	**Wilmington Trust Co., Del.**	369.4	138.0	167.6	26
3	**United Jersey Bank, Hackensack, N.J.**	1,363.7	568.2	140.0	7
4	**First Interstate Bank of Nevada, Reno**	173.6	74.1	134.2	47
5	**First Interstate Bank of Casper NA, Wyo.**	613.2	312.0	96.5	19
6	**Hibernia National Bank, Baton Rouge, La.**	529.5	272.3	94.5	23
7	**First Wisconsin National Bank, Milwaukee**	751.6	397.9	88.9	15
8	**Security Pacific National Bank, Los Angeles**	3,270.0	1,748.9	87.0	2
9	**Central Trust Co. NA, Cincinnati**	538.9	296.7	81.7	22
10	**Alliance Bank Anchorage, Alas.**	1,375.3	763.5	80.1	6

Largest Declines in Servicing

Among top 100 banks (millions of dollars)

		Servicing 6/30/88	Servicing 6/30/87	% Decr.	Bank Rank
1	**First Interstate Bank of Billings NA, Mont.**	4.3	73.1	94.2	99
2	**Centerre Bank of Columbia, Mo.**	14.0	21.0	33.2	93
3	**Bank of America NT&SA, San Francisco**	3,918.6	5,515.0	29.0	1
4	**First National Bank, Council Bluffs, Iowa**	6.4	8.9	28.3	97
5	**Rainier Bank Alaska NA, Anchorage**	83.9	104.2	19.5	69
6	**Maryland National Bank, Baltimore**	162.3	201.1	19.3	48
7	**Chase Bank of Arizona, Scottsdale**	567.0	666.5	-14.9	21
8	**Norwest Bank Des Moines NA, Iowa**	51.0	59.7	14,5	82
9	**Bank of Boston-Connecticut, Waterbury**	135.9	159.0	14.5	58

Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1988

		Dollar Volume of Mortgages Serviced		Rank	Gain in	No. of Mortgages	No. of Investors 6/30/88	
		6/30/88	6/30/87	6/30/87	Rank	Serviced 6/30/88	Excluding GNMA Pools	GNMA Pools
1	Citicorp Mortgage, Inc., St. Louis (a)	45,600,000,000	....	...		557,600	289	3,675
2	GMAC Mortgage Co., Elkins Park, Pa.	24,676,190,354	23,886,013,000	1		376,297	958	4,962
3	Lomas & Nettleton Financial Corp., Dallas	23,509,134,346	21,503,282,211	2		606,361	876	5,806
4	Fireman's Fund Mortgage Corp., Farmington Hills, Mich.	19,204,434,183	15,461,142,222	3		407,939	682	11,822
5	Fleet Mortgage Corp., Milwaukee, Wis.	15,237,313,465	11,829,701,370	7	+2	395,566	586	3,796
6	Commonwealth Mortgage Corp. of America, Houston	13,738,310,000	12,769,376,000	5		269,535	633	4,459
7	Goldome Realty Credit Corp., Buffalo, N.Y.	13,375,205,000	10,869,526,000	9	+2	227,881	333	2,912
8	Metmor Financial, Inc., Los Angeles	13,174,676,000	13,835,000,000	4		221,586	687	3,506
9	BancBoston Mortgage Companies, Inc., Jacksonville, Fla.	12,529,707,000	12,336,000,000	6		277,583	582	3,645
10	First Union Mortgage Corp., Charlotte, N.C.	11,493,000,000	10,474,000,000	10		201,750	423	3,128
11	Weyerhaeuser Mortgage Co., Los Angeles	11,251,464,000	11,534,696,708	8		172,646	455	5,417
12	Shearson Lehman Hutton Mortgage Corp., Irvine, Calif.	11,054,642,502	7,129,466,000	18	+6	161,004	521	2,697
13	Chase Home Mortgage Corp., Tampa, Fla.	10,967,166,000	4,365,415,479	36	+ 23	165,893	126	4,769
14	Fleet Real Estate Funding Corp., Florence, S.C.	10,406,004,000	9,252,032,742	13		205,308	641	4,865
15	Knutson Mortgage Corp., Bloomington, Minn.	10,055,828,000	6,993,837,905	19	+4	157,122	370	5,894
16	Sears Mortgage Corp., Riverwoods, Ill.	9,354,284,693	10,003,947,992	12		147,072	350	1,208
17	First Interstate Mortgage Co., Pasadena, Calif.	8,985,000,000	10,130,000,000	11		90,687	589	1,837
18	BancPlus Mortgage Corp., San Antonio, Tex.	8,903,708,242	6,230,526,514	21	+3	177,069	238	5,081
19	Chemical Mortgage Corp., Columbus, Ohio	8,869,000,000	8,178,000,000	14		102,495	171	1,825
20	Countrywide Funding Corp., Inc., Pasadena, Calif.	8,770,000,000	5,471,650,867	27	+7	122,359	56	14,407
21	Independence One Mortgage Corp., Southfield, Mich.	8,163,500,000	2,400,000,000	70	+ 49	159,600	137	2,734
22	Sovran Mortgage Corp., Richmond	7,770,000,000	7,255,399,530	16		163,527	283	1,946
23	New York Guardian Mortgagee Corp., Hempstead, N.Y.	7,580,796,750	5,642,941,759	26	+3	157,490	48	6,101
24	Imco Realty Services Inc., Santa Rosa, Calif.	7,080,856,765	7,171,714,793	17		116,220	405	2,299
25	Anchor Mortgage Services, Inc., Wayne, N.J.	6,823,961,879	6,499,712,124	20		128,306	192	799
26	Glenfed Mortgage Corp., Irvine, Calif.	6,342,977,991	3,762,000,000R	43R	+ 17	102,739	200	4,134
27	Empire of America Realty Credit Corp., Buffalo, N.Y.	6,144,151,426	6,000,000,000	24		115,931	350	1,431
28	Waterfield Mortgage Co., Inc., Fort Wayne, Ind.	6,100,000,000	6,100,000,000	23		147,000	225	1,898
29	Foster Mortgage Corp., Fort Worth, Tex.	5,949,183,039	4,653,000,000	31	+2	75,249	255	3,593
30	Bright Mortgage Co., Dallas	5,733,000,000	6,200,000,000	22		127,400	400	1,725
31	Barnett Mortgage Company, Jacksonville, Fla.	5,620,863,242	3,874,552,128	42	+ 11	97,765	0	667
32	Alliance Mortgage Co., Jacksonville, Fla.	5,560,423,000	5,852,085,609	25		105,978	219	2,386
33	Travelers Mortgage Services, Inc., Cherry Hill, N.J.	5,417,213,000	3,167,000,000	54	+ 21	60,950	53	2,161
34	Southeast Mortgage Co., Miami	5,347,223,000	4,575,700,000	33		62,513	302	1,341
35	MetFirst Financial Co., Overland Park, Kan.	5,158,196,694	4,542,000,000	34		120,569	17	1,591
36	Southmark Mortgage Corp. of America, Dallas (b)	4,965,687,245	....	...		100,915	353	4,662
37	Midland/MidFirst Mortgage Co., Oklahoma City	4,791,000,000	1,809,168,536	93	+ 56	77,874	241	3,436
38	Talman Home Mortgage Corp., Chicago	4,750,500,000	4,877,834,118	29		122,583	195	2,026
39	Reilly Mortgage Group, Inc., Washington, D.C.	4,653,227,176	4,097,337,299	39		1,298	63	123
40	Associates National Mortgage Corp., Irving, Tex.	4,450,626,000	3,347,946,000	48	+8	61,768	19	1,991
41	J.I. Kislak Mortgage Service Corp., Miami	4,312,227,000	N.A.	...		125,484	295	703
42	Lincoln Service Corp., Owensboro, Ky.	4,234,508,000	4,657,103,000	30		63,215	115	1,000
43	Paine Webber Mortgage Finance, Inc., Columbia, Md.	4,200,447,434	3,942,000,000	41		33,297	70	1,077
44	Mortgage & Trust, Inc., Houston	4,111,950,356	4,224,345,084	37		92,672	329	1,894
45	Dorman & Wilson, Inc., White Plains, N.Y.	3,939,109,000	3,385,326,000	46	+1	925	12	0
46	U.S. Bancorp Mortgage Co., Portland, Ore.	3,812,353,539	2,562,399,440	63	+ 17	70,166	234	2,275
47	American General Investment Corp., Houston	3,784,164,000	3,324,545,000	50	+3	23,510	50	5
48	Coldwell Banker Real Estate Fin. Ser., El Segundo, Calif.	3,638,449,164	3,306,416,987	51	+3	4,081	15	0
49	Gulf Coast Investment Corp., Houston	3,615,346,641	1,329,448,540	125	+ 76	92,979	239	2,307
50	First Family Mortgage Corp., Lisle, Ill. (c)	3,609,853,697	....	...		71,983	150	3,232
51	SunTrust Mortgage, Inc., Atlanta	3,539,073,041	2,662,942,170	61	+ 10	65,843	383	845
52	AmSouth Mortgage Co., Inc., Birmingham, Ala.	3,509,225,369	3,369,389,165	47		103,039	270	1,517
53	Meritor Mortgage Corp.-West, Orange, Calif.	3,324,292,000	3,326,000,000	49		49,138	123	2,442
54	CrossLand Mortgage Corp., Salt Lake City	3,323,858,265	1,741,825,828	100	+ 46	38,155	187	1,277
55	North American Mortgage Co., Houston	3,253,879,614	2,747,308,791	59	+4	43,284	375	672
56	Bowest Corp., La Jolla, Calif.	3,193,023,577	4,613,688,026	32		80,035	224	693
57	Lumbermen's Investment Corp., Austin, Tex.	3,183,040,018	3,172,022,848	53		86,039	268	1,307
58	Meritor Mortgage Corp.-East, Philadelphia	3,159,926,337	3,011,539,633	56		79,047	210	2,057
59	ARCS Mortgage, Inc., Canoga Park, Calif.	3,119,030,448	2,519,127,892	65	+6	46,722	101	2,627
60	National Mortgage Co., Memphis, Tenn.	3,039,527,411	2,427,752,000	69	+9	95,313	99	637
61	ICM Mortgage Corp., Englewood, Colo.	2,842,000,000	2,853,769,000	57		39,194	32	1,433
62	CitFed Mortgage Corp. of America, Dayton, Ohio	2,841,596,241	2,171,900,000R	82R	+20	43,307	48	519
63	NBD Mortgage Co., Troy, Mich.	2,837,943,882	3,054,330,181	55		76,762	139	1,117
64	Marine Midland Mortgage Corp., Buffalo, N.Y. (d)	2,770,952,000	....	...		38,404	116	2,537
65	BayBanks Mortgage Corp., Westwood, Mass. (e)	2,721,750,565	....	...		26,511	9	207
66	Shawmut Mortgage Corp., Miamisburg, Ohio	2,717,413,958	2,457,687,296	67	+1	57,451	85	900
67	Banc One Mortgage Corp., Indianapolis	2,698,515,726	2,682,269,019	60		63,971	179	435
68	York Associates, Inc., Bethesda, Md.	2,685,000,000	2,275,000,000	75	+7	442	4	335
69	First Wachovia Mortgage Co., Winston-Salem, N.C.	2,671,140,284	2,263,797,382	77	+8	53,929	0	857
70	Rothschild Financial Corp., St. Paul, Minn.	2,651,372,000	1,475,000,000	115	+ 45	51,329	300	447
71	Mellon Financial Services Corp. #7, Metairie, La.	2,588,066,333	2,499,792,285	66		48,243	68	1,371
72	Commercial Federal Mortgage Corp., Omaha, Neb.	2,509,415,844	3,400,000,000	45		56,512	148	785
73	Murray Mortgage Co., Dallas	2,471,719,822	2,525,000,000	64		36,823	261	1,991
74	Latimer & Buck, Inc., Philadelphia	2,459,032,259	1,994,078,243	88	+ 14	563	0	0
75	Old Stone Mortgage Corp., Bellevue, Wash.	2,452,726,000	2,804,439,000	58		52,261	167	574
76	Norstar Mortgage Corp., Westbury, N.Y.	2,444,867,847	1,777,244,411	97	+ 21	23,302	27	1,668
77	NVR Mortgage, L.P., Pittsburgh	2,441,189,327	2,274,473,000	76		40,286	85	2,117
78	Citizens & Southern Commercial Corp., Tucker, Ga.	2,438,040,973	2,276,162,857	74		44,259	4	720
79	United Mortgage Corp., Minneapolis	2,421,106,037	2,455,039,684	68		36,897	65	892
80	CenTrust Mortgage Corp., Deerfield Beach, Fla.	2,328,166,134	1,944,414,000	90	+ 10	30,876	162	627
81	Dominion Bankshares Mortgage Corp., Fairfax, Va.	2,315,853,000	2,027,378,000	84	+3	38,916	59	1,106
82	Colonial Mortgage Co., Montgomery, Ala.	2,315,847,000	1,754,078,547	99	+ 17	57,408	71	1,003
83	FBS Mortgage Corp., St. Paul, Minn.	2,311,314,000	2,213,650,000	79		31,816	234	398
84	Washington Mortgage Corp., Seattle	2,295,160,304	2,208,502,673	80		17,614	141	240
85	Dovenmuehle Mortgage Inc., Schaumburg, Ill.	2,288,119,016	2,394,739,000	71		60,405	287	811
86	Barclays American/Mortgage Corp., Charlotte, N.C.	2,222,121,000	2,102,690,000	82		49,155	100	1,963
87	Guild Mortgage Co., San Diego, Calif.	2,189,888,707	2,300,957,659	73		30,462	85	952
88	Midlantic Home Mortgage Corp., Melville, N.Y.	2,170,457,566	1,633,250,699	105	+ 17	35,006	61	777
89	Sunbelt National Mortgage Corp., Dallas	2,109,764,383	1,994,276,472	87		29,326	0	2,800
90	Margaretten & Company, Inc., Perth Amboy, N.J.	2,070,562,445	2,340,000,000	72		35,844	67	861
91	Victoria Mortgage Co., San Antonio, Tex.	2,031,015,556	1,283,353,889	127	+ 36	40,725	262	1,556
92	L.J. Melody & Co., Houston	1,990,000,000	1,776,703,693	98	+6	161	7	0
93	Western Mortgage Loan Corp., Salt Lake City	1,945,900,000	2,022,745,855	85		31,483	38	1,032
94	Loan America Financial Corp., Miami Lakes, Fla.	1,936,943,639	1,551,524,937	110	+ 16	24,194	77	1,046
95	Crestar Mortgage Corp., Richmond	1,911,996,967	2,092,402,474	83		46,852	272	1,531
96	Nowlin Mortgage Co., Fort Worth, Tex.	1,881,899,000	1,866,993,000	91		24,902	322	366
97	Greentree Mortgage Corp., Marlton, N.J. (f)	1,812,560,696	....	...		31,534	66	2,837
98	Draper & Kramer, Inc., Chicago	1,780,412,290	1,608,013,567	106	+8	10,294	N.A.	N.A.
99	First California Mortgage Co., San Rafael, Calif.	1,772,725,122	1,504,000,000	113	+ 14	18,698	0	760
100	Directors Mortgage Loan Corp., Riverside, Calif.	1,752,532,816	1,576,000,000	108	+8	22,327	31	7
	Totals for the Top 100	**$575.9 bil.**	**$475.5 bil.†**	**+21.1%**		**9,921,108**	**21,525**	**211,193**

Data Source: American Banker questionnaire to the top 400 mortgage companies in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1988. The table identifies the 300 largest mortgage companies responding to the survey. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools. **"..........":** Indicates firm is new to the survey. See footnotes below for information concerning the new companies. **(a)**— Formed in the Fall 1987 by Citicorp, New York, to handle all of the servicing of the various Citicorp subsidiaries. **(b)**— A subsidiary of San Jacinto S&L Assn., Houston. **(c)**— A subsidiary of First Nationwide Bank, FSB, San Francisco. **(d)**— A subsidiary of Marine Midland Banks, Inc. **(e)**— A subsidiary of BayBanks, Inc., Boston. **(f)**— A subsidiary of Security Savings Bank, SLA, Vineland, N.J. **(R)**— Revised **(†)**— Total is for the top 100 firms on June 30, 1987.. **N.A.**— Not available.

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Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1988

		Dollar Volume of Mortgages Serviced		Rank	Gain in	No. of Mortgages Serviced	No. of Investors 6/30/88	
		6/30/88	6/30/87	6/30/87	Rank	6/30/88	Excluding GNMA Pools	GNMA Pools
101	**Wallace Moir Co., Beverly Hills, Calif.**	1,743,355,218	1,719,011,356	101		1,054	9	0
102	**Balcor Co., Skokie, Ill. (a)**	1,736,000,000	....	...		228	1	12
103	**Seafirst Mortgage Corp., Seattle**	1,718,831,794	4,134,130,000	38		36,228	0	8,051
104	**B.F. Saul Co., Chevy Chase, Md.**	1,708,039,129	1,783,119,113	96		234	4	0
105	**Real Estate Financing, Inc., Montgomery**	1,680,114,605	1,660,739,162	104		39,789	165	1,208
106	**C.S.B. Mortgage Corp., Jackson, Miss. (b)**	1,675,147,356	....	...		27,988	20	1,300
107	**Numerica Financial Services, Inc., Clearwater, Fla.**	1,651,418,000	1,709,556,000	103		30,194	65	748
108	**Meridian Mortgage Corp., St. Davids, Pa.**	1,640,065,062	1,446,013,732	118	+ 10	32,243	0	596
109	**Continental, Inc., Seattle**	1,637,384,948	1,489,000,000	114	+5	25,211	61	784
110	**Valley National Mortgage Co., Phoenix, Ariz.**	1,586,288,000	1,145,686,114	139	+ 29	36,036	130	587
111	**Northland Financial Co., Minneapolis**	1,572,774,659	N.A.	...		616	60	0
112	**Weaver Bros., Inc., Chevy Chase, Md.**	1,560,000,000	1,470,606,000	116	+4	25,264	45	541
113	**Bailey Mortgage Co., Jackson, Miss.**	1,514,613,600	1,371,258,810	121	+8	43,869	100	740
114	**Society Mortgage Corp., Cleveland (c)**	1,513,086,783	....	...		36,519	90	620
115	**Merchants Mortgage Corp., Indianapolis**	1,433,895,255	1,253,695,000	129	+ 14	16,291	65	1,768
116	**First of America Mortgage Co., Kalamazoo, Mich.**	1,401,489,786	826,000,000	167	+ 51	43,434	85	10
117	**Ameristar Financial Corp., San Diego, Calif. (d)**	1,322,017,000	....	...		15,525	27	0
118	**Hinton Mortgage & Investment Co., Dallas**	1,315,090,800	1,061,067,000	145	+ 27	24,993	109	1,472
119	**United Mortgage Co., Englewood, Colo.**	1,296,294,912	940,012,676	156	+ 37	18,378	303	366
120	**Embanque Capital Corp., Carle Place, N.Y.**	1,295,446,044	1,551,808,819	109		34,605	46	1,898
121	**Deposit Guaranty Mortgage Co, Jackson, Miss.**	1,290,374,393	997,414,189	151	+ 30	32,192	90	962
122	**Mical Mortgage, Inc., San Diego, Calif. (e)**	1,289,308,000	....	...		13	2	0
123	**Gershman Investment Corp., St. Louis, Mo.**	1,273,940,000	1,237,594,856	131	+8	25,687	135	369
124	**Walker & Dunlop, Inc., Washington, D.C.**	1,265,692,835	1,005,250,304	149	+ 25	343	28	3
125	**US Mortgage Corp., Cherry Hill, N.J.**	1,263,278,000	783,110,000	171	+ 46	16,000	16	264
126	**Indiana Mortgage Corp., Indianapolis**	1,261,114,000	1,267,120,000	128	+2	21,917	167	278
127	**California Mortgage Co., Santa Ana**	1,255,560,037	1,408,185,207R	120R		33,488	74	526
128	**W. Lyman Case & Co., Columbus, Ohio**	1,231,834,000	1,098,081,662	142	+ 14	384	17	0
129	**Boston Mortgage Co., Inc.**	1,217,792,980	1,119,023,754	141	+ 12	215	11	0
130	**DRG Funding Corp., Washington, D.C.**	1,216,703,290	2,008,268,152	86		304	5	228
131	**Society Mortgage Corp., Wethersfield, Conn.**	1,213,608,160	951,550,602	155	+ 24	21,501	29	222
132	**WeSav Mortgage Corp., Gilbert, Ariz. (f)**	1,204,127,640	....	...		22,846	0	1,655
133	**New York Urban Servicing Co., Inc.**	1,200,000,000	897,643,684	158	+ 25	210	3	0
134	**Mercantile Mortgage Corp., Houston**	1,200,000,000	724,170,345	179	+ 45	18,000	0	0
135	**GN Mortgage Co., Canoga Park, Calif.**	1,194,569,000	1,244,363,000	130		9,990	39	129
136	**Sibley Corp., Rochester, N.Y.**	1,192,283,000	1,016,620,396	148	+ 12	25,281	44	702
137	**Investors Residential Mortgage Corp., Austin, Tex.**	1,191,889,614	1,202,790,345	137		22,328	86	521
138	**CalFed Mortgage Co., Los Angeles**	1,181,819,467	1,367,259,000	122		20,859	51	816
139	**Mason-McDuffie Financial Corp., Moraga, Calif.**	1,175,251,871	1,041,781,654	146	+7	429	16	0
140	**Farragut Mortgage Co., Inc., Waltham, Mass. (g)**	1,168,527,486	....	...		13,351	49	775
141	**Molton, Allen & Williams, Inc., Birmingham, Ala.**	1,149,510,736	1,126,752,204	140		27,415	154	0
142	**WestAmerica Mortgage Co., Aurora, Colo.**	1,146,000,000	1,230,000,000	133		19,919	67	627
143	**Security Savings Mortgage Corp., Canton, Ohio**	1,145,085,023	1,203,564,935	136		35,440	95	374
144	**Fidelity Bond & Mortgage Co., Blue Bell, Pa.**	1,141,618,000	N.A.	...		38,000	30	850
145	**Westwood Mortgage Corp., Dallas**	1,109,149,138	1,215,175,929	135		39,359	174	517
146	**Mid-North Financial Services, Inc., Chicago**	1,100,000,000	868,000,000	162	+ 16	1,023	0	0
147	**Magnet Mortgages Inc., Charleston, W. Va.**	1,089,829,744	709,566,804	181	+ 34	23,705	142	430
148	**W. Ross Campbell Co., Los Angeles**	1,083,494,345	1,000,883,373	150	+2	103	1	0
149	**Huntington Mortgage Co., Columbus, Ohio**	1,083,000,000	854,100,000	164r	+15	23,441	23	243
150	**Leader Mortgage Co., Cleveland**	1,080,000,000	860,000,000	164	+ 14	42,948	95	298
151	**American Mortgage Co., Sugar Land, Tex.**	1,074,527,576	1,712,270,801	102		19,649	169	399
152	**Liberty Mortgage Corp., Tucker, Ga.**	1,062,859,267	708,100,000	182	+ 30	17,537	82	1,069
153	**Centerbank Mortgage Co., Waterbury, Conn. (h)**	1,061,925,000	....	...		19,679	90	391
154	**Liberty Mortgage Co., Oklahoma City**	1,043,182,028	1,200,597,338	138		16,595	86	400
155	**Standard Mortgage Corp., New Orleans, La.**	1,032,550,000	1,947,056,000	89		17,353	81	169
156	**Gulf States Mortgage Co., Inc., Atlanta**	1,028,105,593	862,000,000	163	+7	15,990	34	1,394
157	**H.S. Pickrell Co., Phoenix, Ariz.**	981,796,718	983,702,384	153		13,040	55	415
158	**Mortgage First Corp., Atlanta**	969,550,530	1,076,766,081	143		28,497	74	434
159	**First NH Mortgage Corp., Hooksett**	959,445,379	677,800,000	188	+ 29	13,732	103	1,406
160	**Pacific First Mortgage Corp., Walnut Creek, Calif.**	952,836,000	3,518,197,670	43		11,300	62	393
161	**Metropolitan Service Corp., Santa Monica, Calif. (i)**	948,100,000	....	...		12,200	287	5
162	**R&G Mortgage Corp., Hato Rey, P.R.**	943,247,056	582,651,347	204	+ 42	23,438	34	568
163	**Universal Mortgage Corp., Milwaukee, Wis.**	935,105,049	888,046,000	159		23,946	75	913
164	**Inland Mortgage Co., Inc., Indianapolis**	922,531,922	888,023,806	160		14,975	54	492
165	**Southwest Mortgage Co., Albuquerque, N.M.**	915,407,123	539,671,477	211	+ 46	16,122	49	472
166	**Ryan Mortgage Co., Arlington, Tex.**	909,219,312	1,069,815,599	144		389	27	0
167	**Dale Mortgage Bankers Corp., Hempstead, N.Y.**	898,000,000	808,000,000	169	+2	15,605	30	450
168	**Cowger & Miller Mortgage Co. Inc., Louisville, Ky.**	894,991,624	958,833,586	154		19,397	65	340
169	**Cobb Partners Financial, Inc., Boca Raton, Fla.**	870,919,361	836,485,175	165		14,470	97	2,822
170	**Robert C. Wilson Co., Houston**	843,600,000	768,000,000	174	+4	535	0	0
171	**Firstbank Mortgage Co., Springfield, Ill.**	836,752,076	911,906,725	157		18,067	21	389
172	**Comnet Mortgage Services, Inc., Valley Forge, Pa. (j)**	834,000,000	....	...		20,016	40	263
173	**Independent Mortgage Servicing Corp., Orlando, Fla.**	832,317,719	436,000,000	234	+ 61	27,143	0	653
174	**Dickinson, Logan, Todd & Barber, Inc., Raleigh, N.C.**	828,401,110	724,718,839	178	+4	384	20	0
175	**SouthTrust Mortgage Corp., Birmingham, Ala.**	815,265,278	637,196,917	194	+ 19	15,227	45	399
176	**Collateral Mortgage, Ltd., Birmingham, Ala.**	808,083,222	886,803,061	161		25,472	105	185
177	**SCN Mortgage Corp., Columbia, S.C.**	797,809,948	638,577,349	193	+ 16	19,287	129	640
178	**Arlington Mortgage Co., Inc., Falls Church, Va.**	792,747,234	657,726,130	190	+ 12	16,293	94	199
179	**Miktomm Mortgage Corp., Sioux Falls, S.D.**	783,685,686	299,600,000	262	+ 83	13,745	33	922
180	**Citizens & Southern Mortgage Corp. of Florida, Tampa**	779,453,161	717,704,290R	179R		16,187	101	44
181	**BancOhio Mortgage Co., Columbus**	765,473,563	721,108,654R	180R		18,405	45	63
182	**Detroit Mortgage & Realty Co., Detroit**	763,653,550	622,975,000	197	+ 15	12,571	32	640
183	**Honolulu Mortgage Co., Inc.**	761,355,982	821,409,410	168		9,462	53	642
184	**Moore Financial Services, Inc., Portland, Ore.**	758,121,248	765,000,000	175		21,064	180	1,021
185	**Oak Tree Mortgage Corp., Oklahoma City**	758,000,000	602,215,000	200	+ 15	13,289	54	302
186	**Sheahan Financial Co., Clayton, Mo.**	752,000,000	687,471,152	185		17,042	0	0
187	**Market Street Mortgage Corp., Tampa, Fla. (k)**	732,646,380	....	...		14,505	14	64
188	**Mercantile Mortgage Corp., Baltimore**	730,246,624	494,684,083	220	+ 32	6,578	33	207
189	**First Commercial Mortgage Co., Little Rock, Ark.**	727,994,100	559,916,500	206	+ 17	23,741	190	203
190	**Bloomfield Mortgage Corp., Southfield, Mich.**	712,939,249	611,815,754	198	+8	11,265	6	0
191	**TCF Mortgage Corp., Minneapolis**	704,458,000	1,807,214,644	95		11,890	30	666
192	**Unified Mortgage Company, Houston**	692,856,162	736,235,000	176		6,715	24	208
193	**Seattle Mortgage Co.**	688,000,000	566,141,705	205	+ 12	5,186	23	278
194	**Premier Mortgage Co., Baton Rouge, La.**	685,587,555	773,943,832	172		11,842	73	136
195	**Colorado National Mortgage Co., Denver**	678,097,043	680,852,503	186		11,008	217	305
196	**CUNA Mortgage Corp., Madison, Wis. (l)**	672,878,000	....	...		12,990	55	26
197	**BankEast Mortgage Corp., Manchester, N.H.**	666,000,000	703,929,000	183		12,834	32	300
198	**NCNB Texas Mortgage Corp., Dallas**	666,000,000	786,800,000	170		12,000	132	163
199	**First Investment Co., Columbus, Ohio**	662,324,189	666,701,388	189		22,104	66	386
200	**Harbor Financial Mortgage Corp., Houston (m)**	660,322,839	....	...		10,344	36	273
	Totals for the Top 200	**$685.2 bil.**	**$579.7 bil.†**	**+18.2%**		**11,692,111**	**27,999**	**265,064**

Data Source: American Banker questionnaire. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1988. The table identifies the 300 largest mortgage companies responding to the survey. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools. **"........."**: Indicates firm is new to the survey. See footnotes below for information concerning the new companies. **(a)**— A subsidiary of Shearson Lehman Hutton Inc., New York. **(b)**— A subsidiary of Central Savings Bank, Jackson. **(c)**— A subsidiary of Society Corp., Cleveland. **(d)**— A subsidiary of TransOhio Savings Bank, Cleveland. **(e)**— An independent firm. **(f)**— A subsidiary of Western Savings & Loan Assn., Phoenix. **(g)**— A subsidiary of MerchantsBank of Boston. **(h)**— A subsidiary of Centerbank, Waterbury. **(i)**— An independent firm. **(j)**— A subsidiary of Commonwealth Federal S&L Assn. Valley Forge. **(k)**— A subsidiary of Poughkeepsie Savings Bank, FSB, N.Y. **(l)**— A subsidiary of Credit Union National Association , Madison, and CUNA Mutual Insurance Co. **(m)**— An independent firm since May 1988. Formerly known as Atlantic Financial Mortgage Corp., it was a subsidiary of Atlantic Financial Federal, Bala Cynwyd, Pa. **(R)**— Revised. **(r)**— Rank firm would have had, if it had been included in the survey. **(†)**— Total is for the top 200 firms on June 30, 1987.

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Top 300 Mortgage Companies

Based on Volume of Permanent Mortgages Serviced on June 30, 1988

		Dollar Volume of Mortgages Serviced		Rank 6/30/87	Gain in Rank	No. of Mortgages Serviced 6/30/88	No. of Investors 6/30/88	
		6/30/88	6/30/87				Excluding GNMA Pools	GNMA Pools
201	Hammond Co., Newport Beach, Calif.	636,587,669	654,854,826	192		7,117	36	1,174
202	First Fidelity Mortgage Corp., Atlanta	626,000,000	340,000,000	252	+ 50	128	6	0
203	Corinthian Mortgage Corp., Shawnee Mission, Kan.	614,085,497	702,519,000	184		11,789	20	392
204	Beverly Hills Securities Co., Encino, Calif.	608,312,000	610,829,524	199		6,433	31	159
205	First Franklin Financial Corp., San Jose, Calif.	608,000,000	....	...		4,366	25	50
206	Fidelity Investment Co., Wichita, Kan.	589,321,000	725,950,000	177		15,796	85	525
207	Guardian Mortgage Co., Inc., Dallas	585,629,367	541,000,000	210	+3	9,821	51	366
208	First American Mortgage Corp., Greensboro, N.C.	566,400,000	....	...		14,249	40	733
209	Financialfed Mortgage Corp., Miami Lakes, Fla.	565,961,000	....	...		15,000	10	156
210	Home Mortgage Co. of El Paso, Tex.	559,000,000	599,640,771	201		15,415	42	263
211	Baird & Warner, Inc., Chicago	558,000,000	463,000,000	229	+ 18	398	49	3
212	Housing Mortgage Corp., Pittsburgh	555,724,000	506,844,357	219	+7	15,484	90	421
213	Atlantic Mortgage & Investment Corp., Jacksonville, Fla.	551,737,909	380,045,997	245	+ 32	11,268	18	139
214	D&N Mortgage Corp., Troy, Mich.	547,639,000	401,481,449	242	+ 28	8,215	7	105
215	American Mortgage & Investment Co., Oklahoma City	536,559,680	433,628,409	235	+ 20	18,596	105	7,216
216	BancOklahoma Mortgage Corp., Tulsa	536,205,065	269,632,091	273	+ 57	8,215	15	0
217	Columbia Equities, Ltd., Scarsdale, N.Y.	526,980,064	....	...		4,283	15	75
218	Wendover Funding, Inc., Greensboro, N.C.	526,156,389	....	...		8,848	10	36
219	Bancsmiths Mortgage Corp., Rockville, Md.	502,922,000	....	...		4,427	15	70
220	First Mortgage Corp., Diamond Bar, Calif.	501,243,557	482,336,056	225	+5	7,837	15	640
221	McCaughan Mortgage Co., Inc., Coral Gables, Fla.	498,174,436	489,774,289	223	+2	22,937	73	146
222	Hartger & Willard Mortgage Assoc., Inc., Grand Rapids, Mich.	495,774,100	408,700,000	239	+ 17	400	18	12
223	Trustcorp Mortgage Co., South Bend, Ind.	486,421,339	402,785,116	241	+ 18	9,638	62	282
224	Security Financial & Mortgage Corp., St. Louis, Mo.	480,000,000	516,977,494	218		11,743	9	635
225	California Housing Securities, Inc., San Jose, Calif.	463,878,000	....	...		5,511	8	172
226	USLife Real Estate Services Corp., Dallas	457,902,000	467,000,000	227	+1	941	19	0
227	Boatmen's Mortgage Corp., St. Louis	450,720,000	273,440,000	271	+ 44	8,571	16	3
228	Mission Hills Mortgage Corp., Santa Ana, Calif.	444,900,834	530,042,437	213		5,172	0	2,454
229	ITT Mortgage Corp., Sherman Oaks, Calif.	436,029,836	....	...		4,020	8	643
230	Midwest Mortgage Services, Inc., Oakbrook Terrance, Ill.	427,483,153	....	...		6,184	22	66
231	Professional Bancorp Mortgage Co., Coral Gables, Fla.	426,000,000	403,000,000	240	+9	4,730	20	320
232	Medallion Mortgage Co., San Jose, Calif.	417,000,000	....	...		5,400	13	100
233	S & L Mortgage Services, Inc., Reseda, Calif.	408,289,164	....	...		4,469	9	115
234	Tucker Brothers, Inc., Jacksonville, Fla.	395,170,612	253,060,000	274	+ 40	14,646	62	217
235	Greater Metro Financial Services, Inc., Wayne, N.J.	388,864,675	....	...		2,997	20	90
236	John Burnham & Co., San Diego, Calif.	383,204,400	303,311,790	260	+ 24	372	12	0
237	National Pacific Mortgage Corp., Cerritos, Calif.	379,432,479	452,146,784	230		4,106	9	124
238	Holland Mortgage & Investment Corp., Houston	373,430,906	464,000,000	228		7,533	188	9
239	Camp & Co., Birmingham, Ala.	371,866,746	338,694,634	253	+ 14	195	19	0
240	Sunshine Mortgage Corp., Marietta, Ga.	369,622,367	....	...		5,387	1	425
241	Mercury Mortgage Co., Inc., Tulsa, Okla.	366,151,000	369,000,000	249	+8	10,567	26	261
242	Vermont Mortgage Group, Inc., Brattleboro	359,015,944	....	...		6,863	29	462
243	Eberhardt Co., Minneapolis	349,789,671	306,182,698	259	+ 16	321	18	0
244	Comprehensive Marketing Systems, Inc., Washington, D.C.	340,801,000	....	...		16,740	1	0
245	Mayflower Mortgage Corp., Plymouth, Mich.	331,711,500	246,365,883	278	+ 33	6,000	14	18
246	Occidental Mortgage Corp., West Covina, Calif.	331,291,710	338,354,131	254	+8	4,696	5	38
247	Laurance Eustis Mortgage Corp., New Orleans, La.	329,800,000	369,000,000	248	+1	4,793	27	125
248	Lowell, Smith & Evers, Inc., Van Nuys, Calif.	327,700,000	375,797,971	246		12,260	29	334
249	Eastland Mortgage Co., Oklahoma City	323,414,111	317,954,812	258	+9	7,329	30	560
250	U.S. Home Mortgage Corp., Clearwater, Fla.	322,800,000	656,963,000	191		5,881	49	361
251	Proctor & Associates of Michigan, Inc., Troy	322,606,283	235,927,669	282	+ 31	220	0	0
252	Central Mortgage Bancshares, Inc., Springfield, Mo.	312,585,276	287,305,517	265	+ 13	9,204	48	524
253	Greater Suburban Mortgage Group, Inc., Alameda, Calif.	309,953,487	....	...		3,393	5	98
254	Mountain View Mortgage Co., Colorado Springs	307,954,644	....	...		5,233	20	45
255	Mortgage Corportion of Indiana, Inc., Indianapolis	302,581,968	....	...		134	14	0
256	Consumer Mortgage Corp., Farmington Hills, Mich.	299,048,057	531,735,073	212		12,177	47	262
257	First Citizens Mortgage Co., Raleigh, N.C.	291,483,000	286,100,000	267	+ 10	6,824	42	48
258	Bettes Co., San Diego, Calif.	288,146,000	....	...		3,051	7	76
259	Singleton Mortgage Corp., Memphis, Tenn.	285,000,000	286,642,350	266	+7	6,307	24	18
260	Barry S. Slatt Mortgage Co., San Francisco	274,000,000	281,295,458	268	+8	375	17	0
261	James Madison Mortgage Co., Fairfax, Va.	270,657,597	289,657,907	264	+3	3,511	10	278
262	NCB Mortgage Corp., Washington, D.C.	269,555,697	....	...		168	0	16
263	Washington Mortgage Group, Inc., Vienna, Va.	262,307,724	....	...		1,954	11	8
264	Commodore Financial Services Corp., Dallas	260,610,419	492,125,314	222		5,065	57	19
265	Creative Financing, Inc., Omaha, Neb.	254,000,000	....	...		4,500	10	125
266	Olde Town Mortgage Co., Marietta, Ga.	249,350,900	N.A.	...		5,326	41	135
267	Ross Mortgage Corp., Oak Park, Mich.	247,000,000	....	...		9,003	25	59
268	Indian Head Mortgage Corp., Nashua, N.H.	242,991,347	240,000,000	279	+ 11	4,724	23	203
269	Boulevard Mortgage Co., Philadelphia	238,082,390	235,863,026	283	+ 14	7,316	25	214
270	Pioneer Mortgage Corp., Shreveport, La.	234,000,000	239,000,000	280	+ 10	7,462	40	124
271	Colonial Mortgage, Inc., Amherst, N.H.	231,624,000	....	...		2,580	42	115
272	Kadilac Mortgage Bankers, Ltd., Carle Place, N.Y.	215,500,000	....	...		2,408	12	27
273	Weststar Mortgage Corp., Santa Rosa, Calif.	206,664,000	205,000,000	287	+ 14	3,428	32	0
274	Capital Pacific Mortgage Co., Modesto, Calif.	202,439,888	....	...		2,984	3	126
275	Housing Corporation of Connecticut, Wethersfield	200,810,289	....	...		3,830	12	85
276	American Mortgage Banking, Ltd., Westbury, N.Y.	200,000,000	....	...		2,000	12	300
277	Lincoln-Rowe Mortgage Corp., Dearborn, Mich.	190,734,102	205,000,000	288	+ 11	5,531	10	13
278	Fullerton Mortgage & Escrow Co., Calif.	186,000,000	186,000,000	294	+ 16	3,600	0	0
279	Turner Corp. of Oklahoma, Inc., Tulsa	185,422,000	201,681,922	290	+ 11	5,066	47	72
280	United Missouri Mortgage Co., Kansas City, Mo.	185,000,000	130,000,000	306	+ 26	3,900	0	30
281	Holliday Mortgage Corp., Tulsa, Okla.	177,207,724	211,003,074	286	+5	126	16	0
282	Blue Valley Mortgage, Inc., Phoenix, Ariz.	175,000,000	....	...		2,754	2	75
283	Richards-Woodbury Mortgage Corp., Salt Lake City	174,475,500	163,079,783	299	+ 16	2,904	64	0
284	Mortgage Connection, Inc., Farmington Hills, Mich.	174,260,946	....	...		3,058	16	53
285	Atlas Mortgage Ltd., Encino, Calif.	171,851,031	187,000,000	293	+8	2,566	0	13
286	GECC Financial Corp., Honolulu	169,194,270	202,257,450	289	+3	1,614	39	3
287	Inland Mortgage Corp., Oak Brook, Ill.	169,099,000	....	...		532	32	1
288	Concord Mortgage Co., Landover, Md.	168,848,790	....	...		81	7	81
289	Worthen First Mortgage Co., Little Rock, Ark.	168,272,011	158,795,899	300	+ 11	5,007	41	25
290	Harry Mortgage Co., Oklahoma City	166,289,906	144,035,951	303	+ 13	4,375	51	0
291	Community West Mortgage, Inc., San Jose, Calif.	165,000,000	....	...		1,659	5	0
292	Tucker & Branham, Inc., Orlando, Fla.	163,605,435	126,288,162	307	+ 15	345	12	0
293	LBT Mortgage Corp., Shreveport, La.	163,000,000	167,575,171	297	+4	4,564	21	125
294	Mortgageamerica, Inc., Birmingham, Ala.	135,901,344	....	...		2,375	18	131
295	Beacon Mortgage Co., Dallas	130,000,000	121,832,287	311	+ 16	109	12	7
296	Universal Mortgage Corp., Southfield, Mich.	126,000,000	130,853,961	305	+9	5,569	37	37
297	Trustee's Mortgage Servicing Corp., San Francisco	124,062,197	....	...		25	3	0
298	Dobson & Johnson, Inc., Nashville, Tenn.	120,000,000	120,800,000	313	+ 15	2,000	15	50
299	Oklahoma Mortgage Co., Inc., Oklahoma City	105,000,000	371,717,757	247		5,043	63	3
300	Heritage Corp., Miami	100,000,000	78,000,000	...		3,000	40	0
	Totals for the Top 300	**$720.6 bil.**	**$615.5 bil.†**	**+17.1%**		**12,276,512**	**30,607**	**290,268**

Data Source: American Banker questionnaire to the top 400 mortgage companies in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1988. The table identifies the 300 largest mortgage companies responding to the survey. **Dollar Volume of Mortgages Serviced:** permanent commercial and residential real estate mortgages serviced for investors. Excludes mortgages owned by the institution, as well as forward commitments, home improvement loans and all temporary financing, such as construction and development loans. **Number of Mortgages Serviced**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools.

"..........": Indicates firm is new to the survey. There are 35 such firms ranked among the third hundred. **(†)**— Total is for the top 300 firms on June 30, 1987. **N.A.**— Not available.

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Top 100 Banks in Mortgage Servicing

Based on Volume of Permanent Mortgages Serviced on June 30, 1988

Servicing Rank 6/30/88		Mortgages Serviced for Investors		No. of Investors 6/30/88		Servicing Rank 6/30/87	Gain in Rank	Total Mortgages Serviced 6/30/88	Mortgages Owned by Bank 6/30/88
		Dollar Volume 6/30/88	Number of Mortgages 6/30/88	Excluding Pools	No. of Pools				
1	**Bank of America NT&SA, San Francisco**	$3,918,595,657	92,892	221	445	1		$13,604,167,582	$9,685,571,925
2	**Security Pacific National Bank, Los Angeles**	3,270,023,579	50,955	164	352	2		7,974,144,563	4,704,120,984
3	**Marine Midland Bank NA, Buffalo, N.Y.**	2,573,071,000	36,779	0	0	3		4,142,458,000	1,569,387,000
4	**Citizens Fidelity Bank & Trust Co., Louisville, Ky. (a)**	1,727,876,000	33,709	76	302	4		1,865,898,000	138,022,000
5	**National State Bank, Elizabeth, N.J.**	1,508,441,839	27,129	46	1933	5		1,663,172,462	154,730,623
6	**Alliance Bank, Anchorage, Alas.**	1,375,293,362	13,866	44	0	9	+3	195,552,258	177,260,507
7	**United Jersey Bank, Hackensack, N.J.**	1,363,653,828	18,637	0	0	14	+7	1,363,653,828	463,243,166
8	**Union Planters National Bank, Memphis, Tenn.**	1,200,000,000	20,000	150	570	20	+12	1,300,000,000	54,000,000
9	**Simmons First National Bank, Pine Bluff, Ark.**	1,130,536,618	15,839	157	651	5r		1,184,420,709	53,884,090
10	**National Bank of Alaska, Anchorage**	988,675,597	10,992	74	20	6		1,097,874,897	58,685,172
11	**Union National Bank, Little Rock, Ark.**	815,447,572	23,248	204	487	7		867,011,958	51,564,386
12	**First Tennessee Bank NA, Memphis**	786,273,524	17,099	55	314	10		879,859,906	93,586,382
13	**First National Bank, Louisville, Ky.**	765,348,035	14,577	79	287	...		923,189,747	157,841,712
14	**First National Bank, Anchorage, Alaska**	758,583,289	9,976	36	1719	8		808,174,525	49,591,236
15	**First Wisconsin National Bank, Milwaukee**	751,586,040	15,666	116	114	18	+3	883,060,714	131,474,674
16	**First Interstate Bank of Oregon NA, Portland**	645,546,015	19,962	0	335	12		904,226,567	258,680,552
17	**Chase Lincoln First Bank NA, Rochester, N.Y.**	645,443,879	14,718	27	581	16		1,789,886,923	1,144,443,044
18	**Shawmut Bank NA, Boston**	613,574,944	16,916	55	350	...		1,135,447,913	521,872,969
19	**First Interstate Bank of Casper NA, Wyo.**	613,155,728	12,710	130	154	23	+4	638,449,386	25,293,658
20	**Bank of Hawaii, Honolulu**	571,768,891	13,228	126	13	13		1,087,739,676	515,768,891
21	**Chase Bank of Arizona, Scottsdale**	566,957,580	5,865	57	2364	11		857,804,829	196,399,092
22	**Central Trust Co. NA, Cincinnati**	538,895,953	15,042	39	191	25	+3	834,845,648	295,949,695
23	**Hibernia National Bank, Baton Rouge, La.**	529,503,470	13,188	64	41	28	+5	586,530,309	57,026,839
24	**Citytrust, Bridgeport, Conn.**	441,540,202	5,082	27	149	...		N.A.	N.A.
25	**Texas American Bank/Fort Worth NA**	423,670,720	6,038	10	271	21		556,918,330	133,247,610
26	**Wilmington Trust Co., Del.**	369,391,158	10,316	51	222	54	+28	1,170,073,293	800,682,135
27	**First Interstate Bank of Washington NA, Seattle**	351,334,212	11,458	75	116	19		717,061,530	365,727,318
28	**Valley Fidelity Bank & Trust Co., Knoxville, Tenn.**	309,710,043	7,581	0	178	29	+1	305,583,311	4,126,732
29	**First Hawaiian Bank, Honolulu**	287,986,028	6,643	69	0	38	+9	494,130,318	716,745,926
30	**Comerica Bank-Detroit**	263,716,549	6,545	19	357	26		1,211,786,881	969,306,881
31	**Gainer Bank NA, Crown Point, Ind.**	239,216,938	6,757	18	130	...		N.A.	N.A.
32	**Star Bank NA, Cincinnati**	238,959,477	4,202	66	89	27		743,909,131	526,034,841
33	**Union Bank, Los Angeles**	238,718,092	3,288	34	0	37	+4	552,310,294	313,592,202
34	**California First Bank, San Francisco**	234,154,877	4,551	48	50	33		1,064,756,189	830,601,312
35	**First National Bank of Maryland, Baltimore**	227,998,519	4,269	37	106	35		778,152,853	550,154,334
36	**Banco de Ponce, Hato Rey, P.R.**	215,668,000	11,746	22	129	36		500,201,000	183,470,000
37	**First Wyoming Bank NA-Cheyenne**	214,068,009	4,668	49	1269	40	+3	221,255,442	7,187,433
38	**Suffield Bank, Conn.**	213,497,502	4,000	27	32	...		N.A.	N.A.
39	**Fremont Bank, Calif.**	213,351,875	2,583	13	516	39		324,701,331	110,372,614
40	**Manufacturers National Bank, Detroit**	212,904,113	5,290	42	6	44	+4	1,039,224,107	918,289,710
41	**Banco Popular de Puerto Rico, Santurce**	209,936,238	14,658	0	41	43	+2	429,227,700	223,404,800
42	**North American Bank & Trust Co., Stratford, Conn.**	205,119,809	4,035	24	25	46	+4	216,308,082	11,188,273
43	**Bank of Mississippi, Tupelo**	187,467,391	3,924	6	113	...		N.A.	N.A.
44	**First Interstate Bank of Arizona NA, Phoenix**	182,973,030	8,319	60	54	48	+4	612,806,312	429,833,283
45	**Summit Bank, Fort Wayne, Ind.**	180,882,556	3,654	14	13	...		321,776,959	145,771,572
46	**Sunwest Bank of Albuquerque NA, N.M.**	179,278,000	5,318	10	66	45		527,114,000	314,090,000
47	**First Interstate Bank of Nevada NA, Reno**	173,575,976	4,153	25	6	70	+23	510,048,364	350,678,151
48	**Maryland National Bank, Baltimore**	162,336,899	5,217	19	103	42		260,324,925	97,988,026
49	**Old Kent Bank & Trust Co., Grand Rapids, Mich.**	161,623,000	4,227	12	474	55	+6	371,650,000	210,027,000
50	**Liberty Nat'l Bank & Trust Co., Louisville, Ky.**	151,545,150	2,261	19	121	...		362,700,000	187,300,000
51	**Central Bank of Denver**	150,871,878	4,574	84	0	47		200,349,652	49,406,322
52	**Bank IV Wichita NA, Kan.**	150,032,225	2,217	80	0	53	+1	255,590,445	105,558,220
53	**First Interstate Bank of Hawaii, Honolulu**	145,921,753	2,662	42	0	51		313,085,815	165,819,237
54	**Wyoming National Bank, Casper**	143,522,598	2,998	28	0	50		156,767,097	13,244,499
55	**One Valley Bank NA, Charleston, W. Va.**	143,269,216	3,631	18	275	52		230,669,446	87,040,230
56	**First National Bank, Omaha, Neb.**	143,160,000	1,995	22	13	57	+1	181,851,000	38,690,000
57	**Idaho Bank & Trust Co., Boise**	137,277,186	2,709	35	0	59	+2	203,436,171	66,207,899
58	**Bank of Boston-Connecticut, Waterbury**	135,916,423	4,017	62	9	49		796,026,699	640,518,197
59	**Provident Bank, Baltimore**	135,728,129	2,608	0	79	64	+5	416,508,760	280,998,812
60	**Branch Banking & Trust Co., Wilson, N.C.**	135,569,531	2,837	35	9	58		519,373,007	383,803,476
61	**Citizens Commercial & Savings Bank, Flint, Mich.**	134,306,216	6,321	22	17	56		393,670,421	259,364,205
62	**Key Bank of Central Maine, Augusta**	130,154,750	3,031	15	222	...		166,847,866	36,693,116
63	**Old Kent Bank of Kalamazoo, Mich.**	125,276,000	2,298	0	0	60		273,741,000	147,857,000
64	**Alaska Statebank, Anchorage**	116,306,674	1,182	16	0	62		126,686,214	10,379,539
65	**Sanwa Bank California, Los Angeles**	113,177,890	2,115	18	8	(R)		245,835,111	133,685,621
66	**First National Bank, Albuquerque, N.M.**	94,854,554	2,042	11	0	66		131,636,620	36,754,428
67	**Planters National Bank & Trust Co., Rocky Mount, N.C.**	91,943,292	1,857	5	44	68	+1	101,866,012	9,922,720
68	**Mid State Bank, Arroyo Grande, Calif.**	84,863,090	940	2	0	...		90,906,128	N.A.
69	**Rainier Bank Alaska NA, Anchorage**	83,890,776	1,059	0	0	63		92,264,001	8,373,225
70	**First Security Bank of Idaho, Boise**	82,159,000	1,949	45	3	...		400,463,000	62,296,000
71	**Sunburst Bank, Baton Rouge, La.**	80,223,560	1,664	19	7	...		N.A.	N.A.
72	**First Pennsylvania Bank NA, Philadelphia**	74,899,458	1,244	26	39	67		310,651,198	235,751,740
73	**Broadway National Bank, San Antonio, Tex.**	74,272,000	2,360	34	30	...		152,678,000	78,406,000
74	**Hawaii National Bank, Honolulu**	67,340,287	2,057	44	0	72		111,979,675	44,639,388
75	**Piedmont Trust Bank, Martinsville, Va.**	59,524,000	1,795	20	1	76	+1	79,963,800	20,438,900
76	**Marble Bank, Rutland, Vt.**	56,877,520	1,095	21	71	...		201,479,520	144,602,000
77	**Central National Bank & Trust Co., Enid, Okla.**	56,412,514	1,311	12	256	...		56,412,514	7,624,315
78	**First National Bank & Trust Co., Columbia, Mo.**	54,810,707	1,459	44	46	78		95,768,461	40,957,754
79	**Alameda First National Bank, Calif.**	52,100,000	949	3	0	77		84,700,000	32,600,000
80	**City Bank, Honolulu**	51,610,311	865	20	0	79		81,806,691	30,196,380
81	**Central Pacific Bank, Honolulu**	51,240,000	1,000	6	48	81		283,307,000	232,067,000
82	**Norwest Bank Des Moines NA, Iowa**	51,049,099	1,313	30	14	75		102,161,737	51,112,638
83	**Norwest Bank Omaha NA, Neb.**	50,263,103	2,174	21	17	(R)		115,067,667	64,804,564
84	**Ohio Citizens Bank, Toledo**	40,940,146	888	12	119	82		225,997,927	180,829,084
85	**Union Trust Co., Stamford, Conn.**	38,800,590	1,093	39	1	...		747,447,044	589,457,913
86	**Colonial American National Bank, Roanoke, Va.**	33,120,873	1,439	15	53	85		98,607,859	62,132,336
87	**First National Bank, Lubbock, Tex.**	32,106,695	591	16	9	84		101,623,773	66,850,125
88	**Old National Bank, Evansville, Ind.**	27,161,518	915	43	1	86		190,651,832	161,111,004
89	**Morgan Guaranty Trust Co., New York**	20,546,819	32	4	0	90	+1	223,880,692	197,687,873
90	**United Bank & Trust Co., Hartford, Conn.**	18,741,387	486	24	1	...		279,141,234	260,399,847
91	**First Interstate Bank of Englewood NA, Colo.**	16,557,875	661	18	0	...		54,295,725	37,737,850
92	**Charleston National Bank, W. Va.**	15,425,753	2,023	8	0	89		62,445,218	47,019,465
93	**Centerre Bank of Columbia, Mo.**	14,039,054	390	20	0	87		67,064,510	53,025,455
94	**Bank IV Topeka NA, Kan.**	13,875,354	218	0	0	...		13,875,354	13,875,354
95	**National Bank of Commerce Tr. & Svgs Assn, Lincoln, Neb.**	8,900,345	148	14	0	...		57,544,868	47,389,756
96	**Chicago City Bank & Trust Co., Chicago**	8,204,789	887	7	0	...		33,658,866	25,454,077
97	**First National Bank, Council Bluffs, Iowa**	6,351,920	854	18	1	...		27,415,463	21,063,543
98	**St. Cloud National Bank & Trust Co., Minn.**	5,769,620	269	8	0	...		14,305,597	8,535,977
99	**First Interstate Bank of Billings NA, Mont.**	4,275,187	45	21	0	71		28,072,636	26,076,139
100	**First Huntington National Bank, W. Va.**	3,874,478	186	0	0	...		3,874,478	37,444,639

Data Source: American Banker questionnaire to the top 200 commercial banks in mortgage servicing. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1988. The table identifies the 100 largest commercial banks responding to the survey. **Mortgages Serviced for Investors:** The dollar volume of permanent commercial and residential real estate mortgages serviced for investors. Excludes home improvement loans and all temporary financing, such as construction and development loans. Also excludes mortgages serviced for itself and for all accounts of the bank's trust department. **Number of Mortgages**: are the number of loans associated with the volume reported. **Number of Investors Excluding Pools:** includes depository institutions such as thrifts and banks, pension funds, insurance companies, etc. **Number of Pools:** The sum of GNMA pools, FNMA pools, and FHLMC pools. **Total Mortgages Serviced by Bank:** Total dollar volume of permanent mortgages serviced by the bank: for itself, for its trust department, and for investors. **Mortgages Owned by the Bank:** The dollar volume of permanent mortgages which are assets of the bank. **(a)**— Servicing is done by Citizens Fidelity Mortgage Co., a division of the bank. **(R)**— Revised since publication on November 13, 1987. As a result of revision, the bank did not rank among the top banks in servicing of permanent mortgages on June 30, 1987. **(r)**— Rank firm would have had, if revised data had been used. **N.A.**— Not Available.

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Top 100 Thrifts in Mortgage Servicing

June 30, 1988 Compared with June 30, 1987 (Thousands of Dollars)

Rank		Loans Serviced for Others			Rank	Gain in	Loan Servicing Fees			Total Assets	
6/30/88		6/30/88	6/30/87	% Chg.	6/30/87	Rank	1988	1987	% Chg.	6/30/88	6/30/87
1	City Federal Savings Bank, Bedminster, N.J.	15,511,058	17,528,533	-11.51	1		64,224	60,170	6.74	10,667,548	10,776,524
2	Standard Federal Savings & Loan Assn., Gaithersburg, Md.	14,992,663	5,111,017	193.34	5	+3	27,496	9,280	196.29	1,510,926	1,213,108
3	Home Savings of America, FA, Los Angeles	11,571,053	11,030,703	4.90	2		39,952	54,363	-26.51	32,310,820	27,748,974
4	Great Western Bank, FSB, Beverly Hills	8,808,739	7,201,264	22.32	4		27,220	25,337	7.43	28,072,865	25,305,516
5	American S & L Assn., Stockton, Calif.	8,317,735	7,919,799	5.02	3		11,279	N.A.	...	30,162,228	33,932,563
6	Home Owners Federal Savings & Loan Assn., Boston	5,769,816	4,075,739	41.56	9	+3	46,539	44,285	5.09	3,929,266	1,847,933
7	Carteret Savings Bank, FA, Newark, N.J.	5,706,906	4,647,629	22.79	6		25,423	6,178	311.51	6,105,495	5,672,718
8	Cenlar Federal Savings Bank, Pennington, N.J.	5,364,883	1,400,000	283.21	36	+28	9,166	6,798	34.83	758,141	622,591
9	Glendale Federal Savings & Loan Assn., Calif.	5,203,592	2,938,640	77.07	20	+11	6,633	4,477	48.16	23,100,818	18,059,868
10	California Federal Savings & Loan Assn., Los Angeles	4,925,527	2,767,021	78.01	23	+13	8,476	6,060	39.87	23,190,425	21,339,064
11	Midfirst Savings & Loan Assn., Oklahoma City	4,702,974	1,660,800	183.18	32	+21	6,268	7,884	-20.50	593,559	428,864
12	Coast Savings & Loan Assn., Los Angeles	4,215,301	3,398,824	24.02	13	+1	5,924	6,146	-3.61	11,713,795	11,096,110
13	Home Federal Savings & Loan Assn., San Diego, Calif.	4,044,006	3,054,374	32.40	19	+6	9,397	12,517	-24.93	15,296,857	12,733,612
14	Imperial Savings Assn., San Diego, Calif.	4,013,578	4,365,679	-8.07	7		10,580	8,548	23.77	12,095,188	9,374,734
15	Merabank, FSB, Phoenix	3,984,406	3,556,884	12.02	11		22,266	9,075	145.36	6,612,400	6,342,785
16	First Nationwide Bank, FSB, San Francisco	3,919,736	3,524,623	11.21	12		18,530	15,965	16.07	22,277,449	15,357,142
17	Transohio Savings Bank, Cleveland	3,907,706	3,868,676	1.01	10		27,521	23,886	15.22	6,382,196	5,612,553
18	Comfed Savings Bank, Lowell, Mass.	3,880,373	3,100,181	25.17	18		32,424	21,261	52.50	1,591,329	1,411,726
19	Great American First Savings Bank, San Diego, Calif.	3,863,311	3,135,791	23.20	17		10,977	545	1914.13	12,385,509	11,150,994
20	Leader Federal Savings & Loan Assn., Memphis, Tenn.	3,393,839	1,802,726	88.26	30	+10	6,356	3,832	65.87	2,563,868	1,953,166
21	Colonial Savings & Loan Assn., Fort Worth, Tex.	3,340,157	3,171,078	5.33	16		15,884	12,816	23.94	516,663	502,448
22	Homestead Savings, FS & LA, San Francisco	3,223,380	3,357,298	-3.99	14		2,607	6,473	-59.73	5,720,556	5,497,745
23	Amerifirst Bank, A FSB, Miami	3,196,685	3,266,017	-2.12	15		11,707	8,794	33.12	4,371,256	4,055,319
24	Western Federal S&L Assn., Marina Del Rey, Calif.	3,058,855	2,053,798	48.94	28	+4	6,645	153	4243.14	2,566,763	2,026,970
25	Duval Federal Savings & Loan Assn., Jacksonville, Fla,	2,974,971	2,777,151	7.12	22		8,621	9,330	-7.60	1,234,996	1,322,095
26	Gibraltar Savings Assn., Houston	2,838,381	1,571,205	80.65	33	+7	8,527	3,640	134.26	6,294,292	5,921,285
27	Gibraltar Savings, Beverly Hills	2,619,872	2,677,025	-2.13	25		49	27	81.48	13,214,928	12,442,224
28	Standard Federal Bank, Troy, Mich.	2,475,693	2,314,713	6.95	27		9,005	8,132	10.74	9,979,035	8,980,741
29	Dime Savings Bank of New York, FSB, Garden City, N.Y.	2,458,594	1,356,845	81.20	37	+8	12,465	7,261	71.67	10,889,529	9,177,566
30	Citicorp Savings of Florida,FS&LA, Miami	2,006,358	250,703	700.29	...		620	25	2380.00	2,855,213	2,703,340
31	ABQ Bank, Federal Savings Bank, Albuquerque, N.M.	1,990,867	1,817,104	9.56	29		6,434	5,124	25.57	2,242,859	2,377,582
32	Capitol City Savings Assn., Austin, Tex.	1,871,469	689,396	171.47	81	+49	5,587	2,436	129.35	447,639	339,876
33	Altus Bank, FSB, Mobile, Ala.	1,759,646	1,237,824	42.16	41	+8	1,078	6,357	-83.04	2,842,169	2,746,364
34	Union Federal Savings Bank, Indianapolis	1,671,830	......	...	...		3,454	......	...	1,305,916	825,500
35	Dominion Federal Savings & Loan Assn., Tyson Corner, Va.	1,615,769	1,689,144	-4.34	31		4,377	3,935	11.23	1,942,478	1,773,088
36	Chevy Chase Savings Bank, FSB, Md.	1,597,718	1,352,881	18.10	38	+2	5,417	4,860	11.46	4,167,552	3,121,682
37	Platte Valley Federal Savings & Loan Assn., Gering, Neb.	1,541,185	1,223,456	25.97	42	+5	3,353	791	323.89	409,345	393,133
38	Union Federal Savings & Loan Assn., Los Angeles	1,481,746	1,082,976	36.82	51	+13	3,598	743	384.25	2,028,182	1,579,069
39	Buckeye Federal Savings & Loan Assn., Columbus, Ohio	1,456,342	1,459,699	-0.23	35		4,999	4,171	19.85	1,159,375	1,295,607
40	Security Savings & Loan Assn., Jackson, Miss.	1,424,006	1,302,383	9.34	39		4,869	3,782	28.74	509,435	470.188
41	Mercury Savings & Loan Assn., Huntington Beach, Calif.	1,407,793	1,202,756	17.05	43	+2	429	11	3800.00	2,438,129	2,241,186
42	Boston Five Cents Savings Bank, FSB, Boston	1,370,538	960,945	42.62	57	+15	4,517	3,141	43.81	2,329,482	1,922,583
43	Northeast Savings, FA, Hartford, Conn.	1,339,829	624,454	114.56	90	+47	4,618	1,384	233.67	8,184,456	6,670,772
44	Bannerbanc Savings Association, Garland, Tex.	1,307,297	44,913	2810.73	...		1,310	114	1,049.12	68,166	50,895
45	San Francisco Federal Savings & Loan Assn.	1,273,242	673,369	89.09	87	+42	4,439	2,010	120.85	4,210,222	2,650,580
46	Household Bank, FSB, Newport Beach, Calif.	1,249,044	701,790	77.98	77	+31	3,393	1,210	180.41	3,995,261	2,615,849
47	Valley Federal Savings & Loan Assn., Van Nuys, Calif.	1,219,585	898,879	35.68	62	+15	5,140	4,885	5.22	3,326,798	2,912,967
48	Decatur Federal Savings & Loan Assn., Ga.	1,217,281	976,514	24.66	56	+8	406	545	-25.50	2,138,330	1,935,425
49	Citicorp Savings of Illinois, FS&LA, Chicago	1,208,525	1,127,487	7.19	45		4,464	3,849	15.98	5,507,641	5,601,121
50	Georgia Federal Bank, FSB, Atlanta	1,175,565	1,083,186	8.53	50		470	N.A.	...	4,058,872	3,602,921
51	Perpetual Savings Bank, FSB, McLean, Va.	1,167,696	1,249,772	-6.57	40		4,649	3,370	37.95	5,440,731	4,479,394
52	Fortune Savings Bank, Clearwater, Fla.	1,125,160	941,258	19.54	58	+6	1,567	1,651	-5.09	3,036,632	2,708,972
53	Hamilton Savings Bank, FSB, San Francisco	1,107,879	796,834	39.04	65	+12	2,469	1,764	39.97	249,504	221,785
54	United Savings Bank, FSB, San Francisco, Calif.	1,101,072	1,104,864	-0.34	48		3,062	3,570	-14.23	898,159	760,974
55	First Financial Savings Assn, Stevens Point, Wis.	1,090,229	670,075	62.70	89	+34	3,198	6,483	-50.67	2,222,408	1,839,330
56	Far West Savings & Loan Assn., Newport Beach, Calif.	1,061,895	1,115,123	-4.77	46		1,437	1,451	-0.96	4,116,048	3,371,518
57	First Federal Savings & Loan Assn. Greenville, S.C.	1,053,135	905,430	16.31	61	+4	4,017	2,471	62.57	2,194,655	1,898,114
58	First Federal Savings & Loan Assn., Rochester, N.Y.	1,041,629	1,161,020	-10.28	44		5,861	4,266	37.39	5,243,441	4,388,623
59	First Federal Savings Bank of California, Santa Monica	1,027,949	730,321	40.75	73	+14	1,209	851	42.07	2,021,251	1,518,070
60	Columbia Savings & Loan Assn., Beverly Hills	1,020,490	1,080,026	-5.51	52		5,763	3,084	86.87	10,731,455	9,101,839
61	First Minnesota Savings Bank, FSB, Minneapolis	999,102	1,020,201	-2.07	53		4,224	4,363	-3.19	3,342,646	3,061,592
62	Beverly Hills Savings, FS & LA, Beverly Hills	997,358	998,124	-0.08	55		1,985	3,181	-37.60	1,368,340	1,802,274
63	Continental Savings Bank, Seattle	995,590	1,529,779	-34.92	34		4,472	2,827	58.19	143,595	126,870
64	Atlantic Financial Federal, Bala Cynwyd, Pa.	971,487	922,686	5.29	60		6,193	3,283	88.64	6,309,849	6,822,380
65	Southwest Savings & Loan Assn., Los Angeles	968,457	749,418	29.23	69	+4	9,770	4,315	126.42	957,273	842,452
66	Citicorp Savings, FS & LA, San Francisco	916,353	887,845	3.21	63		3,224	1,951	65.25	7,070,299	6,904,682
67	American Charter Federal S&L Assn., Lincoln, Neb.	912,502	796,219	14.60	66		1,352	954	41.72	1,491,992	1,403,002
68	Bay View Federal Savings & Loan Assn., San Mateo, Calif.	886,414	869,143	1.99	64		1,309	1,228	6.60	2,343,369	1,782,921
69	Champion Federal Savings & Loan Assn., Bloomington, Ill.	884,108	693,814	27.43	79	+10	2,796	1,627	71.85	2,622,812	2,160,787
70	Home Federal Savings & Loan Assn., Atlanta	874,748	741,318	18.00	72	+2	2,649	2,473	7.12	292,111	223,922
71	Hill Financial Savings & Loan Assn., Red Hill, Pa.	861,817	570,708	51.01	95	+24	2,333	1,697	37.48	3,110,599	2,840,611
72	First Home FS&LA of the Carolinas FA, Greensboro, N.C.	861,535	718,818	19.85	75	+3	1,278	1,327	-3.69	1,237,279	1,224,259
73	Pacific First Federal Savings Bank, Tacoma, Wash.	854,668	2,819,708	-69.69	21		8,616	9,910	-13.06	5,262,490	4,330,257
74	United Federal Savings & Loan Assn., Rocky Mount, N.C.	837,818	694,652	20.61	78	+4	3,305	1,879	75.89	326,809	278,046
75	First Federal Savings & Loan Assn., Amarillo, Tex.	764,936	609,492	25.50	92	+17	2,162	2,293	-5.71	239,301	261,951
76	Sterling Savings Bank, Southfield, Mich.	751,897	712,670	5.50	76		2,223	2,148	3.49	92,730	113,279
77	Crestmont Federal S&L Assn., Edison Township, N.J.	745,142	468,448	59.07	116	+39	2,699	1,682	60.46	1,679,660	1,348,771
78	Community Federal Savings & Loan Assn., St. Louis, Mo.	742,482	693,202	7.11	80	+2	2,004	1,950	2.77	3,620,706	3,800,298
79	County Savings Bank, Santa Barbara, Calif.	740,711	620,213	19.43	91	+12	N.A.	N.A.	...	1,254,252	930,641
80	Farm & Home Savings Assn., Nevada, Mo.	739,860	672,084	10.08	88	+8	2,908	2,449	18.74	3,631,438	3,460,060
81	Loyola Federal Savings & Loan Assn., Baltimore	737,032	742,809	-0.78	71		2,252	2,013	11.87	2,033,675	1,660,465
82	Western Savings & Loan Assn., Phoenix, Ariz.	731,804	688,597	6.27	83	+1	8,735	2,935	197.61	6,283,095	5,629,947
83	Mechanics & Farmers Savings Bank, FSB, Bridgeport, Conn.	724,027	678,449	6.72	86	+3	3,095	2,954	4.77	1,387,179	1,214,634
84	University Savings Assn., Houston	716,488	747,782	-4.18	70		89	36	147.22	4,546,869	4,116,956
85	Downey Savings & Loan Assn., Costa Mesa, Calif.	711,378	775,966	-8.32	67		3,203	2,959	8.25	3,238,683	2,759,654
86	Long Island Savings Bank Centereach, N.Y.	708,488	345,189	105.25	167	+81	1,317	1,138	15.73	3,044,548	3,105,783
87	Mid America FS&LA, Clarendon Hills, Ill.	703,550	427,963	64.40	132	+45	1,945	1,935	0.52	1,559,215	1,335,980
88	Santa Barbara Savings & Loan Assn., Calif.	700,228	727,600	-3.76	74		2,907	2,482	17.12	5,068,466	4,669,950
89	Ameribanc Savings Bank, Annandale, Va.	689,129	687,960	0.17	84		3,572	1,791	99.44	1,130,861	849,368
90	Honolulu Federal Savings & Loan Assn.	684,067	679,331	0.70	85		2,343	1,154	103.03	2,381,509	1,836,221
91	American Savings & Loan of Florida, Miami	681,794	492,172	38.53	109	+18	3,354	2,895	15.85	4,050,331	3,048,228
92	D&N Savings Bank, FSB, Hancock, Mich.	653,959	424,749	53.96	133	+41	1,804	1,790	0.78	2,114,786	1,613,577
93	American Savings & Loan Assn., FA, Salt Lake City, Utah	645,015	689,107	-6.40	82		2,474	3,339	-25.91	2,268,552	2,172,395
94	Old Stone Bank, FSB, Providence, R.I.	623,326	535,484	16.40	101	+7	3,183	3,627	-12.24	3,816,928	3,702,236
95	First Atlantic Savings & Loan Assn., Plainfield, N.J.	607,342	476,834	27.37	114	+19	2,173	1,623	33.89	1,331,887	1,263,712
96	Benjamin Franklin FS&LA, Portland, Ore.	601,766	488,638	23.15	110	+14	11	5	120.00	5,324,051	4,450,246
97	First Texas Savings Assn., Dallas	597,813	1,003,962	-40.45	54		2,645	3,392	-22.02	3,232,555	3,602,520
98	Eastover Bank for Savings, Jackson, Miss.	590,686	197,827	198.59	...		1,568	778	101.54	537,154	496,627
99	Investors Savings Bank, FSB, Minneapolis, Minn.	585,979	367,424	59.48	156	+57	1,817	728	149.59	351,316	277,622
100	Pioneer Savings & Trust, FA, Roswell, N.M.	583,315	540,059	8.01	99		1,972	2,652	-25.64	217,147	216,008
	Totals for the Top 100 Thrifts	**224,850,730**	**178,295,059**	**26.11**			**714,326**	**553,330**	**29.10**		

Data Source: The Quarterly Financial Report to the Federal Home Loan Bank Board. **ADP Data Services Division, New York,** provided the data. **Description of table:** A ranking based on mortgages serviced for investors on June 30, 1988. The table identifies the 100 largest savings institutions required to report to the FHLBB (mostly FSLIC-insured institutions). **Mortgage Loans Serviced for Others** are the total of all unpaid principal balances of all whole loans and participating interests in loans serviced by an institution but owned by others at the close of the period, whether or not originated by the institution. **Loan Servicing Fees** are the fees earned— as a result of the servicing for others of loans or participations therein— during the 12-month periods ending on June 30, 1988, and June 30, 1987, respectively. The 12-month servicing fees are calculated by summing the fees earned in each of the four quarters of the period. **N.A.—** Not available. **Please note:** This list includes thrifts that service mortgages for investors directly as well as those thrifts that service mortgages for investors through their mortgage company subsidiaries. That is, the FHLBB data are consolidated data for the thrift and its mortgage subsidiaries.

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Today

The Federal Reserve adopted new fee schedules that it expects will significantly widen the profit margin on services it provides to financial institutions. ________ 2

Banks looking for ways to differentiate their cash management services should consider improving their invoices, said speakers and attendees at the National Corporate Cash Management Association's annual conference in Dallas. ________ 2

At least a half dozen groups, including Visa International, MasterCard International, and the Consumer Bankers Association, have filed friend-of-the-court briefs in support of Citibank's effort to export late fees and other credit card penalties out of state. ________ 2

Fed Chairman Alan Greenspan reiterated his concern over the increase in bank lending for leveraged buyouts and said Congress should review the tax incentives that favor higher leverage. ________ 3

The Fed's financial resources should not be tapped to save the disintegrating thrift system, central bank Chairman Alan Greenspan stated in a letter recently released by the Senate Banking Committee. ________ 15

Chase Manhattan booked a $31 million gain by taking an equity position in the leveraged buyout of Sterling Chemicals Inc. ________ 12

First Nationwide Financial Corp. said real estate lending more than doubled in the third quarter but earnings plummeted about 93.5% to a mere $750,000. ________ 12

Executive Changes ________ 12
Flashbacks ________ 4
In the News ________ 3
Worth Reading ________ 16

CONSUMER FINANCIAL SERVICES

Customers at refurbished branches of Citizens Fidelity Bank and Trust Co., Louisville, can buy certificates of deposit and conduct other transactions in privacy modules. Custom-designed workstations also allow the customer and banker to view the PC screen together. ________ 6

More than 450 affiliates of PNC Financial Corp have installed a retail sales system, which typically includes workstations equipped with IBM personal computers and software to facilitate cross-selling. ________ 6

Total Research Corp., Princeton, N.J., has developed a program that tracks the quality of service delivery at financial institutions and identifies areas that should receive priority in improvement efforts. ________ 8

The time may have come for banks to consider getting out of the credit card game, writes Barry I. Deutsche in Marketing Management. ________ 4

Due to weather problems, delivery of the Wednesday, Oct. 26 issue of the *American Banker* was delayed to readers in the Houston area. We apologize for any inconvenience.

Big Banks Expect Fed to Grant New Powers, but Fear Limits

By **BARBARA A. REHM**
Washington Bureau

WASHINGTON — Bankers stalking the Federal Reserve are confident of winning wider powers to underwrite securities, but they worry that Fed governors will bog down their approvals with new restrictions.

The Fed was flooded with applications this week as more banking companies boarded the bandwagon to gain expanded securities underwriting powers.

Citicorp, J.P. Morgan & Co., and Security Pacific Corp. joined Chase Manhattan Corp. and Bankers Trust Corp. in pursuit of new underwriting powers. Manufacturers Hanover Corp., Chemical Banking Corp., and Marine Midland Banks Inc. plan to submit applications in the next several weeks, according to spokesmen.

Individual powers are being requested in separate applications. This strategy, bank spokesmen explained, was adopted so that the more controversial items, such as plans to underwrite corporate equities, will not slow down Fed approval of corporate debt underwriting — the first new power the banks expect to receive.

"We anticipate that some of the applications will raise fewer questions than others," said Robert Tortoriello, a lawyer with Cleary, Gottlieb, Steen & Hamilton, New York, who represents Security Pacific. "Debt securities will move on the fastest track."

As reported earlier, Chase asked the Fed for authority to underwrite and deal in corporate debt and preferred stock. Bankers Trust added corporate equities to that list. Morgan requested the power to underwrite corporate

Please see BIG BANKS: Page 14 ▸

Bid for Options Exchange Revived

Units of Security Pacific and Citibank Apply to SEC

By **JED HOROWITZ**

NEW YORK — A year after Security Pacific Corp. abandoned a controversial plan to operate an options trading and clearing system, a group that includes a unit of the California company and a Citibank unit is embroiled in another fight to revive the plan.

The group consists of RMJ Securities Corp., a government securities broker once owned by Security Pacific; Security Pacific National Trust Co.; and Capital Markets Assurance Corp., a Citibank unit that issues financial guarantees on corporate securities.

The system, which goes by the name Delta Government Options Corp., has applied to register as a clearing agency with the Securities and Exchange Commission. The new company plans to issue options that will be traded over the system by primary dealers of government securities and other large traders.

Critics of the plan — the member-owned options exchanges and their clearing corporations — say the arrangement is a charade. They argue that Delta is a front for Security Pacific and RMJ, which are again trying to evade regulatory requirements by refusing to register with the SEC.

"It's really the Veg-O-Matic approach to regulatory oversight," said Mark Young, a Washington-based attorney representing the Chicago Board of Trade. "You slice and dice what ap-

Please see SECURITY: Page 10 ▸

Giant Thrift Moves to Exit FSLIC Fund

Great Western Bid to Join FDIC Will Face Obstacles

By **ROBERT LUKE**

LOS ANGELES — Great Western Financial Corp., the nation's second largest thrift company and one of the best capitalized, moved on Wednesday to have the deposits of its huge California thrift subsidiary insured by the Federal Deposit Insurance Corp.

The move, which faces legal, regulatory, and political hurdles, further jeopardizes the future of the ailing Federal Savings and Loan Insurance Corp. and calls into question the necessity of having a separate thrift industry, analysts said.

"This is, at minimum, a very important symbolic gesture," said Eric Hemel of First Boston Corp., New York.

Greenspan on FSLIC Aid: Page 15

Great Western, with assets of more than $31 billion, announced on Wednesday that it has filed applications to merge its principal subsidiary, Great Western Bank, into its Washington State subsidiary, Great Western Savings Bank, which last month converted to FDIC membership.

The Washington unit remains a member of the Federal Home Loan Bank System.

Great Western Bank, based in Beverly Hills, Calif., is the nation's third largest thrift, with assets of $28.1 billion at midyear. The institution is FSLIC insured and operates 263 branches in California, Florida, and Arizona.

The holding company, also based in Beverly Hills, said it made the move for economic reasons.

Please see GREAT: Page 15 ▸

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Fed Adopts Fees Aimed at Wider Profit Margins

By JEFFREY KUTLER

NEW YORK — The Federal Reserve Board adopted new fee schedules on Wednesday that it expects will significantly widen the profit margin on services the Federal Reserve System provides to financial institutions.

Most of the increase in the profit margin — to 3.4% of anticipated 1989 revenue from 0.5% in 1988 — was arranged in June, when the Fed changed its prices on check collection services to conform to the check-hold rules known as Regulation CC. About three-fourths of the central banking system's costs and revenues from priced services come from the check collection area.

But in taking further pricing actions Wednesday, the Fed Board said it expected increases in revenue next year from four of five other service categories. In the one category where revenue would fall — safekeeping and noncash collections — the profit margin would improve to a 0.8% loss in 1989 from a 2.7% loss this year.

When all the pricing changes in six service categories are added together, the Fed projects a 6.6% increase in revenue for 1989 to $707.8 million. The percentage increase is three times the 2.2% that the Fed projects it will register in 1988.

Costs are seen rising at a slower rate than gross income — 3.7% to $684.9 million in 1989. Costs increased 5.3% in 1988.

The costs include a "private sector adjustment factor," which is designed to make the Fed's overhead comparable to that of its private-sector competitors. The Fed also plans to spend $4.3 million on research and development projects in 1989, up from $2.3 million in 1988 — figures that were not incorporated in profit estimates prepared by the staff for presentation at the Wednesday board meeting.

The Fed's profit — revenue minus cost — would grow to $24.9 million in 1989 from $3.3 million in 1988. Although that is a whopping 755% increase, it brings the income figure closer in line with Fed performance in earlier years. In 1987, for example, revenue exceeded costs by $22.4 million, in 1986 by $28.4 million. And the profit margins, in percentage terms, were higher in proportion to total revenue.

Service Prices Mandated by Law

The Fed offers payment and processing services on a priced basis as mandated by the Monetary Control Act of 1980. Profits from these services are a small fraction of what the central bank earns from other aspects of its operations as a fiscal agent of the U.S. government. The central bank contributed $17.7 billion in profits to the Treasury last year, most of it interest income on U.S. government securities.

The Monetary Control Act specifies that the Fed must recover its overhead costs, including the private sector adjustment factor. The Fed measures its success in terms of a "cost recovery rate." If revenue matches costs, which is the goal, the recovery rate is stated as 100%. The Fed staff said that "since 1984 [when the rate was 107.8%], the system has made substantial progress in moving closer to its target of 100% recovery."

The recovery rate anticipated for 1989, 103.4%, can also be expressed as a 3.4% profit margin.

In the commercial check field, where the Fed earns most of its service

Please see FED: Page 11 ►

Top 25 Bank Firms After 3d Quarter

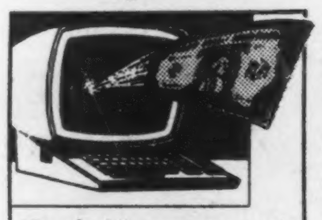
Compiled by American Banker
Ranked by assets (billions of dollars)

Rank 9/88	Rank 12/87		Assets 9/30/88	Assets 12/31/87
1	1	Citicorp	$209.2	$203.6
2	2	Chase Manhattan Corp.	97.4	99.1
3	3	BankAmerica Corp.	95.2	92.8
4	5	J.P. Morgan & Co.	82.1	75.4
5	7	Security Pacific Corp.	78.9	72.8
6	6	Manufacturers Hanover Corp.	74.0	78.3
7	4	Chemical Banking Corp.	69.8	78.2
8	9	First Interstate Bancorp	58.0	50.9
9	8	Bankers Trust New York Corp.	57.9	56.5
10	10	First Chicago Corp.	45.2	44.2
11	11	Wells Fargo & Co.	44.7	44.2
12	15	PNC Financial Corp	37.8	31.4
13	12	Bank of Boston Corp.	34.2	34.1
14	14	Continental Illinois Corp.	32.1	32.4
15	17	Bank of New England Corp.	31.0	29.5
16	16	Mellon Bank Corp.	30.8	30.5
17	37	First Fidelity Bancorp.	29.9	16.2
18	18	NCNB Corp.	28.6	28.9
19	20	SunTrust Banks Inc.	28.2	27.2
20	19	First Union Corp.	28.0	27.6
21	47	Shawmut National Corp.	26.7	10.8
22	22	Marine Midland Banks Inc.	26.6	25.5
23	21	First Bank System Inc.	26.3	26.8
24	24	Irving Bank Corp.	25.6	23.5
25	23	Fleet/Norstar Financial Group Inc.	25.5	24.5

Treasurers Take Banks to Task

Clearer Invoices Sought by Cash Management Group

By YVETTE D. KANTROW



Cash Management

DALLAS — Banks looking for new ways to differentiate themselves in the cash management arena may want to consider improving the invoices they send their customers. This sentiment was expressed here this week by attendees of the National Corporate Cash Management Association's annual conference.

"There appears to be an opportunity here for banks to make a lot of people happy" by electronically transmitting detailed and comprehensible invoices to their corporate customers, said George Rush, of Phoenix-Hecht, a treasury management consulting firm in Northfield, Ill.

Mr. Rush told a standing-room-only crowd of treasurers on Tuesday to insist that their banks provide clear and timely account-analysis statements.

"Don't underestimate your own corporate power," he said. "Talk to your bank."

While many banks provide their customers with account-analysis statements, these are problematic for treasurers, Mr. Rush said. The most common complaint, he said, concerns the lack of consistency in terminology and formats from bank to bank. This makes it hard for treasurers to review exactly what they are being charged for.

But when treasurers do carefully examine their statements, they often discover errors in favor of their banks, Mr. Rush said.

Mr. Rush's statement hit many nerves in his audience of corporate treasurers. Attendees volunteered to relate stories about the bank errors they have discovered in their invoices.

"Our bank initiated some new services that they never mentioned charging us for," one attendee said. "After looking at our statements, we realized we were being charged $50 a month for that new service."

The corporations are also unhappy that some banks offer statements only on paper, rather than in electronic form. Paper invoices often arrive late, and treasurers find it difficult to reconcile the statements with internal records, he said.

Many of the corporations' complaints about bank invoices are valid, said Michael Curran, a vice president at Manufacturers Hanover Trust Co., New York. Bank invoices can be cumbersome and hard to understand, he said. But, he added, there is no easy solution.

"It's like balance reporting all over again," Mr. Curran said in an interview at the conference. Corporations wanted to receive electronic balance information from all of their banks, but complained when the information did not come in uniform formats.

Change Is Costly

It is costly for all banks to change their invoicing software to adhere to a common standard, Mr. Curran said. And that cost would eventually be passed on to a bank's customers.

Errors in a bank's favor, Mr. Curran said, are most likely offset by other errors made in a corporation's favor.

Mr. Rush urged corporations to build their own systems to help them analyze their bank invoices. Corporations may want to apply the National Corporate Cash Management Association's account-analysis standard to these systems, or they may develop their own formats. Either way, understanding the elements of a bank invoice can be a powerful tool for corporations when they renegotiate their bank relationships.

"Bank pricing is negotiable — it's very negotiable," Mr. Rush said. "And knowledge gives you negotiating power." ■

Correction

The Institute for International Economics is a private, nonpartisan research center organized for the study and discussion of international economic policy. It is supported by a number of private foundations. A Sept. 15 story ("Economist Urges More Debt Relief Deals," page 2) incorrectly identified the organization. ■

Citibank, Iowa Gather Support In Court Tests

By A. JOSEPH NEWMAN JR.

Friends of the court are beginning to choose sides in the court battle that pits Citibank (South Dakota) NA, of Sioux Falls, a unit of New York's Citicorp, against the Iowa attorney general in two cases testing the power of banks to export late fees and other credit card penalties beyond state lines.

Iowa is not challenging the bank's right to export home-state interest rates. That right has been upheld by the U.S. Supreme Court in 1978.

Since that decision did not mention fees and other charges, Iowa sued Citibank (South Dakota). Iowa claims that 10 fees for late payments and for paying bills with checks drawn on insufficient funds violated Iowa consumer-protection laws.

Citibank and others say such fees and charges are an integral part of the total interest rate structure.

So far, at least a half dozen friend-of-the-court briefs have been filed in support of the Citibank argument. They came from Visa International, MasterCard International, the Consumer Bankers Association, the Delaware Bankers Association, the Delaware banking commissioner, and the state of South Dakota.

Iowa expects up to six such briefs in its own favor, according to Peter Kochenburger, an attorney in the Consumer Protection Division of the Iowa Justice Department.

Among these briefs are a filing by the state of South Carolina, on behalf of its Department of Consumer Affairs, and a filing by the Association of Uniform Consumer Credit Code States. Steven W. Hamm, administrator of the South Carolina consumer affairs department, is president of the association.

Much Riding on Outcome

The two states filing briefs in behalf of Citibank — Delaware and South Dakota — have much at stake on the outcome of the litigation. Both have worked to attract out-of-state banks to set up units to issue credit cards and export rates and fees to consumers elsewhere, according to Francis X. Morris, executive vice president of the Delaware trade association.

Legislatures in Delaware and South Dakota, seeking to deflect suits like Iowa's, enacted laws earlier this year specifically defining credit card fees as part of the interest rate. Banking lawyers said they expect the dispute to be appealed to the U.S. Supreme Court, no matter which side prevails in the lower courts.

The question is: Do states or the federal government define interest rates? The briefs supporting Citibank were filed in federal court in Des Moines, where Citibank (South Dakota) is suing the Iowa attorney general, Thomas J. Miller.

Oral arguments are expected early next year, according to Mr. Kochenburger. Iowa originally sued Citibank in state court in Des Moines, and that case is also in litigation.

Similar litigation is pending in state and federal courts in Des Moines against United Missouri Bank of Kansas City and United Missouri Bank USA of Delaware, both units of United Missouri Bancshares Inc., Kansas City.

Iowa had also filed a fee-export suit against a Delaware company, the First National Bank of Wilmington unit of Commercial Credit Co. That suit was settled out of court. ■

MARKETING MANAGEMENT /COMMENTARY

It May Be Time to Quit the Credit Card Wars

By BARRY I. DEUTSCHE

NOT long ago, I got a letter from Jerome Silverbush, whom I haven't seen since we sat next to each other at P.S. 128, which is a Brooklyn-based institution of less than higher learning. The letter told me that I was now eligible for a brand-new Visa card, and if I sent for it the P.S. 128 Alumni Fund would benefit.

This letter was a milestone of sorts for me. Now I have received a credit card offer from every group that I remember being a part of, every airline I've ever flown on, and every religious, political, or special interest organization with which I've ever had a moment of sympathy.

Jerry's letter also told me that the P.S. 128 card is sponsored by a bank I'll dub First National Neighbors Bank. First Neighbors happens to be my bank, so I filled in the application and took it down to my local branch on my next visit.

I took it to the desk that was labeled Personal Banking Counselor. The counselor stood up, said hello, called me by as close an approximation of my name as he could manage, and offered me a seat. He looked at the application and said, "Gee, we don't handle these. You have to mail them in."

Deutsche Says:

'The card companies are keeping a lot of smaller players in a game in which there is no large-scale payoff available.'

"Why?" I asked. "It has your bank's name on it. This is an office of the bank, isn't it?"

"Well, you see, the credit card people are in Delaware, and we're not allowed to handle their stuff. And anyway, it's really not our card. Large City National issues it for us. We don't even take payments; you have to mail those in, too."

What this suggests is that the credit card business isn't what it used to be. It may have outpaced the ability of most banks to compete in it effectively or to manage it well. It even may be that it isn't necessary for your bank to include credit cards in its product line anymore.

The effects of advances in technology and in national marketing have created both economies of scale and, for a few, sustainable competitive advantage. Citibank's volume is now more than twice that of its nearest competitor, Chase, and among the restthe formation of an oligopoly is accelerating.

I don't know what share of the affinity card business belongs to MNBA, Maryland National Bank's credit card company, but I know it's considerable. And it is commonly believed that all the good groups are now taken.

Costly Game of Catch-Up

What the domination of the few means for the many is a costly, risky, time-consuming process of catching up, with little real chance for success.

The business is not what it used to be in many other ways. Credit cards are now operated and marketed so as to not only *not* enhance a banking relationship, but in fact to be adverse to the relationship.

I've often wondered what would happen if, in a fit of zealous affinity, I applied for 15 cards issued by MBNA in order to support 15 organization, earn mileage credit, or whatever. Would I get one acceptance and 14 refusals? Would they negotiate a single credit limit and divide it among the 15 cards? Is the number 15 or is it much greater?

Lately, I'm leaning toward the opinion that it just may be that your bank would do well to leave the credit card field to those better able to cope with its complications. In the overall scheme of things, credit cards may not matter.

That view depends partially on the further thought that most consumers are not particularly loyal, or are overly conscious of the bank' name on their credit cards.

In fact, these days the bank name is likely to be hard to find, sometimes relegated to the fine print on the back of the card. On the front is always a Visa or MasterCard symbol and, increasingly, the name and artwork of a third-party sponsoring organization.

National marketing strategies have played a major role in breeding even wider gaps between the haves and the have-nots. We do business with names we know. The big marketing bucks, and with them the familiarity that is essential to sales, belong to the big players — Visa and MasterCard.

It's not First Neighbor's Visa you were told to take to the Olympics or First Granary's MasterCard that's going to give you clout or choice or whatever it gives these days. Citibank may be an exception, since it is in so many other realms of endeavor. But even despite Citibank's prominent advertising, Visa and MasterCard recognize no first names, and the only surname they ever use is Gold.

As if scale and reach weren't enough to create a problem for the small players, a new geography game has been devised to further complicate their lives. Many of the banks large enough to enter the lists have also moved their card operations away from their home base — usually to another state in search of a higher rate — and most are now issuing cards well beyond the normal reach of their traditional retail banking operation.

The affinity card has helped with this and so has the public's indifference as to which bank issues the card.

Good-Bye to the Good Old Days

In the old days, credit card competition was a natural extension of bank competition. Banks chose one side or the other. BankAmericard or Master Charge, as they were known in the early days, and championed the side in their local markets. In some markets, Pittsburgh for example, the marketing battles were epic.

The battlefield shifted when the dual issuance arose, and except for those few banks where the credit card executive had stronger than average old-boy network ties to one or the other of the national brands, everyone began offering both. The competitive differences between brands of credit card became meaningless and so did the card's usefulness in terms of local competition.

By that time, however, the two card groups, formerly not much more than industry associations, had become entities unto themselves, complete with high-profile chief executives, generous national marketing budgets, and staff levels to match. They could not let their brands die.

The card companies are keeping a lot of smaller players in a game in which there is no large-scale payoff available. Their primary strategy is fear — they have jointly created the *betes noires* of Optima and Discover and convinced us bankers that only the issuance of our own credit cards will save us from Sears and American Express.

Don't think it's a day at the beach for the larger players, by the way. There are burdens that accompany scale. Size breeds impersonality and discourages concern for the individual customer. Distance creates barriers that work against an ability to intercede on behalf of a valued customer. And for some, the problem is exacerbated when the processing center not only is in another state, but belongs to another bank.

As well-funded direct-marketing campaigns continue to affect the outcome, more banks are realizing they cannot operate profitably while the size advantages are held by a few. But because of the fear that if they don't offer the service they will lose customers, they sign up to distribute another bank's credit card.

Some banks have been doing this from the beginning, but more and

Please see COMMENTARY: Page 9 ▸

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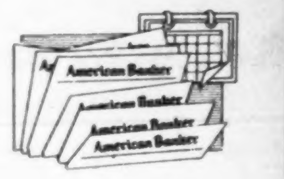
FLASHBACKS

What made news in the *American Banker* this week...



40 Years Ago

- J. Melville Broughton, a Senate candidate, former governor of North Carolina, and a director of the Wachovia Bank and Trust Co., told the closing session of the Consumer Bankers Association that bankers must face the future with hope and confidence because banking is based on faith and credit. Citing the "pessimism and cynicism over the world, which sees only another world war and destruction of everything," Mr. Broughton said he believed that "somehow, in the providence of God, we are not going to have a third world war, but instead, a new world in which the instruments of destruction will be sources of hope and abundance for everyone, and the light of a new day."
- G. Rowland Collins, dean of the graduate school of business administration at New York University, cited in a speech to members of the banking industry several "pestilent notions" that he claimed were undermining the U.S. economy. One of them, the 40-hour work week, "was born out of a Depression psychology and a desire to spread work," he said. "There has been, and is, a very real question whether the domestic economy can be maintained on 40 hours of work per week."

20 Years Ago

- For the first time since 1965, the number of banks in the United States increased. At the end of June, there were 14,242 banks, 12 more than at yearend 1967, reversing the trend that had begun at yearend 1965 when there were 14,273 banks in the country.
- Chemical Bank New York Trust Co. said it would form a one-bank holding company, list the shares on the New York Stock Exchange, rename itself Chemical Bank, and retain its state charter "for the time being."

10 Years Ago

- The federal government announced a program to provide minority-owned banks with assistance in development and capital support, Comptroller of the Currency John G. Heimann told the National Bankers Association. Stating that the survival of some minority banks might be at stake, Mr. Heimann said the program would be funded over a three- to five-year period through the Small Business Administration.

5 Years Ago

- The Federal Home Loan Bank Board approved extensive changes in the focus and timing of thrift financial reports. The approved regulation shifted the emphasis of the reports to providing information on interest rates paid and received by thrifts, and away from credit risk.
- High-level disagreement over how to streamline the financial regulatory system was jeopardizing the progress of a White House task force, headed by Vice President George Bush, that was studying possible changes. Most agencies were unhappy and some entirely unwilling to relinquish existing regulatory powers, sources said.

1 Year Ago

- BankAmerica Corp. posted its first operating profit in five consecutive quarters — $54 million, or 25 cents a share.
- A man who apparently suffered heavy losses in the stock market crash walked into a Merrill Lynch & Co. office in Miami and opened fire, killing a vice president and wounding another before he killed himself.
- The Senate Banking Committee planned to ask to Comptroller of the Currency for information on First Options of Chicago Inc., a subsidiary of Continental Illinois National Bank and Trust Company of Chicago that needed a loan from Continental Illinois Corp. during the stock market crash. The corporation's funding was of concern to opponents of new bank powers.

— **Domenica Trevor**

Fed Adopts New Service Fees Aimed at Widening Profit Margins

▸ Continued from Page 2

profits, it also expects the highest recovery rate in 1989 — 104%.

In its report to the Board of Governors, the Fed staff cautioned that the wide profit margin should not be accepted literally.

"The 1989 recovery rate may be optimistic because costs for check services may be higher than anticipated as a result of the impact of the Expedited Funds Availability Act and Regulation CC on reserve bank operations," the report said.

Special-project expenses alone, which are aimed at having "a major beneficial effect on the payments mechanism," would reduce the overall recovery rate to 102.3% in 1989, the Fed said. This would compare with 100.2% if calculated on the same basis for this year.

On the other hand, automated clearing house volumes rose 29% in the first eight months of 1988, compared with the 24% that the Fed budgeted for, which could make revenue projections in this area seem conservative.

Despite the projected bottom-line improvements, the Fed characterized its pricing changes for 1989 as minor. Fees are being increased most for labor-intensive services, to encourage automation.

For example, the Fed will impose a fee of $1 for notifications of change on automated clearing house items, but only when those notifications are submitted on paper. Meanwhile, surcharges are being reduced on some items transmitted during the automated clearing house night cycle.

In wire transfers, the Fed will increase the fee for telephone advices to $4 from $3.50, while the basic charge to originate or receive a payment will rise three cents to 50 cents.

The Fed anticipates a decline in revenue and transaction volume in its definitive safekeeping and noncash collection business despite some of its most aggressive price increases. Volume of book-entry securities, on the other hand, is expected to rise 8.3%, producing a 102.5% recovery rate in 1989 compared with 96.6% this year. ■

Federal Reserve Prices and Profits

1988 and 1989 estimates, before special-project costs (dollar amounts in millions)

Service Category	1988 Cost	1988 Revenue	Profit Margin[1]	1989 Cost	1989 Revenue	Profit Margin[1]
Automated clearing house	$42.2	$41.9	(0.8%)	$46.9	$47.1	0.5%
Book-entry securities	9.1	8.8	(3.4%)	9.7	9.9	2.5%
Cash	14.1	14.4	2.0%	14.5	14.7	1.7%
Commercial check	506.5	512.4	1.2%	522.1	543.1	4.0%
Funds transfer and settlement	70.0	68.2	(2.5%)	74.0	75.3	1.8%
Safekeeping, noncash collection	18.8	18.3	(2.7%)	17.8	17.7	(0.8%)
Total[2]	**$660.7**	**$664.0**	**0.5%**	**$684.9**	**$707.8**	**3.4%**

[1] Percentage of revenue in excess (deficit) of cost

[2] Figures may not add up due to rounding

Source: Federal Reserve Board

ABA Subcommittee Is Designated to Represent Bond Trustees

By LYNN STEVENS
The Bond Buyer

WASHINGTON — A subcommittee of the American Bankers Association has won the endorsement of municipal bond trustees to represent them nationally, with top priority being the development of industry standards.

About 20 ABA officials and trustees agreed here last week that the ABA's corporate trust subcommittee should represent the municipal trustees to address growing concerns about the adequacy of bond trustee protection for investors.

Trustees from western regional groups had pushed the idea of forming a new association to represent them. But they were persuaded by ABA officials to rely on its existing corporate trust subcommittee, which the ABA said has been addressing such issues.

The development of industry standards, which would serve as voluntary guidelines for trustees' day-to-day operations, was one of three recommended goals for the subcommittee, participants at the meeting said.

The other recommendations were to improve communication among trustee groups and increase education and training of trustees.

The subcommittee plans to seek approval of the recommendations when its parent committee, the fiduciary and securities operations division executive committee, meets here Nov. 16-18.

The recommendation to develop industry standards comes as industry groups, such as the Bond Investors Association, have proposed legislation that would require trustees to develop uniform standards. The legislation would require trustees to warn investors and potential investors whenever an issuer fails to make a payment to the bond's reserve or escrow fund.

Bond trustees have come under increased scrutiny ever since the Washington Public Power Supply System bonds defaulted, creating financial losses for thousands of investors. The default and subsequent litigation raised questions about whether trustees should be required to notify investors of an impending default or help recover funds for bondholders after a bond default.

"There was a consensus that the issue of industry standards is important and one that should be given serious consideration," said Ed McCartney, vice president and manager of the corporate trust services division of the First National Bank of Chicago. Mr. McCartney is also chairman of the ABA's fiduciary and securities committee.

"But what those standards will be, how extensive and detailed they will be, has yet to be determined," he added.

The trustees urged the subcommittee to develop a corporate trust network with about 17 regional trust groups that have been formed over the past few years.

"We'd like to tie the American Bankers Association's activities more closely to these organizations," Mr. McCartney said. "We'd like to consider having the regional groups undertake projects with the American Bankers Association acting as coordinator.

"One possibility would be to designate certain regional groups to draft certain portions of the industry standards."

Mr. McCartney added that the subcommittee could improve education of trustees by making available an existing corporate trust textbook, and trustees' training could be improved through the use of videotapes. ■

Dr. James Tobin to Get Award for Forecasting

NEW YORK — Dr. James Tobin, 1981 Nobel Prize recipient in Economic Science, will present Sterling National Bank & Trust Company of New York's annual economic forecasting award on Nov. 15.

The winner, to be announced on that date, will present economic predictions for 1989.

The award was established in 1981 in honor of Sterling National's chairman, Theodore H. Silbert. It recognizes outstanding achievement in economic forecasting and encourages greater accuracy, professionalism, and timeliness in financial and economic forecasting.

Dr. Tobin is the John W. Sterling Professor of Economics at Yale University. He has been on the Yale faculty since 1950. ■

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